

# Trade WINS

*Critical Issues for Business Vol. 2: No.1, November, 2006*

## THE CARICOM/CUBA TRADE AND ECONOMIC CO-OPERATION AGREEMENT EXPLAINED

In July 2000, CARICOM and Cuba entered into an agreement to strengthen their commercial and economic ties. The Trade and Economic Co-Operation Agreement Between the Caribbean Community (CARICOM) and the Republic of Cuba was signed in Canouan, St. Vincent and the Grenadines. The agreement addresses several concerns raised by researchers and members of the private sector.

In 1998, Caribbean Export funded a study on trade facilitation between CARIFORUM (Caribbean Forum of ACP States) and non-CARIFORUM countries. The findings of the report on trade and economic co-operation between CARIFORUM and Cuba were published in TRADEWINS in 2000. The report found that, despite the formation of the Joint Cuba/CARICOM Technical Commission in 1993 and continuing discussions at the political level, the expectations of the business community had not been met. The anticipated exchange of goods, services and information and the standardisation of rules of trade had not yet materialised. The current Trade and Economic Co-Operation Agreement makes significant steps towards remedying this situation but the details of the document are not widely known.

In this issue of TRADEWINS, we present highlights of the agreement. We have attempted to provide you with insight into how the agreement will work, the key issues covered and ways in which the private sector can become involved. We have also included an overview of the annexes to the agreement which deal with products targeted for duty free access. We hope that this document will help members of the private sector to explore and take advantage of the many opportunities offered by the new trading arrangements between Cuba and CARICOM.

### IN THIS ISSUE

**What does the agreement mean for me?**

**What are the key issues?**

**What can the private do to become involved?**

TRADEWINS is designed with Caribbean business in mind. The series is intended to bring issues of trade policy to the private sector and other interested parties.

## Background

The CARICOM/Cuba Trade and Economic Co-operation Agreement should be understood within the context of regional and global moves towards increased economic integration and trade liberalisation. The Revised Treaty of Chaguaramas provides the mechanisms for establishing the CARICOM Single Market and Economy (CSME). The CSME will facilitate the free movement of goods, services and people within CARICOM and provide a solid negotiating bloc for the region in the face of external competition. The Treaty of Montevideo which established the Latin American Integration Association (ALADI) aims to create a Latin American common market. Cuba is the most recent addition to that group.

Cuba and the CARICOM territories are also members of the Association of Caribbean States (ACS). One of the aims of the ACS is the promotion of an expanded economic space for regional trade, investment and integration. The governments of Cuba and the CARICOM Member States view integration as a means of improving the living standards of Caribbean people. Ultimately, they would like to see the establishment of a Free Trade Area between their countries. The current trade and economic co-operation agreement is a first step in that direction.

### ***Fact-o-File***

#### ***The Convention Establishing the ACS***

*The Convention Establishing the Association of Caribbean States (ACS) was signed in July 1994 in Cartagena de las Indias, Colombia. Its objectives include the strengthening of regional co-operation and integration, the preservation of the environmental integrity of the Caribbean Sea and the promotion of sustainable development in the Greater Caribbean. Member States are: Antigua and Barbuda, Bahamas, Barbados, Belize, Colombia, Costa Rica, Cuba, Dominica, Dominican*

*Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago and Venezuela. Associate members are: Aruba, France (on behalf of French Guiana, Guadeloupe and Martinique), the Netherlands Antilles and Turks and Caicos.*

### ***Who Are The Parties To The Agreement?***

The parties to the agreement are CARICOM and the Republic of Cuba. CARICOM countries are further divided into More Developed Countries (MDCs) and Less Developed Countries (LDCs). The MDCs are: Barbados, Guyana, Jamaica, Suriname and Trinidad and Tobago. The LDCs are: Antigua & Barbuda, Belize, Dominica, Grenada, Montserrat, St. Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines. Economic agreements involving CARICOM typically make special provisions for the LDCs to ensure that trade liberalisation does not place them at a further economic disadvantage. It is possible for other countries which are members of the Association of Caribbean States to join this agreement, subject to negotiation.

### ***What Does The Agreement Do?***

The CARICOM/Cuba Trade and Economic Co-operation Agreement creates a framework for the progressive liberalisation of trade in goods and services. It does this by establishing an open business and investment climate and setting up positive lists of goods which will receive duty free access when traded between Cuba and CARICOM countries. The agreement also establishes lists of goods which will be subject to a phased reduction of duty and a list of agricultural products which will be subject to special trading arrangements when imported into the MDCs of CARICOM.

The agreement commits the parties to taking all the necessary steps to encourage support from banks and other financial institutions which facilitate foreign trade. It commits the Parties to adopting measures for information exchange and the harmonisation of customs procedures and technical standards. The agreement also pays special attention to trade in services and to the sustainable development of the tourism industry in particular. Overall, the agreement seeks to lay the foundation for increased economic integration through new levels of partnership and the gradual reduction of tariffs and other obstacles to trade.

### ***Is It Already In Force?***

The agreement will come into force – or take effect – when all parties have ratified it. A protocol for Provisional Application was signed on 8 December, 2002. The agreement is provisionally applied between Cuba and Barbados, Belize, Guyana, Jamaica, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago. Ratification involves a lengthy process of deliberation and approval by national governments. The remaining CARICOM countries have begun this process.

### ***What Does The Agreement Mean For Me?***

The agreement gives you market access and the opportunity to develop new trading relationships. It allows you, as a member of the private sector, to make tentative predictions about the direction of trade so that you can prioritise key elements in the development of your business. The agreement also gives you the opportunity to learn new skills in a different trading culture and to prepare yourself for increased participation in the international economy.

### ***What Does The Agreement Look Like?***

The main text of the agreement is 16 pages long and this is where the key elements are to be found. There are 30 articles in the main text, each dealing with an area related to objectives, administration, implementation, priorities or interpretation. This section of the agreement sets the agenda. In addition to the main text, there are over 50 pages of annexes which provide details on goods which are eligible for duty free access and the rules governing those arrangements.

### ***Who Will Monitor The Agreement?***

The agreement will be supervised by the CARICOM-Cuba Joint Commission (Joint Commission). The Joint Commission will resolve any disputes related to the agreement and ensure that the agreement is reviewed and its performance evaluated. It is also authorised to recommend amendments or modifications to the agreement and measures for compliance with existing provisions. A key aspect of the commission's work involves the establishment of Committees and Experts Groups which deal with specific priorities under the agreement. The commission will delegate responsibilities to them and supervise their work. The Joint Commission is scheduled to meet once a year and its decisions are generally reached by consensus.

### ***What Are The Key Issues?***

The key issues in this agreement are tariff reduction, trade facilitation and co-operation. Tariff reduction is about market access. Prior to this agreement, CARICOM exporters seeking to enter the Cuban market were at a disadvantage relative to their Latin American counterparts. The situation was similar for Cuban exporters entering the CARICOM market. The agreement makes significant advances in this area.

The parties have also agreed that non-tariff barriers to trade must be removed. To this end, there are a number of proposed measures for trade facilitation through increased financing and information exchange and the harmonisation of non-tariff requirements.

Co-operation is an essential element of all of the provisions of this agreement. The parties have agreed to promote the economic and social development of each party and, in particular, they have agreed to co-operate in the following areas: development of human resources; science and technology; meteorology and natural disaster preparedness; and culture. However, it is in the area of trade in services that co-operation – in the form of technical assistance and joint ventures – will be especially important.

## Market Access

Market access under this agreement operates under the principle of a positive list. Goods and products which appear on the lists will be granted duty free access. These lists are extensive and are highlighted in appendices at the end of this document. As part of the gradual process of liberalisation, there are several categories of lists. The first is a list of goods to be granted immediate duty free access when the agreement takes effect. The second is a list of goods and products to which a phased reduction of duties will be applied over a period of four years. The third is a list of selected agricultural products which may not be granted duty free access at certain times of the year. This category exists for the protection of local farmers and producers who may suffer significant losses during particular seasons.

Market access is typically based on reciprocity. Each party makes concessions to the other. However, both CARICOM and Cuba are committed to ensuring that all countries benefit from the agreement and that disparities based on capacity and level of economic development are minimised. As such, the LDCs of CARICOM will not be required to grant duty free access or to

institute the phased reduction set out in the annexes to the agreement. Goods manufactured in Free Trade Zones (FTZs) and Export Processing Zones (EPZs) are produced under favourable tax and financial conditions. Under the CARICOM/Cuba agreement, these goods will be subject to Most Favoured Nation (MFN) treatment. This means that they will not be granted duty free access but they will be subject to duties and tariffs which are no less favourable than those which apply to other countries which are not part of the agreement.

CARICOM and Cuba have agreed that they will not apply any quantitative restrictions to trade under this agreement. This means that no quota restrictions will be applied. They will, however, take into account the rights of the parties under the Agreement Establishing the World Trade Organization (WTO) and the obligations of CARICOM Member States under the Revised Treaty of Chaguaramas. While CARICOM and Cuba are committed to maintaining high technical standards and ensuring public health and safety, they are also committed to ensuring that technical regulations do not pose barriers to trade. They aim to harmonise their technical, sanitary and phytosanitary measures.

## Trade in Services

Trade in services is not a traditional area for policy negotiation in the Caribbean, but it is an area of growing importance in the region and internationally. Chapter Three of the Revised Treaty of Chaguaramas – *Establishment of Services, Capital and Movement of Community Nationals* – provides the basis for the services regime within the CARICOM Single Market and Economy (CSME). Member States have now completed the removal of existing restrictions and it is expected that negotiations will begin next year for the negotiation of an agreement on trade in services with Cuba. In the interim, each party will grant MFN treatment to services and service suppliers of the other party. The General Agreement on Trade in Services (GATS) of the WTO will serve as a guide.

## Fact-o-File

### The GATS

*The General Agreement on Trade in Services (GATS) was created as part of the Uruguay Round of the World Trade Organization (WTO) negotiations in 1995. The agreement consists of a framework and a set of national schedules which list the commitments that each country has made in granting access to foreign suppliers. The agreement applies, in principle, to all service sectors (e.g. finance, business, engineering and tourism). There are two exceptions: services supplied “in the exercise of government authority” and services related to air traffic rights. Negotiations on the schedules are ongoing. You can find more information at*

*[http://www.wto.org/english/tratop\\_e/serv\\_e/serv\\_e.htm](http://www.wto.org/english/tratop_e/serv_e/serv_e.htm)*

The parties have agreed to consider the following sectors and sub-sectors in their services regime: entertainment services; financial services; professional services; construction and related engineering services; computer and related services; and telecommunication services. Special attention will be paid to the tourism and transportation sectors.

#### a. Tourism

CARICOM and Cuba have agreed to promote the diversification and development of tourism and to encourage multi-destination travel. All of this will be undertaken with a commitment to meeting the parties' obligations under the Declaration for the Establishment of the Sustainable Tourism Zone in the Caribbean (STZC).

The parties will also provide each other with technical assistance in areas such as the following: human resource development; foreign language training; hospitality training; tourism planning and development; and hotel management training. Special mention is made of training and development opportunities for management and supervisory personnel and the parties have agreed to examine the feasibility of establishing a regional centre for such training.

Cultural exchange is also on the tourism agenda. The parties have also agreed to encourage their business sectors to participate in special programmes and fora dealing with goods and services for the tourism, travel and entertainment sectors. They have agreed to co-operate in the area of passenger transport and to review the adequacy of airline and cruise ship services in the Caribbean. In particular, they will consider joint ventures in the cruise ship industry. The Joint Commission will establish Experts Groups on tourism, travel-related services and entertainment.

## Fact-of-File

### The STZC

*The Convention Establishing the Sustainable Tourism Zone of the Caribbean (STZC) was signed at the 3<sup>rd</sup> Summit of Heads of State of the Association of Caribbean States (ACS) in December 2001 in Margarita, Venezuela. The convention recognises the importance of sustainability as the basis for protecting biodiversity, culture and the environment and for improving the distribution of benefits to be derived from tourist development. The convention establishes minimum criteria and indicators for identifying and designating sustainable destinations. The Special Committee on Sustainable Tourism is charged with following through on implementation, coordination, analysis and approval. The committee meets twice a year.*

## **b. Transportation**

An efficient and reliable transportation service will not only support the development of the tourism industry. It will also facilitate trade between CARICOM Member States and Cuba. Each party has agreed to appoint experts on international transportation to draft working schedules for implementation of key directions or “lines of action” outlined in the agreement. The experts will produce joint reports that will be submitted to the Joint Commission for review. The lines of action and working schedules will take into account the measures adopted by the Special Committee for Transportation of the ACS and ensure compliance with the regulations of the International Civil Aviation Organization (ICAO). The lines of action are the following:

- Dissemination of information on air and maritime services
- Creation of joint ventures or other means of economic co-operation
- Organisation of a network of cargo agents for maritime transportation between the territories of the parties
- Application of flexible and attractive tariffs for the Domestic Port Services in each territory in order to make regional transportation more competitive
- Establishment of specific agreements to facilitate maritime and air transport
- Exploration and identification of possibilities of developing import-export transshipment hubs to support trade between the parties and third party markets
- Strengthening the capacity of parties to ensure operational safety and airworthiness
- Establishment of co-operative ventures among air and maritime transport authorities on matters relating to the safe, efficient and reliable provision of international transportation services within the territories of the parties

## **Trade Financing, Business Facilitation and Trade Promotion**

Trade and economic co-operation agreements will not benefit members of the private sector if the financial climate does not facilitate business. The parties recognise that banks and other financial institutions must increase their support for exporters and importers and they have suggested that work must be done in the following areas:

- Establishment and confirmation of lines of credit
- Provision of guarantees
- Discounting of bills of exchange, commercial papers and similar instruments
- Provision of pre-shipment and post-shipment finance
- Provision of export credit insurance

The Joint Commission will establish an Experts Group of financial specialists which will investigate avenues for improving the availability, conditions and competitiveness of the credit terms currently offered. The group will promote training and information exchange. It will also support collaboration and the establishment of joint ventures for trade financing between the parties.

The Joint Commission is also required to adopt a special programme of measures for the facilitation of business. This programme should include measures related to transparency, information exchange and the harmonisation of customs procedures and technical standards.

Trade promotion is another key issue for members of the business sector and all parties have agreed to establish trade promotion programmes, to facilitate official and business missions and to organise trade fairs and exhibits. They will conduct market research and exchange information. Each party has agreed to promote the involvement of its business sector in pursuing the objectives of the agreement through the formation of a CARICOM-Cuba Business Council. This council is currently being established. It will be headed by the Caribbean Association of Industry and Commerce (CAIC) on behalf of CARICOM and by the Cámara de Comercio de Cuba on behalf of Cuba – with support from Caribbean Export.

## **Fact-o-File**

### **Some Initiatives**

*Several initiatives are already underway to improve financing, facilitation and trade promotion. The Export-Import Bank (EXIM Bank) of Jamaica and the Republic Bank of Trinidad and Tobago have established facilities in Cuba to provide lines of credit. In addition, the Government of Trinidad and Tobago is establishing a Trade Facilitation Office in Havana designed to assist CARICOM manufacturers and exporters who wish to do business in Cuba.*

### **What Are The Safeguard Mechanisms?**

There are several mechanisms in place for dealing with any problems which might arise in the execution of the agreement. First, it is useful to remember that there are provisions for allowing each party to protect its national interest. Nothing in this agreement will prevent any party from adopting measures which it feels are necessary for the protection of its cultural heritage, the health and welfare of its citizens, its environment or its natural resources. In addition, there are mechanisms in the agreement for the protection of the local economy and for addressing conflict.

#### **i) Safeguard Measures**

Safeguard measures can be applied when one party believes that imports from another party are in such amounts that they may seriously affect its own production of similar goods. In this case, there will be a temporary suspension of tariff preferences and reinstatement of duties for the specific product. Initially, these measures can be applied for up to one year. If the original causes of the safeguard continue to exist, the measures can be renewed for one more year. The Joint Commission must be consulted on all applications for safeguard measures.

#### **ii) Unfair Trade Practices**

Unfair trade practices include subsidies and dumping. If there is evidence of injury or threat of injury, the affected party may apply corrective measures which conform to the Agreement on Subsidies and Countervailing Measures and the Agreement on the Implementation of Article VI of the General Agreement on Tariffs and Trade (GATT) of the WTO. CARICOM and Cuba have also agreed to work on promoting competition policy and discouraging anti-competitive business practices.

#### **iii) Dispute Settlement**

The agreement lays out a number of rules for the settlement of disputes. These rules cover all matters relating to interpretation, application, execution and non-compliance with the provisions of the agreement. (They will not apply to the agreement on investments which the parties will negotiate at a later date.) First, parties must try to resolve any dispute through informal consultation. If they fail to arrive at a mutual solution within 30 days, the party alleging injury can deliver a request in writing to the other party for the intervention of the Joint Commission.

The Joint Commission should meet within 15 days of receiving such a request and give its decision within 60 days of its first meeting on the matter. The parties may, under special circumstances, come to mutual agreement on the time-frame for meeting and rendering a decision. In the case of perishable goods, the process is expedited. The Joint Commission is authorised to engage expert advisors in seeking solutions to disputes. There are also provisions for terminating the agreement.

#### iv) Review

The Joint Commission will review the agreement within four years of its entry into force. It will examine issues of performance and compliance and make any recommendations which it feels are necessary to improve trade and economic relations between the parties. This is a way of keeping the agreement current and ensuring that it meets the evolving needs of the parties and continues to be relevant to the changing economic context. The parties must agree to any modifications and amendments before they can enter into force.

#### ***What Can The Private Sector Do To Become Involved?***

The agreement commits the governments of the parties to working together to establish priorities and schedules. The agreement is evolving so do your best to keep informed in order to make constructive interventions. Take the initiative to familiarise yourself with the agreement and with its schedules and lists. Use the contact information on the final page of this document to get in touch with Caribbean Export – in Barbados or the Dominican Republic – and find out how we can help. We provide services in trade promotion and policy information and we may be able facilitate your market research.

You may also wish to contact your own Private and Public Sector Business Support Organisations (BSOs) to secure additional information on the Cuban market and the agreement. You should also lobby your BSOs to establish working relationships with institutions in Cuba and other CARICOM countries if they do not currently exist.

#### **Fact-o-File**

*The CARICOM/Cuba Trade and Economic Co-Operation Agreement is a work in progress. CARICOM is currently negotiating with Cuba an additional list of products for preferential access to both markets. You can find the most current updates on the website of the Caribbean Regional Negotiating Machinery (CRNM) at [http://www.crnmm.org/caricom\\_cuba.htm](http://www.crnmm.org/caricom_cuba.htm)*

#### ***Appendix I: List Of Exports From CARICOM On Which Cuba Will Grant Duty Free Access***

Cuba has agreed to grant duty free access to several categories of goods. These categories include meat, seafood, agricultural products, beverages, petroleum-based and natural gas products and manufactured goods. Products which may be of particular interest include the following:

- Construction materials (stone; prepared additives for cements, mortars or concretes; wooden doors, windows and frames; iron screws, bolts and nuts; steel bars; and equipment for scaffolding)
- Feed for poultry, cattle, pigs, fish and horses
- Fertilisers, insecticides and fungicides
- Fruit juices, shandy and aromatic bitters
- Nutmeg, mace and cardamom
- Cocoa beans, paste, butter and powder
- Refined coconut oil
- Essential oils, perfumes and make-up preparations
- Paper products
- Clothing
- Furniture
- Refrigerators, freezers and stoves
- Plastic and aluminium products
- Brake pads, radiators and exhaust pipes

The list gives details on specifications such as the type of material and production process required.

***Appendix II: List Of Exports From Cuba On Which CARICOM Will Grant Duty Free Access***

CARICOM has also agreed to grant duty free access to several categories of exports from Cuba. These categories include live animals, plants, seafood and products for medical, dental, surgical and veterinary use. Products which may be of particular interest include the following:

- Sugar beet and sugar cane
- Mango, avocado, citrus fruit, manioc and arrowroot
- Wine and vermouth
- Automatic data processing machines
- Equipment for photographic and cinematographic laboratories (projection equipment and screens)
- Motorcycles
- Construction machinery (for grinding earth, crushing stone or plastering material)
- Agricultural machinery (for soil preparation or cultivation)
- Leather
- Clothing
- Baths and showers
- Prepared culture media for the development of micro-organisms
- Diagnostic or laboratory reagents
- Wadding, gauze and bandages
- Hormones (natural or synthetic)

The list gives details on specifications such as the type of material and production process required.

***Appendix III: List Of Items On Which Cuba Will Grant Phased Reduction Of Duty To CARICOM (Over Four Years)***

This is a short list which includes the following: cut flowers; sausages and other prepared or preserved meat; pasta; bread, pastry, biscuits and cakes; prepared fruits and nuts; condiments; plastic food containers and tableware; and paper products such as boxes and other packing containers.

***Appendix IV: List Of Items On Which CARICOM Will Grant Phased Reduction Of Duty To Cuba (Over Four Years)***

This is also a short list which includes the following: coffee; sausages and similar meat products; pasta; jams, fruits and jellies; soups and broths; plastic food containers and tableware; paper products such as boxes and other packing containers; sacks and bags; and iron and steel fencing.

***Appendix V: Schedule For List Of Selected Agricultural Products To Be Subject To Special Trading Arrangements When Imported Into CARICOM MDCs From Cuba***

The products on this list are potato, carrot, cassava, avocado, mango, citrus fruit, watermelon and papaya. The schedule indicates the months of highest production during which these products may be subject to MFN rates of duty when entering Barbados or Jamaica.

***Appendix VI: Rules of Origin***

The Rules of Origin are especially important because they are the basis upon which goods listed in the previous annexes are eligible for preferential treatment. The Rules of Origin consist of 15 articles which outline the criteria under which goods can be said to originate in the territories of the parties. Under the agreement, eligible goods must either be wholly produced in the territories of the parties or they must undergo a process of transformation substantial enough to qualify as being produced in the parties.

## A. Wholly Produced Goods

The Rules of Origin establish clear criteria for wholly produced goods.

- Minerals, plants or animals which have been extracted, harvested or gathered, born, bred or captured in the territories of the parties or in their territorial waters or their exclusive economic zones.
- Products of the sea which are extracted beyond the territorial waters of the parties and their exclusive economic zones by ships which are wholly or partially owned (at least 50%) by nationals of the parties. If these ships are not owned by nationals, they must be legally chartered or otherwise contracted under joint ventures by businesses established in the parties.
- Goods of factory ships made from sea products which have been extracted by the ships listed in the categories above.
- Waste such as slag, ashes and scrap produced through manufacturing or processing operations in the territories of the parties and used for the recovery of materials – once this waste is not hazardous or toxic.
- Goods produced in the territory of a party solely from materials or products originating in that party.

### Fact-o-File

*The terms “materials”, “goods” and “production” are important in determining origin. In the CARICOM/Cuba Trade and Economic Co-Operation Agreement, “materials” refers to raw materials, intermediate goods and parts and components used in the production of goods. “Goods” refers to materials or finished articles “Production” refers to planting, extracting, harvesting, fishing, hunting, manufacturing, processing or assembly of goods.*

## B. Goods Undergoing Substantial Transformation

The principle of substantial transformation is used to identify the origin of a product when that product has been manufactured in more than one country. This is a way of ensuring that only those goods which have been produced in the parties qualify for the treatment offered under the agreement.

The parties have agreed to use the Nomenclature of the Harmonized Commodity Description and Coding System (or Harmonized System - HS). This is an international classification system involving various headings, subheadings and codes used by customs authorities. Substantial transformation is characterised by a change in customs classification heading. Essentially, the original materials are described as having been transformed into a new product.

If materials qualify as originating goods in one party and are used in production in another party, those materials will be considered originating goods. Goods produced in the territories of the parties which utilise materials from third countries will be considered to be originating goods under certain circumstances:

- If the goods are classified under an HS heading which is different from the headings under which all of the materials from the third countries are classified.
- If the cost, insurance and freight (CIF) value of the third country materials does not exceed 50% of the freight on board (FOB) price of the goods produced.

There are several processes which do not qualify as processes of substantial transformation:

- Operations to ensure the preservation of goods during transportation or storage (e.g. ventilation, refrigeration, freezing, addition of preservatives, removal of damaged parts)
- Dust removal, washing or cleaning, peeling, shelling, sorting, crushing and similar processes
- Simple formation of sets of products
- Packing, placing in containers or repackaging
- Assembly of packages
- Dividing of packages
- Affixing of labels, brands or other signs
- Simple mixture of materials, if the essential characteristics of the goods obtained are not essentially different from those of the materials which have been mixed
- Simple dilution in water or other substances, if the essential characteristics of the goods have not been altered
- Slaughter of animals

### C. Direct Consignment

In order for goods to benefit from preferential treatment, they must normally be delivered directly from the exporting country to the importing country. If goods are transported in transit through one or more countries which are not party to the agreement (with or without transshipment or temporary storage), they may be considered direct consignment under certain conditions:

- The transit must be justified by geographical reasons or by considerations related to transport requirements.
- The goods must not be destined for use or trade in the transit country.

The goods must not undergo, during transportation or storage, any operation other than loading or unloading or operations required to keep them in good condition or ensure conservation.

### Fact-o-File

*In addition to those goods either wholly produced in the parties or undergoing substantial transformation, goods which meet specific origin requirements determined by the Joint Commission are also eligible for preferential treatment. The Joint Commission will review the Rules of Origin at least once a year and it may amend the rules. It may also conduct a review at the request of one of the parties.*

### D. Certificates of Origin

The Certificate of Origin is a critical document in which the exporter or the final producer must declare that the goods being exported meet the origin requirements. The authorised body of the exporting country must also certify that the declaration made by the exporter or the final producer is accurate.

Under the agreement, each party will authorise an official body to issue Certificates of Origin. The main function of these official bodies is to verify the accuracy of the declarations and to provide the authorities in the other parties with any co-operation that is needed in this regard. Parties may request a review of documentation if there are grounds to doubt the authenticity of the document or the dates contained in the document. They may also request a review if it is felt that random checks are necessary.

### **Fact-o-File**

*The parties have agreed to share approved lists of authorised bodies, lists of approved signatures and stamps of their authorised bodies. Any changes to the lists will enter into force 30 days after the parties have received notification. The business sector should note that, under the agreement, the customs authorities of an importing country cannot, for any reason, interrupt the import procedure of goods which are covered by an appropriate Certificate of Origin. However, the authorities may request additional information from the exporting country and adopt actions which they feel are necessary to safeguard the fiscal interests of the importing country.*

*The Certification Offices are as follows: Barbados Investment and Development Corporation in Barbados, Customs and Excise Departments in the OECS Member States and Guyana, BELTRAIDE in Belize, Trade Board Limited in Jamaica, Chamber of Commerce in Suriname and Business Development Company Ltd. in Trinidad and Tobago.*

The parties have agreed to take appropriate legal measures against anyone involved in providing false information in documents related to the origin requirements. Requests for review and control must be made within one year of the date of the customs declaration in the importing country. The competent authority of the exporting country must then supply the requested information within three months of the request.

The Certificate of Origin is valid for 180 days. Any exporter or final producer who completes and signs a Certificate of Origin must keep all records and documents relating to the origin of the goods for a minimum of three years. If an importer is unable to supply a Certificate of Origin, the customs authorities may allow the release of the goods. However, the authorities may also take action to safeguard the fiscal interests of the importing country.

### **Useful References**

Caribbean Export Development Agency (2000). "Trade and Economic Cooperation Between CARIFORUM and Cuba". TRADEWINS.

Gonzales, A. & D.E. Lewis (1998). "The Development of Trade and Economic Cooperation Between CARIFORUM and Cuba". (Report prepared for the Caribbean Export Development Agency.)

Wilson, Rhonda (2006). "Bilateral Trade Agreements in the Caribbean Community: Opportunities for Trade". A presentation delivered at the Private Sector Consultation, Georgetown, Guyana, October 26, 2006.

**TradeWINS** is a publication of the Caribbean Export Development Agency (Caribbean Export). It is an important part of the agency's advocacy programme – making trade information accessible to those who need it most.

Caribbean Export has identified a need to broaden and consolidate private sector involvement in the business of trade – identifying markets, improving market access, increasing competitiveness and playing a key role in the development of trade policy.

**TradeWINS** is a series of edited reports, treaties and agreements reflecting trends in regional business and pointing the way to future development. The series will be published occasionally – as new documents come to hand. Through **TRADEWINS**, we aim to inform members of the private sector, and others, of the important role of research, policy and negotiation in the development of regional and international trade. We hope that they will be encouraged to better organise themselves, to increase the present levels of research and to lobby their governments for changes which can improve the way they do business.

Caribbean Export welcomes your feedback on this series. Please feel free to contact us at the addresses below:

#### **HEADQUARTERS**

Caribbean Export Development Agency  
Mutual Building  
Hastings Main Road  
Christ Church  
BARBADOS

Mailing Address:

P.O. Box 34B  
Brittons Hill Post Office  
St. Michael BB14000  
BARBADOS  
Tel: (246) 436-0578  
Fax: (246) 436-9999  
E-mail: [info@carib-export.com](mailto:info@carib-export.com)  
Website: [www.carib-export.com](http://www.carib-export.com)

#### **SUB-REGIONAL OFFICE**

Caribbean Export Development Agency  
Carlos de Lora No. 9  
Los Restauradores  
Santo Domingo  
DOMINICAN REPUBLIC  
Tel: (809) 531-6565  
Fax: (809) 473-7532  
E-mail: [c.export@verizon.net.do](mailto:c.export@verizon.net.do)

The Caribbean Export Development Agency serves the Caribbean Forum of ACP States (CARIFORUM). CARIFORUM comprises CARICOM states (Caribbean Community and Common Market), Haiti and the Dominican Republic. The CARIFORUM Secretariat is located in Georgetown, Guyana.

(Member States of CARICOM are: Antigua & Barbuda, the Bahamas, Barbados, Belize, the Commonwealth of Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts & Nevis, Saint Lucia, St. Vincent & the Grenadines, Suriname and Trinidad & Tobago. Haiti has been provisionally accepted into the Community and will attain full status once its accession has been completed. The Bahamas is a member of the Caribbean Community but not of the Common Market.)