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Delegations will find attached document SWD(2024) 207 final.

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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE EVALUATION

of the impact of the EU-CARIFORUM Economic Partnership Agreement

{SWD(2024) 206 final}

The CARIFORUM–EU Economic Partnership Agreement (EPA) was signed and entered into provisional application in 2008. The underlying objective of this EPA was to create a comprehensive reciprocal trading arrangement replacing the unilateral preferential access to the EU market under the Cotonou Agreement for the African, Caribbean and Pacific (ACP) States. The EPA with CARIFORUM is the only EPA that has a fully regional scope covering 14 CARIFORUM States¹ and a comprehensive set of commitments covering not only trade in goods, but also trade in services, provisions on competition, innovation and intellectual property, a rendezvous clause on geographical indications (GIs), transparency in public procurement, negotiated market access to public procurement pending a joint decision, provisions on labour and environmental standards, regional integration and a specific protocol on cultural cooperation. It also contains a strong component to assist the CARIFORUM States in promoting their developmental strategies and the implementation of the EPA. The CARIFORUM region comprises states at different level of development and capacities, mostly SIDS², adding challenges to the implementation of the EPA at a regional level.

In 2021, the European Commission services finalised and published the **Evaluation Study** prepared by external consultants – Ecorys&Appleton Luff. The final deliverables of this Study were the Implementation Report and the Final Evaluation Report of the EU-CARIFORUM EPA³ covering the economic, social, human rights and environmental impacts of the Agreement.⁴ The Evaluation Study also assessed the effectiveness of the EPA-related development cooperation support along with capacity and cooperation needs on the CARIFORUM side. The purpose of the Evaluation Study was to assess the extent to which the EPA has been implemented, where the bottlenecks lie and the extent to which the EPA contributed efficiently and effectively to reaching the objectives it set out, its current relevance and its coherence with other EU policy instruments.

The results of the Evaluation Study served as an important input to the statutory **EU-CARIFORUM Review process** (to be carried out every five years, as foreseen by the EPA text). Intensive technical discussions of the EU-CARIFORUM Review Task Force between 2021 and 2023 gave the Commission further insight in the state of implementation and the impact of the EPA.

This **Staff Working Document** (SWD) is based on the results of both the above-mentioned **Evaluation Study** and the joint **Review process**. For the cooperation dimension, the SWD is based also on the completion of the external mid-term evaluation of the main EPA support programmes. The Evaluation Study covered a 10-year period between 2008-2018, and is complemented with more recent data available for 2020-2022 in order to take into account the recuperation of trade flows after the Covid-19 pandemic that impacted the CARIFORUM strongly due to its dependency on services and tourism. The evaluation of economic and development impact focuses on the

¹ Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Saint Kitts and Nevis, Suriname, Trinidad and Tobago, and the Dominican Republic.

² SIDS – Small Island Developing States

³ [Ex-post evaluations \(europa.eu\)](https://ec.europa.eu/economy_finance/ex-post-evaluations-europa-eu)

⁴ This included also impact on some of the EU Outermost Regions, which are geographically close to the CARIFORUM region (Guadeloupe, Martinique and Saint Martin- France).

CARIFORUM States due to the explicit development-oriented nature of the EPA. In addition, it assesses the implementation and functioning of the EPA, as well as the overall knowledge and awareness of the Agreement by stakeholders including four dedicated case studies.

Concerning **the economic impact** of this EPA, the Commission services' economic model showed that - compared to a counterfactual scenario of trading under Most Favored Nation (MFN) terms - bilateral trade under the EPA is significantly higher, for both exports to and imports from CARIFORUM States⁵. In addition, the newer data available show that trade in goods flows between the EU and CARIFORUM have more than doubled under the EPA, passing from EUR 8.3 billion in 2008 to EUR 17.7 billion in 2022. Bilateral trade and investments show a prevailing upward trend for both trade in goods and trade in services (except for the Covid-19 pandemic period when trade in services was more heavily affected than trade in goods). Total services trade accounted for EUR 10.4 billion in 2022 and the EU FDI stocks in CARIFORUM stood at EUR 41 billion in 2021 with a peak of EUR 101 billion in 2017 while the CARIFORUM's FDI accounted for EUR 88 billion in 2021.

With regard to **the social and environmental impacts** of the EPA, it was the first EU's trade agreement with strong provisions on labour and environmental standards in addition to sustainable development cooperation. CARIFORUM States made improvements in this area and ratified the eight core ILO Conventions listed under the EPA⁶. All CARIFORUM States have implemented specific initiatives and legislation to preserve, protect and improve their natural environment and prioritise sustainable development, also with the support of EU development cooperation related to a sustainability dimension. However, data limitations prevented to provide an exact estimation of the specific impact of the EPA in this area. The CARIFORUM States are keen supporters of climate action at multilateral level and the new Samoa Agreement between EU and ACP States reinforces the sustainability dimension with the CARIFORUM region, and creates a potential to deepen the dialogue on trade and sustainable development and social, climate and environment matters in the framework of both the EPA and the Samoa Agreement.

As regards the extent to which the objectives of the EU-CARIFORUM EPA have been reached in terms of **effectiveness, efficiency, coherence and relevance**, based on the analysis carried out, the Commission services concluded that:

- A good level of **effectiveness** of the EPA was identified concerning the EPA objectives of:
 - i) promoting regional economic integration and transparency and predictability of the regulatory framework for trade and investment; ii) strengthening of the CARIFORUM region's integration in the world economy; iii) improving the CARIFORUM States' capacity in trade policy and trade related issues. The effectiveness of the EPA was deemed limited for the remaining objectives (i.e. reduction and eradication of poverty; enhancing CARIFORUM's export supply capacity, competitiveness and economic growth in the CARIFORUM region; and strengthening overall economic relations between the Parties).

⁵ Based on partial equilibrium modelling exercise performed on DG Trade to estimate the effects of the EPA for the Dominican Republic, Grenada, Jamaica and St. Lucia, because of the non-availability of the data for the rest of the CARIFORUM countries.

⁶ Only St. Lucia has not ratified The Minimum Age Convention 1973 (No. 138).

- The EPA has been **efficient** in the sense that it remains the only viable option to maintain full duty-free quota-free access to the EU market for the CARIFORUM States, providing economic benefits for CARIFORUM and progressively for the EU. Without the Agreement, the CARIFORUM States would have faced MFN rates, and not the preferential access for trade in goods they had prior to the EPA. Therefore, alternative scenarios would have been less efficient in that regard.
- The EPA is **coherent** with the EU's main policies and trade-policy objectives overall and other policy instruments with the Caribbean.
- The provisions of the EPA are **relevant** for addressing current needs with respect to bilateral trade relations between the EU and CARIFORUM and respond broadly to modern challenges. However, there is a need to work further with the region to reveal the full economic potential of the Agreement, in particular on services and regulatory provisions, regional dimension and to address the capacity constraints on the CARIFORUM side.

With regard to **the state of implementation**, the evaluation found clear progress in the implementation of the Agreement in many CARIFORUM States, however with important differences across the 14 CARIFORUM Countries with respect to the pace and technical capacity of implementation, particularly as regards tariff schedules.

The evaluation has identified as well **important capacity constraints and structural challenges** on the CARIFORUM side, limiting the realization of the full economic potential of the Agreement. This includes in particular: i) administrative and technical capacity constraints; ii) the different level of implementation of the Agreement among the CARIFORUM states; iii) limitations in data and transparency of information from CARIFORUM's side; iv) limited awareness of the EPA among stakeholders; v) fragmented market and difficult business climate in the CARIFORUM States; and vi) structural challenges related to remoteness, connectivity and the small size of the respective economies. Most of these challenges go beyond the EPA framework, though the EPA can provide useful tools and a platform to address some of them.

The Commission services' overall conclusion is that the **EU-CARIFORUM EPA is a comprehensive and relatively modern agreement** responding broadly to the current needs and EU policy objectives. There is no imminent need for modernising or deepening this Agreement, especially that the region is still facing many implementation challenges and significant capacity constraints. Addressing these challenges will be key to unlock the full economic potential of the Agreement, including in the area of services and investments that are of particular importance for CARIFORUM States and the EU. **Priority should be given to tackling those issues with the greatest transformative potential** related to improving the regulatory and business climate (such as transparency, competition or regional integration) **and key bottlenecks in implementation** as identified with 14 CARIFORUM partners under the Review process (full ratification, implementation of all tariffs commitments, focus on services, regional preference and improving preference utilisation rates). Cooperation support should be tailored to support and assist the above-mentioned areas and identified needs, in particular by technical capacity building on the CARIFORUM side.