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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL,
THE EUROPEAN PARLIAMENT AND THE EUROPEAN ECONOMIC AND
SOCIAL COMMITTEE**

**AN EU-CARIBBEAN PARTNERSHIP FOR GROWTH, STABILITY
AND DEVELOPMENT**

{SEC(2006) 268}

PART I

1. INTRODUCTION

Europe has strong historic ties with the Caribbean region, while EU member states still have close links with the region, notably through the French DOMs, and the particular relationship between the UK and the Netherlands and the OCT's.¹ Moreover the Caribbean's prominent role within the ACP group of states and its inclusion within the Cotonou Agreement constitute the basis of its special relationship with the EU. The EU-Caribbean partnership also needs to be seen in the context of the wider EU-LAC strategic partnership forged between the EU, Caribbean and Latin American States at their first joint Summit in Rio in 1999.

The present Caribbean Communication², covering the Caribbean ACP states³, is founded on the principles of the EU development policy, the 2005 European Consensus,⁴ and the Cotonou Agreement⁵, and builds on over 30 years of co-operation experience. The Communication – promoting an ethos of equality, partnership and ownership - outlines the future policy for EU-Caribbean relations. The objective is a strong mutually beneficial partnership on the international scene within which the two sides will work together towards the shared ideals of democracy and human rights and in the fight against poverty and global threats to peace, security and stability. The EU will also assist the Caribbean to achieve the region's development objectives and to respond to the many specific challenges facing the region. In enhancing the Caribbean's own reform and development agenda, the objectives of the EU's approach are based on three dimensions:

- Shaping a political partnership based on shared values
- Addressing Economic and environmental opportunities and vulnerabilities
- Promoting social cohesion and combating poverty

2. PARTNERS IN A SHARED VISION OF THE FUTURE

The EU's Caribbean strategy is articulated around a shared vision of the future based on a history of shared values, in parallel with full optimisation of the opportunities of the Cotonou Agreement. On the one hand the EU's overarching development objective is to assist all the countries in the Caribbean region to achieve their long term development goals in a self sustaining manner, and in a climate of security and stability. This includes also supporting those Caribbean countries aiming to join the ranks of the developed states by 2020, upon the

¹ "Départements d' Outre-Mer". In the Caribbean, France has 3 DOMs, namely Guadeloupe, French Guyana and Martinique. The DOMs, as the rest of the outermost regions, form an integral part of the EU.

² This Communication and all its annexes.

³ Antigua and Barbuda, Barbados, Bahamas, Belize, Dominica, The Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Suriname, and Trinidad and Tobago, who are signatories to the Cotonou Agreement and Cuba which is a member of the ACP group but is not a signatory to Cotonou.

⁴ European Consensus on Development, (July 2005), COM(2005)311.

⁵ ACP-EU Partnership Agreement signed in Cotonou on 23 June 2000, and Revised in 2005.

expiry of the current Cotonou Agreement. On the other hand, the Commission believes that EU- Caribbean partnership can address economical and political strategic issues of mutual interest at international level. (e.g.: peace, fight against drug trafficking, multilateralism.)

The objective of the EU Communication on the Caribbean is to highlight how the challenges facing the Caribbean can be transformed into opportunities by focusing on the right ‘policy-mix’. Specifically, a structured political dialogue with the region and mutually agreed strategic policy objectives to be supported through the existing EU development cooperation and instruments must be used more effectively alongside Caribbean endeavours to further develop its potentials and to prevent the region from becoming a pole of insecurity. This can best be achieved by ensuring that the EU encourages long lasting socio-economic growth in the Caribbean. In parallel, by promoting good governance in the financial, tax and judicial areas and assisting in areas such as countering organised crime, migration and drug trafficking, the EU can prevent the Caribbean from becoming a fragile region. Leadership and local responsibility at the Caribbean level are crucial.

3. CHALLENGES FACING THE CARIBBEAN

The geo-political challenges

An important challenge is for the Caribbean to build the right balance in its relationship with different hemispheric partners, notably with the US, Brazil and Venezuela. Most Caribbean countries work at maintaining a well balanced relationship with bigger countries in the larger region. Given the differences that exist in the hemisphere, maintaining a balance that respects the interests of the small island states – without excluding the region from the major economic developments – is a major challenge.

The EU stands behind the Caribbean objective to build regional unity in the Caribbean, with CARICOM⁶ being the axis of integration and CARIFORUM⁷ of cooperation. A second objective is to develop links between the Caribbean and the wider region, including Central and Latin America. Central and Latin America offer extensive opportunities for the Caribbean but are also competitors in some commodity sectors. There are cases of territorial disputes among countries of these regions.

The EU, through the DOMs is present in the Caribbean. As part of the wider integration process, cooperation between the ACP Caribbean grouping and the DOMs and OCTs should be reinforced.

In order to reinforce the outward looking integration process the EU will focus on the EU-LAC strategic partnership. Overall the regional network of groupings can strongly reinforce interaction and synergy which should lead to the eventual smooth integration of the region into the world economy.

⁶ CARICOM : Caribbean Community. Members are Antigua and Barbuda, Barbados, Bahamas, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines , Suriname, and Trinidad and Tobago

⁷ Caribbean Forum of ACP States: Members are all the members of CARICOM, except Montserrat, plus the Dominican Republic and Cuba.

Socio-economic and environmental challenges

The Caribbean is composed of small mostly island states with small, open but fragile economies, in many cases based on a small number of commodities, and located in an area notoriously prone to natural disasters. The insular nature of most of the Caribbean is perhaps the single most important factor creating limitations to the efforts of integration in the region and also adversely affecting the cost of energy, transport, communications and trade.

The Caribbean region as a whole has achieved significant levels of human development, although there are significant differences in development within the region as it includes both Middle (MIC) and Low (LIC) income countries as well as the poorest country in the Hemisphere, Haiti. The average GDP per capita in 2005 was estimated at 3640 US\$, however, since the 1970s, the average growth in the region has been slowing down in each decade⁸. To varying degrees, all the countries in the region remain vulnerable to both economic and natural shocks and face common socio-economic and environmental challenges including reduced social cohesion and in some cases significant poverty as in Haiti, Guyana and some OECS countries, unemployment particularly of youths and displaced agricultural workers, migration and brain drain, a relatively high rate of HIV/AIDS, slow rates of diversification from traditional sectors and productivity and competitiveness problems, high levels of indebtedness, the need for economic reforms and restructuring of the public sector. Environmental challenges include natural disasters, climate change and management of natural resources. Behind economic and social problems security and stability are also under threat from political and in some cases ethnic tensions, criminality, drugs and related crime and armed violence..

The Caribbean is a region at a crossroads. Bold leadership initiatives are required if the region is to face all these challenges. In spite of what may appear at first glance from economic indicators and of the ambition of some countries to achieve the status of developed countries by 2020, there are concerns that some Caribbean states may slip from Middle Income to Low Income status if steps are not taken to reverse economic trends and to define security and stability strategies that will take fully into account the emerging global realities and address the challenges and opportunities ahead.

Part II – From Challenges to Opportunities

Whereas the EU was seen as the answer to the problems of the Caribbean ten years ago, today there is a perception that the EU-Caribbean relationship is strained, a situation also affected by unavoidable changes in preferential trading arrangements and difficulties, both in the delivery and absorption, aspects of development co-operation. The common challenge for the EU and Member States is to address this perception. The ultimate aim of the EU is to assist the Caribbean to positively respond to the challenges in the region. In doing so, the EU strategy is articulated around three axes: Shaping a political partnership based on shared values, addressing economic and environmental vulnerabilities and promoting social cohesion and combating poverty. In working on these objectives collectively the EU can assist the Caribbean in its quest to fully transform into a region of opportunity.

⁸ “A time to choose - Caribbean Development in the 21st Century”, World Bank, April 2005.

4. SHAPING A POLITICAL PARTNERSHIP BASED ON SHARED VALUES

A strong political partnership between the EU and the Caribbean - founded on shared values - is central to further enhancing EU-Caribbean relations and responding collectively to the political challenges facing the Caribbean region. In developing this political partnership, more time needs to be devoted to such dialogue, both locally and at the regional international fora. In the Caribbean the EU will prioritise its relations with CARIFORUM in order to cover a wide range of issues of importance to both sides including the consolidation of democracy, human rights, gender equality, social cohesion and decent work opportunities, security, stability, conflict prevention, migration, drugs and regional integration. This new political dialogue will also interface with civil society so as to ensure all voices in society are listened to.

The bi-annual EU-LAC Summit is a major opportunity for EU-Caribbean political dialogue at the highest level for addressing the evolving relationship between the Caribbean, its geographical neighbours and the EU. In line with the EU's political priority in the Caribbean, a new political dialogue will commence at the forthcoming EU-Caribbean Troika meeting in Vienna in May 2006.

Within the framework of EU political dialogue with CARIFORUM and the LAC, there will be an opportunity to move forward on issues of common concern including a focus on the wider regional integration process, the consolidation of democracy, human rights, social cohesion and decent work opportunities, security, stability, conflict prevention and drug trafficking. Political dialogue can also be of particular use for peace-building and peaceful transformation policies in Haiti, while the door is always open for political dialogue with Cuba on areas where relations and support can be further enhanced within the framework of the Common Position adopted in 1996 and which has underpinned the EU's policy approach towards Cuba⁹.

Security has become a major priority worldwide in recent times as many countries have been victims of terror attacks. Ensuring security and the rule of law, with equity, justice and full respect for human rights, are now fully recognised as fundamental, shared priorities between the EU and the Caribbean region. To this end the EU and the Caribbean will cooperate in addressing security threats, including non-proliferation of weapons of mass destruction (WMD), illicit Small Arms and Light Weapons (SALW) and combating terrorism.

The EU should increasingly use regional and national development strategies and instruments to address the root-causes of insecurity, instability and conflict, which include poverty, inequality and lack of social cohesion. Especially in certain fragile states that risk slipping from middle to low income status, a culture of conflict prevention needs to be developed and fostered. Caribbean states themselves must also take responsibility for this task. To this end, CARICOM/CARIFORUM is encouraged to continue initiatives on the political front, such as electoral monitoring and special missions for the resolution of political issues which will be further supported by the EU in future.

Good and effective governance is recognised by the Caribbean as a crucial prerequisite for sustainable development and is another of EU's guiding principles, as outlined in the 2003

⁹ The European Union's relations with Cuba are governed by the Common Position of 2. December 1996 defined by the Council on the basis of Article J.2 of the Treaty on the European Union (Official Journal n° L 322 , 12/12/1996 P. 1)

Communication on Governance and Development.¹⁰ Central to good and effective governance is the strengthening of credible institutions – such as parliaments, the judiciary system and public financial management systems – both at national and regional level. The EU will systematically support these key institutions as central elements of the EU governance priority in the Caribbean. However, it is recognised that governance is not only about institution building, but also about appropriate policies and adequate legal and regulatory frameworks, both in the economic, social and political sphere. The EU will, therefore, continue to promote transparency and effective exchange of information between authorities in order to fight corruption as well as corporate and financial malpractices. The EU will also promote good governance in the financial, tax and judicial areas.

The EU is committed to accelerating the process of ratification of the UN Convention against International Organised Crime and the UN Convention against Corruption. Moreover the EU will encourage the adoption and implementation of international standards relating to the prevention and the fight against money laundering, terrorism, tax fraud and tax avoidance. The EU will also address the limited institutional and technical capacity of Caribbean countries to deal with organized crime and drugs in an effective and comprehensive manner, through the development of internal strategies as well as capacity building.

Actions will include:

- Conducting an enhanced political dialogue within the EU-CARIFORUM and the EU-LAC contexts on a broad range of issues of common concern.
- Actions to support good and effective governance
- Enhanced co-operation in international fora

5. ADDRESSING ECONOMIC AND ENVIRONMENTAL OPPORTUNITIES AND VULNERABILITIES

In an increasingly interdependent and globalised world, a major objective of EU development policy is to assist developing countries to better harness the globalisation process. Therefore coherence between EU trade policy and EU political dialogue with the Caribbean must be further harnessed in order to develop viable economic models for the region. To that end the EU will strongly support the completion and operation of the Caribbean Single Market and Economy (CSME) as both an element of regional integration and the establishment of the EPA with the EU. The EU will contribute to strengthening and streamlining of existing regional institutions and organs in view of guaranteeing the smooth operation of the single market. Additionally, the Special Development Fund (SDF) and the Regional Development Fund can help facilitate the Caribbean Single Market and Economy. Several countries, including among the OECS are set to directly benefit from such solidarity-based instruments.

A well defined and credible integration agenda and functioning internal market are the necessary pillars for a successful outcome of the EPA negotiations which started in April 2004. The EPA process will support Caribbean regional integration and provide rules based framework to help increase competitiveness, diversify exports and create regional markets thereby contributing to sustainable economic development. It will also facilitate adjustment, including its social dimension, to trade policy reforms and address the significant issue of reducing currently high levels of budgetary dependence upon import revenues. This

¹⁰ Commission Communication on Governance and Development, Brussels, 20.10.2003; COM(2003) 615 final.

integration process is of strategic importance to the future of the economy of the Caribbean region. The development dimension should be further strengthened so as to better help the Caribbean region achieve strategic targets of global competitiveness.

The EU will step up its trade related assistance to the Caribbean in order to strengthen in-country and regional trade policy and negotiation capacity, to assist countries with negotiation and implementation of the WTO agreements and the EPA, as well as other concurrent trade negotiations. The EU will also encourage the development of customs and trade facilitation measures and use of international standards. The removal of current barriers to intra-regional trade and investment and the establishment of more stable, transparent and predictable rules and reliable institutions will contribute significantly to the growth of national and regional economies.

In this context key to successful economic diversification and structural reform is the establishment and effective implementation of national long term strategies by the region and the governments of the Caribbean states - with the private sector, including social partners fully involved in the design of such strategies. The EU will assist, if required, in the elaboration of such national strategies. The key to a successful strategy will depend on whether it manages to support the private sector in a real and meaningful way as the engine of economic progress.

Support should be given to the Private Sector and especially small and medium size enterprises that are expected to be the driving force behind sustainable growth and job creation. The key objective of the EU will be to support the creation of the right environment for business development as well as for research and development and the ICT technologies within the region.

The region's generally small open economies are especially vulnerable to global market forces and in particular to changes affecting the stability of financial markets. This is why, the development of financial services in this region has to go parallel with the development of an appropriate regulatory framework, notably in order to prevent and combat corporate and financial malpractices. In the cooperation with the Caribbean, ACPs and OCTs, the EU will support good governance in the financial, tax and judicial areas, in particular with regard to transparency and effective exchange of information for tax purposes. This issue will also be addressed in the context of Economic Partnership Agreements (EPAs).

The European Investment Bank can also play a vital part in ensuring successful economic transition in the region. In effect this means supporting efforts on structural reforms and economic diversification from traditional sectors to higher added value products and services.

Interconnections in and between the regions must be supported (regional airports, ports and ICT). This requires throughout the region closer coordination of transport policies and services and serious supply side reforms (e.g. the air transport sector). Safety aspects in the air and maritime transport are also of increasing importance.

On Energy particular emphasis will be placed on renewable energies. Therefore, the EU will promote cooperation within the wider Caribbean region in order to share best practices on how best to diversify energy sources.

All EU aid, irrespective of source or instrument, should be channelled in a coherent way and will be committed in full coherence within single national development strategies. For EU

development aid this will apply to development cooperation as well as all commodity specific instruments, including sugar and bananas, which, depending on the specificities of each country, aim to promote competitiveness, assist economic diversification and provide for the social fallout from major changes in these traditional sectors..

Environment and natural resources represent an important asset for the region, the countries and, particularly, the poorer part of the local population. The links between environment and socio-economic development will be highlighted in EU support to the region. In addition to natural disasters, Caribbean states face many environmental challenges including land degradation, deforestation, scarce water resources, fish stocks management, biodiversity loss, waste and toxic chemical management and more recently climate change, all of which impact strongly on the region’s economic and social development. The EU will continue to support actions to address environmental challenges and to build capacity in such areas as climate change, mitigation and adaptation, and sustainable natural resource management. **The EU will share its experience in global environmental issues with Caribbean Partners.** The EU will also contribute to increase the region’s capacity in Natural Disaster Management at all levels, with emphasis on risk reduction, preparedness, early warning, prevention and mitigation. Specifically rehabilitation, recovery and reconstruction require strengthening through new and faster disbursing arrangements involving pre-committed funding.

- Actions will include:
- Support for the completion of the Caribbean Single Market and Economy;
 - Support regional integration at the CARICOM level and strengthened regional cooperation at the CARIFORUM level and among CARIFORUM, DOMs and OCTS;
 - Successful pursuit and conclusion of the negotiations to achieve an EU-CARIFORUM EPA by 2008, including trade related assistance and support to good governance in the financial, tax and judicial area;
 - Support to structural reforms and broadly defined economic diversification, including interconnection and energy, and support to the Private Sector and Civil Society.
 - Support for addressing natural disasters and other specific environmental challenges.

6. PROMOTING SOCIAL COHESION AND COMBATING POVERTY

Tackling the major vulnerabilities in the Caribbean will help the region to both improve economic competitiveness and ensure better socio-economic cohesion. Specific emphasis will be put on preventing further social imbalances and environmental pressures. Moreover concerted efforts will be taken in order to tackle migration and reduce unemployment. All of these efforts must be pursued in a coordinated fashion within a coherent strategy.

There are pockets of extreme poverty in the Caribbean region, despite the fact that Caribbean countries are generally scoring well on the MDGs. The EU will support the efforts of the Caribbean to respond to chronic poverty through support strategies aimed at improving sustainable basic livelihood. The EU will support national strategies encompassing inter alia (i) support to social safety nets and (ii) support to income generation for the poorest in rural, semi-urban and urban areas. In supporting this objective, the EU will continue to prioritise the work of civil society in the Caribbean.

Support to tackle HIV/AIDS as well as other important endemic health problems in the region is a priority for the Caribbean. To this end the EU will continue to replenish the Global Fund

to Fight AIDS, Tuberculosis and Malaria, while the EU already has developed a Communication on combating HIV/AIDS.¹¹

Regarding health care issues more generally, the EU will support the regionalisation of co-operation between health services in the region. The strengthening of health care systems throughout the region, with special emphasis on human resources and fair access and funding to health services, by increasingly working in line with sector wide approaches and sector budget support, will be among the EU priorities.

In the area of drugs, EU activity will be focused on the development and implementation of regional and national strategies addressing both the supply and demand reduction aspects of the problem and the associated issues of drug related crime and armed violence which is on the rise in the region. It is necessary to strengthen regional co-ordination of the various drug control programmes by reinforcing relevant, sustainable regional institutions. The long-term objective is to ensure full integration of drug-related policies into regional development strategies as well as into the social, economic and political fabric of the Caribbean. First and foremost, the EU will focus on a drug prevention policy, with emphasis on education and awareness. With respect to demand reduction, the EU will support the region's efforts to increase levels of surveillance, training, structures (both legal and operational), and co-ordination in order to reduce demand for drugs. On the supply side the EU will support the region's efforts to deepen its involvement in the international fight against drugs especially in strengthening co-ordination and cooperation with Latin American countries.

The focus on education is also key to pulling sections of society out of the 'poverty trap', by providing skills necessary for economic diversification in areas such as the service sector. Working towards human resource and knowledge based growth will also support the objective of improving social mobility for those adversely affected by the ills of structural reform and economic transition. Brain-drain, socio-economic alienation and weak social cohesion are realities for many in the Caribbean region. Providing the skill base and 'know-how' to take advantage of economic diversification will be a key EU mechanism for overriding the social and socio-economic challenges faced today. The EU has long played an important role in supporting education in the Caribbean, especially at secondary, tertiary and University level. This co-operation will continue and be enhanced. Following on from the Guadalajara EU-LAC Summit, the EU is prioritising the creation of a Common Higher Education Area between Europe, Latin America and the Caribbean.

Actions will include :

- Prioritising social cohesion and poverty reduction in development actions;
- Support to battle against HIV/AIDS and other endemic health problems;
- Enhanced cooperation in combating drugs, at the demand and supply level, and drug related crime;
- Human resources development to support economic diversification and reducing poverty and social exclusion.

¹¹ COM (2005) 654 final

Part III

7. BEING MORE EFFECTIVE

Coordinated efforts are needed from both the EU and Caribbean side, drawing on the long experience of the past, in order to build a more structured and mature cooperation better adapted to the specificities of the Caribbean region.

A number of structural problems impact on aid mobilisation and are also a source of tension in EU-Caribbean relations. The Caribbean countries benefit from EDF funding and also from a number of other budgetary instruments but there has been insufficient coherence and complementarity among the various strategies governing the use of these instruments and the range of actions funded. Additionally, the existence of a large number of small projects covering a wide range of sectors, in combination with often cumbersome procedural requirements, places an unmanageable burden on small and weak national and regional implementing bodies and government institutions. This is also a problem for the EC Delegations in the region.

Regional and National Support Strategies should have a higher degree of coherence and the resulting Regional and National Indicative Programmes should, as much as possible, be mutually reinforcing. The principle of subsidiarity, reserving for the national or regional level what is best addressed at each level, should guide the selection of actions under the RIP and NIPs. Budget Support at national level, and contribution agreements with regional bodies, should be utilised as a general rule. Budget support programmes offer many potential advantages, including encouraging greater ownership, lowering transaction costs and more effective use of aid. Budget support will also strongly assist structural transformation especially when delivered in a context characterized by the existence and implementation of a single sound national or regional development policy. As a matter of practice budget support will be provided in parallel with the obligation to provide transparent and accountable financial and administrative management of development funds.

At the national level, EU assistance will be articulated around a single national development strategy which will encompass all EC instruments including EDF, special funding related to bananas, sugar, rice and rum and also all other EC budget lines and facilities, thereby addressing many of the problems encountered in commodity specific instruments such as the SFA for bananas. At regional level in close cooperation with the CARICOM/CARIFORUM secretariat, instruments such as the new Regional Development Fund could be considered as one of the potential conduits of the EU regional development assistance in the Caribbean.

Synergies between ACP, OCT and DOM development programmes will be actively encouraged, as well as with EU programmes involving Latin America.

The European Commission has proposed a simplified structure for the delivery of the Community's external assistance geared towards facilitating coherence and consistency, improving financial and administrative procedures and facilitating co-financing with other donors. The EC is also proposing a common format for a Joint Framework for multi-annual planning to be applicable to all EU Member States¹².

¹² COM (2006) 88

Moreover, by bringing donor aid within the budgetary framework, budget support programmes will allow Caribbean governments to have a more optimal mix between capital and recurrent expenditure.

Actions will include :

- Promoting the use of single national and regional strategies to govern the use of all EU development aid irrespective of source or instrument;
- Using Budget Support and Contribution Agreements as the preferred delivery instruments for development aid;
- Simplifying financial and administrative procedures for aid delivery and harmonising programming among EC and Member States.

8. CONCLUSIONS – EU ADDED-VALUE IN THE CARIBBEAN REGION

The EU and the Caribbean have a long standing and strong partnership that is based on history and shared values. Over the years, this partnership has been important and beneficial to both sides. The Cotonou Agreement, which runs to 2020, offers a solid basis on which to further strengthen this valued relationship. The many opportunities offered by the Cotonou Agreement need to be mobilised. The EU and the Caribbean will work as partners in the global effort to support democracy, universal human rights, peace and stability in the world, and to combat the scourge of poverty.

The Caribbean has embarked on a path of regional integration, wider regional cooperation, and economic diversification, restructuring and reform, as a means towards harnessing the opportunities and minimising the negative effects of globalisation on its small and currently vulnerable states and as a way to achieve the Caribbean peoples' high aspirations of human development. National Governments, civil society, private enterprise and regional structures in the Caribbean will obviously carry the responsibility for shaping their own future. Based on a shared vision of the future, and through an enhanced political partnership and the support of actions to address the region's socio-economic and environmental vulnerabilities and to promote social cohesion and combat poverty, the EU will be a steadfast partner for the Caribbean in its efforts. The EU – Caribbean Troika meeting in the context of the EU-LAC Summit in May 2006 will mark the start of a renewed and broad political dialogue.

ANNEX I

AN EU-CARIBBEAN PARTNERSHIP FOR GROWTH, STABILITY AND DEVELOPMENT

1. The overall context, geopolitical dynamics, independence to present day

Most of the Caribbean countries¹³ gained independence in the 1960s from the European colonial powers. Countries were granted independence on an individual basis even though integration efforts existed since the 1950s, such as the Caribbean Federation¹⁴. It was the height of the cold war and all regions of the world were important to the superpowers jostling for influence, allies and UN votes.

The region is characterized by a strong diversity in its history and socio/cultural development and with great disparities in economic development and wealth distribution; ranging from the impoverished island of Haiti, to the wealthy Turks and Caicos Islands, and with varied forms of government ranging from Cuba's socialism to the stable democracies of the majority of the archipelago.

Several of the smaller islands of the region still retain close links to their former colonial metropolises in the form of self governing overseas countries and territories in the case of the Netherlands and the UK and in the form of parts fully included in the national territory in the case of France.

The early post colonial period was a period of continued strong involvement of the ex-colonial powers which also extended to the economic life of the region, with the establishment of preferential trade arrangements particularly in the area of commodities such as sugar, bananas and rum.

Preferential arrangements with the EU, the US¹⁵ and Canada¹⁶, coupled with above average aid flows, in particular from the former colonial powers resulting from decolonization sentiments, led to the development of higher standards of living than the norm in other developing countries.

This period was also characterised by isolationism and an almost exclusive focusing of external relations on relations with the former European metropolises, the USA and Canada.

The end of the Cold War in the early 1990s meant that the Caribbean region lost geostrategic importance. At the same time, there has been a gradual erosion of preferential trade arrangements, a diminishing of aid and an overall slowdown in growth which accentuated the fault lines in what is now coming to be seen as an inherently unsustainable system.

In terms of ranking in the Human Development Index, six countries are placed in the High Human Development cluster and with the exception of Haiti, a Least Developed Country

¹³ Caribbean countries refer to the ACP Caribbean group of states.

¹⁴ "CARICOM – Our Caribbean Community", CARICOM Secretariat, 2005.

¹⁵ The US Caribbean Basin Initiative (CBI)
http://www.ustr.gov/trade_development/preference_programs/CBI/section_index.html

¹⁶ Canada's CARIBCAN <http://canadagazette.gc.ca/partII/1998/19980218/html/sor104-e.html>

(LDC), the rest are in the Middle Human Development cluster. With the exception of Haiti the region as a whole is currently scoring reasonably well in the MDGs. However, there are concerns that current levels of Human Development and MDG indicators could be unsustainable.

Although characterized by overall satisfactory levels of human development, poverty, inequality and reduced social cohesion are a growing reality. Caribbean countries have experienced serious social problems in recent years.. Indeed, poverty levels range between 8 and 35% with Haiti being the poorest country of the Hemisphere. Unemployment, inequality and the precarious situation and rights of indigenous populations in countries such as Belize, Guyana, Suriname and Dominica further aggravates the socio-economic situation.

The Caribbean, with 2.4%, has the second highest incidence of HIV/AIDS after Sub Saharan Africa. The cost to the region of HIV/AIDS is estimated at 6% of GDP per annum¹⁷.

Security and stability within the region are under threat from a resurgence of internal ethnic tensions, criminality, drugs, drug related crime and armed violence.

Internal social, economic, and in some cases political problems are fuelling a rising migration sapping the region of much needed quality human resources. Despite an overall trend of declining unemployment in the region especially in countries like Barbados and Trinidad & Tobago, where it dropped from more than 20% in the beginning of the 1990s to around 10% in the beginning of the year 2000, unemployment rates tend to remain stable in the rest of the Caribbean region.

The Caribbean is a region at a crossroads. Bold leadership initiatives are required if the region is to face the political, economic and security challenges.

There are concerns- including within the region - that the Caribbean may slip from Middle Income to Low Income country status if steps are not taken to reverse economic trends and to define strategies that will take fully into account emerging global realities and seize the opportunities ahead.

Regionalism in the Caribbean emerged as a response to overcoming the development constraints of small size and is present in various forms from economic/political cooperation and association to economic and monetary union.

CARICOM dates from the early 1970s¹⁸. Similarly to other regional organisations, including the EU, CARICOM had to adjust its original scope and membership to adapt to the very different trade patterns, economic and political structures in the globalised world of today.

The new regionalism in the Caribbean is one that reflects a shift, towards closer relationships between the countries of the wider Caribbean and Latin America.

¹⁷ Haiti is reaching the African average of 5.6% of the population being infected with HIV/AIDS.

¹⁸ "CARICOM – Our Caribbean Community", CARICOM Secretariat, 2005.

2. Partners in a shared vision of the future

The EU and the Caribbean have a long-lasting relationship based on the legacy of history, common values, economic and trade cooperation and an important volume of trade exchange. Colonisation of the Caribbean mainly by Britain, France, Spain and the Netherlands dates back to the 17th Century.

The EU remains very present in the region particularly through its member states who still have close links with the region: France through their DOMs and the UK and the Netherlands through their OCTs, and through privileged bilateral relations between individual Caribbean states and EU Member states. Notwithstanding expressed interest from all sides, effective economic and development cooperation has not fully materialised to date. While efforts are being undertaken in that direction there is clearly a need to do more.

Since the UK accession to the EU the successive EU-ACP Conventions have become the framework for relations between the Caribbean Region and the European Union.

The present preferential Cotonou ACP Agreement, concluded in 2000 and revised in 2005, combines a **political dimension** with trade and **development issues** in a single comprehensive framework, which will remain in place until 2020. However, so far the political dimension of Cotonou has remained largely under utilised. At the regional level political dialogue in future will be prioritised at the annual CARIFORUM – EU Ministerial meetings, while inter-regional level political dialogue will be intensified at the EU-LAC bi-annual summits in a troika context.

The Caribbean forum of ACP States CARIFORUM¹⁹ was established in 1990 to provide a mechanism for the 15 Caribbean ACP states to manage regional cooperation under the Lomé Convention through the EDF. CARIFORUM has grown from a functional cooperation instrument to a forum for political dialogue among the Caribbean ACP states and contributed to the accession of Haiti into CARICOM (CARICOM has an economic integration focus) with the future adherence of the Dominican Republic also a possibility. The technical function of the CARIFORUM Secretariat is to be merged with the CARICOM Secretariat reflecting the importance attached by the CARIFORUM members to deeper regional political cooperation.

The EU-LAC strategic partnership links together the EU's relations with Latin America and the Caribbean and creates a comprehensive common platform for dialogue and cooperation on political and socio-economic issues. Since the first EU-LAC Summit in Rio in 1999, the Summits are key events in this partnership. The next EU-LAC Summit will take place in Vienna in May 2006. This strategic partnership offers significant opportunities for the Caribbean in their efforts to expand their relations to the wider Caribbean and Latin America.

CARIFORUM, also including Cuba as a member, provides a useful platform for strategic political dialogue. The EU's position on Cuba is governed by the Common Position adopted in 1996. The essence of the EU's policy towards Cuba is based on constructive engagement in the political and economic arena. Although Cuba was being actively considered for accession

¹⁹ Caribbean Forum of ACP States CARIFORUM comprises: Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Suriname and Trinidad & Tobago. www.cariforum.org

to the Cotonou Agreement in 2003, political developments related to human rights put that process on hold and have severely strained relations between the two sides.

The Economic Partnership Agreements (EPAs) are perhaps the most innovative element of the Cotonou Agreement. Caribbean ACP countries (with the exception of Cuba), have benefited from preferential market access to the EU under the Cotonou Agreement and its predecessors. However, trade preferences alone are not able to provide the development the region needs and the Caribbean share of EU trade has been in long run decline. Old style preferential schemes based on assistance to commodities such like bananas, sugar etc proved that they were not sustainable with international trade. In addition, liberalisation and trade are phasing out and redefining the rent-based structure of the economies in the Caribbean. In response to this, negotiations on an EPA with the Caribbean started on 16th April 2004 after over a year of ACP talks. The EPA process will build on the current preferences to support Caribbean regional integration processes and provide a rules based framework to help increase competitiveness, diversify exports and create regional markets. Together with the enhancement of trade capacity this new trade regime under the EPA will contribute to sustainable economic development. It will also facilitate adjustment, including its social dimension, to trade policy reforms. The EU is the biggest grant donor in the Caribbean, both at the national and regional level. The overall volume of all forms of European Community aid to the Caribbean since Lome III is estimated at €2.800 Bn.

The EU strongly supports regional integration in the Caribbean. Regional co-operation, since Lome III estimated at a total of € 331 M, has progressed steadily from simple projects benefiting two or three countries prior to 1990s, to functional cooperation between the entire CARIFORUM group of states aiming at building confidence and fuelling regionalism (1990 – 2000), to genuine regional integration programmes directly supporting CARICOM, and other regional institutions, and the completion of the Caribbean Single Market and Economy, since 2000.

Total allocations on the individual Caribbean countries are around €1.800 Bn for from Lomé III through to 2007, and have covered a wide range of areas. Levels of aid vary widely between countries with special emphasis on the poorer countries of the region and especially Haiti and Guyana. Substantial commodity related assistance has been provided to the region through the sugar, banana, rice and rum preferential arrangements, estimated at a total of € 649 M (Sugar €19.477 M , Banana €216 M, Rum €70 M, Stabex €209 M and Sysmin €134 M)²⁰.

However, **EC development cooperation** has been hampered by a plethora of intervention sectors, funding instruments and small projects collectively taxing the limited implementation capacity of national and CARICOM/CARIFORUM institutions as well as that of EC competent services.

Strategies implemented through structural measures such as Stabex and the Special Framework of Assistance to Traditional Banana Suppliers (SFA Budget line), were not always coherent with the support strategy of the National Indicative Programme (NIP) of the countries concerned nor were they sufficiently geared towards encouraging increased productivity and diversification. There was limited coherence between national and regional development programmes. The Cotonou Agreement, in spite of its substantial innovations,

²⁰ See annex III

has not been able to sufficiently address the development cooperation bottlenecks and the streamlining of various instruments.

Many of the European Member States have strong links with the region, and UK's Department for International Development (DFID) is among one of the most active development partners in the region. In 2004 its estimated budget in the region was €67 M and the main recipient countries included Montserrat, Jamaica and Guyana.

A number of Caribbean countries such as Dominica, Haiti, Dominican Republic, St Lucia, Suriname and Cuba are benefiting from specific French development aid instruments. French cooperation has mainly been oriented towards economic and social infrastructure projects and the civil society. 90% of the development funds – approximately €12 M/year- are channelled towards the so-called “Zone de Solidarité Prioritaire “ – Cuba, DR, Haiti and Suriname.

The Federal Government of Germany is another important player in the region placing emphasis on poverty reduction, environmental and resource protection and modernisation of the government and society. The total budget in 2003 was estimated at €35M. Main priority countries were Guyana, DR and Haiti.

The Netherlands has also made contributions in the region, notably in Suriname where bi-lateral development ties date back to 1975. The Dutch government is its main donor and is mainly active in six sectors, in the field of good governance and in certain long-term projects. The total budget in 2003 was estimated at € 24 M. The main priority countries were Suriname, Jamaica and Haiti.

Spain is also active in development cooperation with the Caribbean both at bi-lateral and regional levels. The total budget in 2004 was estimated at €54 M. The main priority countries were DR, Cuba and Haiti.

This listing is not considered exhaustive.

European Foreign Direct Investment (FDI) in the region has always been significant. By the year 2003, the outward stock of European FDI in the Caribbean region, including Cuba, was estimated at €13.7 Bn.

3. Challenges facing the Caribbean

The special characteristics of the Caribbean contribute to the vulnerability of the region and present a certain number of interrelated political, economic and social challenges and opportunities.

3.1. The geo-political challenges

At the EU-LAC summit in Rio in 1999, participating countries made a joint pledge to set up a strategic partnership with a view to forging links in the political, economic and social spheres. The Caribbean states are a part of that strategic partnership and have strong ties with Central America and South America, enshrined in various agreements and through their membership of the Association of Caribbean States (ACS)

Caribbean participation in broader hemispheric groupings, including CARIFORUM, the ACS and the FTAA, together with the creation of an EU- CARICOM free trade area and the EU-

LAC strategic partnership will strongly reinforce the outward looking integration process which should lead to the eventual smooth integration of the region into the world economy.

The CARICOM members and the Dominican Republic are all established democracies with accountable administrations, free press and stable institutions. Nevertheless a number of potential issues could overturn this perception of security and stability with severe implications on economic and social progress.

Internal threats exist in the form of tensions between ethnic groups in some countries, economic downturn also causes social tension. Issues relating to unemployment, instability, drugs and related criminality and armed violence, small arms and light weapon trafficking all negatively impinge on the social fabric and the political life of the region. External threats exist from territorial and border disputes between some CARICOM member states and with some other neighbouring countries.

The advent of globalisation fortifies the need for widening and deepening of the Caribbean Community itself and for the region to move towards a more outward looking relation with the Latin American continent. The influence of individual Caribbean states in international organisations and fora is also quite important.

Cuba also plays an active role in the various international and regional fora. Although it is a full member of the United Nations, its role is limited by the fact that Cuba is not a member of several multilateral institutions such as the IMF, the WB, IDB (Inter American Development Bank) or the OAS (Organisation of American States).

With Venezuela, Cuba is promoting a Latin American alliance, the Iniciativa Bolivariana para las Americas (ALBA) which is seen as an alternative to the US-backed Free Trade Area of the Americas (FTAA). While the FTAA seeks free trade across the Americas as a whole, the ALBA proposes full integration of Latin America only, including the elimination of trade barriers.

The EU-LAC summits of Rio in 1999, Madrid in 2002 and Guadalajara in 2004 have contributed in further deepening the relations between the Latin America countries and the Caribbean. The well established relations of Dominican Republic, a CARIFORUM member, with Latin America countries are also an asset.

Central and Latin America offer extensive opportunities for the Caribbean but are also competitors in some commodity sectors and there are cases of territorial disputes among countries of these regions. The EU-LAC Summit process could offer valuable opportunities for political dialogue and conflict prevention.

An important challenge here is for the Caribbean to find the right balance in its relationships between its different hemispheric partners. Most of the Caribbean countries try to maintain well balanced relations with all big countries in the larger region where it geographically belongs. Given the differences that exist in the hemisphere, maintaining a balance respecting the interests of the very small islands states without excluding the regions from the major economic developments is a major challenge. In the longer term, the Caribbean has to carefully consider and prepare for the impact from the evolution of the situation in Cuba.

3.2. Economic challenges

The average GDP per capita for Caribbean countries in 2005 was estimated at 3640 US\$. There are however within the region significant differences between the countries and also significant inequalities in wealth distribution within the individual countries. The gap between the richest and the poorest countries has tended to widen over the last forty years and divergence in GDP per capita levels has been stronger between the Caribbean economies than the Latin American economies. Nevertheless, the Caribbean has an average income inequality, measured by the GINI Coefficient at 0.38 which is lower than in Latin America. Countries such as Haiti, Dominican Republic, and the small island communities of St. Vincent and the Grenadines, Antigua and Barbuda do however suffer from high levels of inequality than the average Caribbean State²¹.

The insular nature of most of the Caribbean is perhaps the single most important factor creating limitations to the efforts of integration of many small economies in the region and also adversely affecting the cost of energy, transport, communications and trade.

The Caribbean agricultural sector faces real challenges adjusting to structural changes in the global economy. Even before EU market reforms many traditional Caribbean exporters of rice, sugar, rum and bananas were structurally in long term decline under price pressure from more competitive suppliers, and this in spite of substantial EU aid and trade preferences. Preferential access to artificially high EU internal market prices is not a sustainable solution to problems of competitiveness, but the accelerating transition to a more diversified economy will be difficult.

Diversification, particularly in rural areas, is a difficult challenge, and requires a progressive approach. New activities can be developed around the dominant sectors, while simultaneously, if relevant, reinforcing their competitiveness and resilience.

According to the IMF, external current account deficits for the Caribbean are projected to worsen in the short term with the rise in oil prices and rising imports related to construction activity. Several countries are currently faced with macro-economic challenges, and fourteen Caribbean countries are among the thirty most indebted countries in the world.

The Caribbean is the most tourism intensive region in the world. Direct and indirect impacts of tourism account for 18% of total GDP in the region. However, tourism has not created strong linkages within national economies. Tourism infrastructure is mostly foreign owned and investment is being driven by substantial financial and tax incentives granted by the individual countries in competition with one another.

The efforts of several Caribbean countries to promote offshore financial centres have met with problems on two main accounts, namely unfair tax competition and lack of transparency in several areas, including taxation and security against money laundering operations. However, offshore business opportunities may still exist in other sectors. There are already several offshore medical schools in the Caribbean all geared to the US market. If adequately addressed offshore education should have the potential for further expansion.

²¹ Human Development Report 2005

Given the geographically dispersed nature of the Caribbean region interconnection including air, sea and land transport, telecommunications and connectivity and energy networks is another crucial challenge in regional integration and economic cooperation but at present lack of progress in this sector constitutes a major constraint on economic growth²².

The challenge of integrated regional markets is at the heart of the concept of the Economic Partnership Agreements (EPAs). This process of integration and of fostering trade will continue to be accompanied by substantial and increasing support for building trade capacities and for the implementation of supply side reforms, as well as the promotion of customs and trade facilitation measures. The EPA will have to address key challenges such as the dependence of Governments on unpredictable tariff revenues and integration in a diverse region. These are not insignificant, but the alternative of increasing isolation from international markets is the far greater risk to development.

In order to mitigate the differences of economic development that exist among the members of the CSME the region will benefit internally from a Special Development Fund, (SDF), operated by the Caribbean Development Bank (CDB) and the newly established Regional Development Fund (RDF). The setting up of this fund aims at supporting development of the less prosperous countries and regions and innovative strategies to enhance regional competitiveness.

The Caribbean Single Market component of the CSME was launched in January 2006 by six Caribbean States: Barbados, Belize, Guyana, Jamaica, Suriname and Trinidad and Tobago; the OECS countries are expected to join in the coming months.

To come to grips with the changing international situation countries need to embark on structural reforms and socio-economic transition from their traditional sectors towards higher added value products and services. Several have already embarked or are considering programmes in public and fiscal sector reform, macroeconomic stabilisation programmes, economic diversification, more effective labour markets, enhanced competitiveness, and a move to services and knowledge based economies. All these require strategic planning and investment in many areas, including human resources, energy, and transport and telecommunications infrastructure.

These reforms need to be intensified and speeded up or, current levels of development may be unsustainable, resulting in a slippage of some countries in the region from middle income to low income country status.

The needs are large and beyond the capacity of individual governments and require external assistance. A regional approach is fundamental to dealing with these many challenges.

3.3. Social challenges

Economic downturn is making some governments unable to continue delivering past levels of basic health and education services. Educational attainment is slowing in many islands and public services are deteriorating²³.

²² "A time to choose" Caribbean Development in the 21st century, a document by the World Bank in April 2005, p.xxxvi

²³ See annex IV.

Human resources have always been considered as a very significant part of the region's capital. Throughout the region the level of education, from primary education through to University level, has always been a source of pride. In recent years there are concerns of a decline in standards based in part on economic difficulties and on substantial migration of education professionals attracted by higher salaries in OECD countries. If the efforts to transform the economies of the region from primary commodities production to a diversified knowledge based services economy and if the private sector, both local and potential external investment, is to play its role as the motor of growth there will be an increasing need for a pool of high quality professionals. In this relation, it is important to remember that brain drain is also a major constraint on the region's overall human resources situation.

Unemployed is an endemic concern in the region and unemployment rates tend to be higher in the banana producing countries between 15% in Jamaica to more than 20% in the banana producing Windward Islands. One constraint in the regional approach is the diversity within the region.

Three countries (Cuba, Dominican Republic and Haiti) account for 80% of the population and have very different development and political situations. With the exception of Guyana and Suriname, the countries are generally small, mostly island states with small open economies and located in disaster prone areas making them inherently vulnerable to man-made and natural shocks, both internal and external.

Improved health care in particular HIV/AIDS is considered key to the region's economic development, to its attempt to alleviate poverty and to achieve specific goals of public health reform and reaching the MDGs and other international development commitments. The disparities between countries and the levels of inequality within countries, including access to health care, points to the need to place emphasis on both the national and regional level.

The upgrading of the health care services would also contribute to improve the competitiveness of the general tourism product, especially given the targeted high-end of the tourism market and the retiree group as an untapped, but promising expansion area. It should also be complementary to the international and national efforts to improve the social protection coverage of those excluded from existing systems.

Drugs, associated crime and armed violence are vulnerabilities to be addressed as it threatens the political and social fabric of Caribbean society and hinders the creation of an environment conducive to investment and sustainable growth. The Caribbean is not a drug producing region at this time, but is considered an important transiting link for drugs. The Caribbean is considered more the gateway to drugs destined for Europe as against Central America for drugs to the US.

In recent years a number of strategies to tackle these problems have been developed in the Caribbean, with US and EU support.

The EU, Commission and a number of Member States, has been the main financier of the 1996 – 2001 Regional Plan of Action on Drugs Control - Barbados Plan of Action (BPA).

Drugs are a major significant issue in the EU-LAC strategic partnership. The EU-LAC Co-ordination and Co-operation mechanism, based on the principles of shared responsibility, is a forum for dialogue and co-operation between the two regions on the problem of illicit drug production, consumption and trafficking.

The regional authorities should increase their efforts to plan, co-ordinate, supervise and deliver training related to activities to reduce supply through institutional strengthening and capacity building. Activities could include, inter alia, legal, legislative and regulatory frameworks, intelligence sharing among law enforcement agencies, strengthening of institutions, maritime cooperation, police and judicial co-operation, combating money-laundering, the trafficking of small arms and light weapons and the control of precursors.

3.4. Natural Disasters and the Environment Vulnerability

The Caribbean is currently faced with several structural environmental challenges such as climate change, and limited and fragile coastal, marine, biodiversity, land and freshwater resources.

Nature is a blessing and a curse to the Caribbean region. The natural environment has contributed significantly to the prosperity of the agricultural sector and is at the base of the region's comparative advantage in the tourism sector, where tourism actually is the product on offer. The vagaries of nature, however, in the form of hurricanes, earthquakes, volcanic activity and tidal waves, make the region one of the most disaster prone areas in the world, entailing high economic and social costs.

The Caribbean is twelve times as exposed to disasters as the world average. The Eastern Caribbean countries are among the ten most disaster prone countries in the world. The impact of natural disasters on small island states is devastating as in the case of Grenada where the impact of Hurricane Ivan was estimated at 200% of GDP as compared to 2% average of natural disasters elsewhere in the world.

Land is certainly one of the most limited resources in the Caribbean. It is therefore the subject of intense pressures from human activities. Poor land use and land management as well as increasing conflicts for the access to land (for agriculture, urbanization or other activities) have led to the degradation of this resource. Erosion and land degradation are particularly severe in coastal areas and in areas formerly covered by forests.

Deforestation has been intense in the region and forests now only cover less than 20% of total land area. The ever increasing demand for wood for energy, housing, or timber exportation, or for land, maintains a high pressure on the remaining forests. The Caribbean region is also particularly rich in biodiversity, with many endemic species. Local conservation initiatives do exist, but regional action is needed if biodiversity loss is to be reduced.

Land, forests, biodiversity: all are resources which are under further threat from climate change. Climate change may have an effect on the vegetation cover, on the degradation of land or on the coral reefs and marine resources, therefore affecting agriculture, fishing and even tourism. Its potential effects on these important sectors for the local economies may have a devastating impact on local fragile economies. Sea level rise is also threatening coastal areas, and estimates varying from 30 to 50 cm rise over the next 50 years are commonly accepted. Climate variability is also higher now and has led to more severe extreme climatic events like hurricanes and tropical storms.

Water resources are also under heavy pressure. The development of tourism and of modern agriculture has led to over-extraction of water. Some Caribbean States are far below the limit of 1000 m³ of available water per capita per year, under which countries are considered as

“water scarce”. Careful and sustainable management of this resource is thus an absolute necessity and needs to be actively promoted.

Due to the limited size of their economy and their available land, waste management is usually a critical issue in the Caribbean states. Goods are imported with their package which remains on the island. The increasing share of non-biodegradable waste makes it more difficult to set up sustainable waste management schemes. A great challenge also lies in the way the region can handle the problem of hazardous waste and toxic chemicals.

Sustainability of the tourism-based growth is fragile, because it is often affected by events outside the region and beyond its control. In only a few hours, one hurricane can wipe out the entire tourism industry of one or more small islands. It is also increasingly being challenged by concerns over the conservation of the environment, by the need to upgrade available health care facilities as well as by insecurity related to drugs, drugs related crime and armed violence.

4. The EU Strategy

EU – Caribbean relations have suffered from a combination of factors: conflicting urgent and shifting international priorities and demands on both sides, the changing conditions surrounding commodities of interest to the region including sugar, bananas, rice and rum and difficulties in the implementation of aid.

The EU’s overarching development objective is to assist all the countries in the region to achieve their long term development goals in a self sustaining manner. This includes the generalized achievement of MDGs and poverty reduction, the consolidation and building upon the region’s Human Development achievements and the ambition expressed by some of the Caribbean MICs to join the ranks of the developed states by 2020, at the expiry of the current Cotonou Agreement.

The specific identity and characteristics of the Caribbean region, its prominent role within the ACP group of states and its attachment to the Cotonou Agreement, constitute the basis of its special relationship with the EU and the need for a specific policy approach.

The objectives will be achieved through a new enhanced EU – Caribbean Partnership composed of three interrelated facets, **shaping political partnership, addressing socio-economic and environmental vulnerabilities and combating poverty, inequality, HIV/AIDS and drugs**. Given the EU’s position a major donor in the region, aid effectiveness will be addressed as a cross cutting issue.

4.1. Shaping political partnership based on shared values

For the EU it is important that the Caribbean region remains attached to the values that it shares with the EU and does not slip, through benign neglect and economic difficulties, into a pole of insecurity and instability.

A strong political partnership with the EU, founded on a genuine political dialogue will help strengthen the Caribbean’s position on the international scene, and offer opportunities for collaboration in the UN and other international fora on issues of common interest. Enhanced political dialogue is also a key to increasing the confidence between the EU and its ACP

partners needed to underpin the move towards greater budget and sector support financing and away from the traditional project approach.

Regional integration and the forging of alliances with other regions in the wider Caribbean, including the EU's French Departments and UK and Netherlands OCTs constitute key priorities of the region.

The EU is not only a donor of development aid, but also a political and commercial partner, and its relations with its Caribbean partners should include broad, concrete and constructive political dialogue. Political dialogue is also a cornerstone of the EU – LAC strategic partnership.

The EU is a strong international partner which can help the Caribbean Region consolidate its position within the multilateral system and offer an extra dimension to the close links the region enjoys with North America.

While individual countries have specific needs and national development policies, growing regionalism in the Caribbean confirms the recognition that many common problems are best dealt at the regional level.

- CARICOM is considered the strongest manifestation of regional integrationist will at the political level in the Caribbean.
- CARIFORUM is considered the EU's main intermediary for the wider level of political dialogue and functional co-operation in the region. The upcoming fusion of the Technical functions of the CARIFORUM Secretariat with the CARICOM Secretariat will ensure an enhanced cooperation and coordination between the two entities.

Therefore, EU Political dialogue should be pursued at the CARIFORUM/ CARICOM level and the annual EC-CARIFORUM ministerial meeting should be enhanced and broadened to cover issues beyond the narrow purview of regional cooperation.

The Caribbean has embarked on a path of regional integration, wider regional cooperation, and economic diversification, restructuring and reform, as a means towards harnessing the opportunities and minimising the negative effects of globalisation on its small and currently vulnerable states and as a way to achieve the Caribbean peoples' high aspirations of human development. National Governments, civil society, private enterprise and regional structures in the Caribbean will obviously carry the responsibility for shaping their own future. Based on a shared vision of the future, and through an enhanced political partnership and the support of actions to address the region's vulnerabilities and to promote social cohesion and combat poverty, the EU will be a steadfast partner for the Caribbean in its efforts.

The EU will also continue and enhance its support to other regional institutions linked to CARICOM²⁴ and promote policies that will encourage the integration of these institutions as an integral part of the political environment of CARICOM member states.

The EU will support the enlargement of CARICOM to include other Caribbean states. Already the DR is considering its participation in the CSME which could lead eventually to

²⁴ Including for example the CCJ, UWI, the CTO etc

full membership of CARICOM. The long term position vis-à-vis Cuba will depend, among other considerations, on the pace of transition in that country.

Beyond the issue of Cuba, political dialogue will focus on wide ranging issues, including conflict prevention in Haiti and Guyana. The Presidential and Parliamentary elections of the 7th of February 2006 in Haiti are an encouraging step in the direction of the establishment of the democratic life of this country.

The EU will support the region's own stated policy of widening its links to its hemispheric neighbours within the Caribbean, and in Central and Latin America.

- The opportunities for political dialogue offered by the ACS are also to be considered, especially given the particular status of a number of EU Member states in that body.
- The bi-annual EU-LAC Summit is a major opportunity for EU-Caribbean political dialogue and substantial efforts should be addressed at maximising the benefits from the evolving relationship between the Caribbean and its geographical neighbours. The biannual EU-LAC Summits are key events. They play a vital role in relations between the regions and are a unique opportunity to move forward on issues of common interest.

For the forthcoming Vienna Summit of 12 May 2006, the EU considers that the topics covered by the Guadalajara declaration – social cohesion, regional integration, multilateralism – remain important, but need to be fleshed out further.

The EU also welcomes the organization of a business forum and encourages social partners and civil society to contribute to the Summit.

Security, stability and conflict prevention are essential prerequisites for sustainable development. Security has become a major priority worldwide in recent times as many countries have been victims of terror attacks. Ensuring security and the rule of law, with equity, justice and full respect for human rights, are now fully recognised as fundamental, shared priorities.

The EU and the Caribbean should cooperate in addressing security threats, including non-proliferation of weapons of mass destruction and their means of delivery (WMD), trafficking and spread of illicit Small Arms and Light Weapons (SALW), illicit drugs trafficking and combating terrorism. They should cooperate to reinforce the role of the UN in the multilateral fight against terrorism, including through the full implementation of relevant UN Security Council Resolutions and the UN Convention on Suppression of the Financing of Terrorism, while ensuring respect for human rights in this context.

The EU should increasingly use regional and national development strategies and instruments to address the root-causes of conflict, including poverty, inequality and lack of social cohesion degradation of and access to already scarce natural resources, ethnic and political violence, weak governance, human rights abuses and gender inequality. Especially in certain fragile states a culture of conflict prevention needs to be developed and fostered. **Conflict prevention** is an implicit element in regional integration and co-operation, through awareness of common interest and mutual confidence-building. Regional institutions contribute to structure the dialogue and interaction among members, acting as a peer pressure mechanism.

CARICOM has initiatives on the political front, such as electoral monitoring and special missions for the resolution of political issues²⁵. The EU will support these efforts and other bilateral initiatives at conflict resolutions such as the DR-Haiti talks. The EU is a strong international voice in democratic process and has developed specific expertise in election observation. This tool will be used wherever necessary in the Caribbean region as a means of conflict prevention.

Good and effective governance is also recognised as a crucial prerequisite for sustainable development. Central to good and effective governance is the strengthening of credible institutions – such as parliaments, the judiciary system or public financial management and statistical systems – both at national and regional level. The EU will support institutional capacity building efforts. Governance, however, is not only about institutions, but also about appropriate policies and adequate legal and regulatory frameworks and effective involvement of civil society including social partners. The EU should therefore continue to promote transparency and effective exchange of information between authorities in order to prevent and combat corporate and financial malpractices and corruption. It should in particular encourage transparency in the financial and banking sectors, as well as administrative and judicial cooperation permitting effective exchange of information.

The EU should sustain and accelerate the process of ratification of the UN Convention against Corruption, a central part of which is the requirement that countries confiscate and repatriate illicit assets, and uphold the UN Convention against International Organised Crime. Moreover the EU should encourage the adoption and implementation of international standards relating to the fight against money laundering, terrorism, tax fraud and tax avoidance. The EU also encourages its international partners to sign and implement the main international instruments of crime prevention, like the UN Convention against Transnational Organized Crime and its protocols and the UN Convention against Corruption. The EU should also address the limited institutional and technical capacity of Caribbean countries to deal with organized crime and drugs in an effective and comprehensive manner, through the development of internal strategies as well as capacity building.

The EU should also continue to promote human rights and equal opportunities and protect vulnerable groups, especially women. The EU will support gender mainstreaming and initiatives on gender equality in order to contribute to the implementation of the commitments in the MDGs, the Beijing Platform for Action, the Cairo Programme of Action and the Convention on the Elimination of All Forms of Discrimination against Women.

ACP/DOM/OCT Cooperation: The Caribbean ACPs, the French DOMs and the UK and Netherlands OCTs are part of the same region and have several converging interests. EU policy is to ensure closer cooperation and policy dialogue between these different entities in the field of trade but also in other areas of common interest, such as migration, transport, ICT, education, environmental issues, risk prevention, health, justice and security.

Both Cotonou, EU Member State national legislation²⁶ and the Overseas Association Decision create a favourable environment supporting such a policy dialogue, yet so far there has been little progress in activating it.

²⁵ For example, conflict resolution in Guyana among political parties, election observation in all its member states.

²⁶ In the case of the French DOMs

In 2005, the first Clovis Beaugard Conference was held in Martinique, co-sponsored by the European Commission, to promote ACP/DOM/OCT cooperation. This is a concrete step that should be encouraged in the future. Therefore and during the next funding period, efforts will be undertaken to co-ordinate ERDF and EDF financing. Specific funding will be allocated for the cooperation between the DOM and the ACP/OCT from the ERDF, in the framework of the new objective "Territorial Co-operation", and from the EDF, respectively. As regards to EPAs and despite their different institutional situation, the French outermost regions show a growing interest in participating in the benefits of the agreement as another partner in the region.

4.2. Addressing economic and environmental opportunities and vulnerabilities

Economically the long term vision is of a region that has achieved a fully integrated economy with strong links to its wider geographic context and beyond. In an increasingly interdependent and globalised world, a major objective of EU development policy is to assist developing countries to better harness the globalisation process, by maximising the benefits derived and minimising the negative impacts.

In the particular case of the Caribbean, this primarily means to contribute to their efforts on structural reforms and economic transition from their traditional sectors towards higher added value products and services and to come to grips with the changing international situation.

Regional integration will increasingly represent a privileged area of future cooperation, where the European Union has a major role to play given its own historic experience.

EU will strongly support the completion and operation of the Caribbean Single Market and Economy (CSME) as an essential element of regional integration and for the establishment of the Economic Partnership Agreement with the EU. The recent openness of the Dominican Republic to become a member of the CSME even though it is not a full member of CARICOM represents perhaps another opportunity for the EU to assist the region in creating the conditions for such a major and challenging integration milestone to succeed. The EU will contribute to strengthening and streamlining of existing regional institutions and organs in view of guaranteeing the smooth operation of the single market. The introduction of the single market by several CARICOM member states in January 2006 and the prospective for the rest of the CARICOM member states to join in the near future creates favourable conditions for a privileged partnership-based relationship between the European Community and CARICOM. Secondment of experts from Member States and European institutions to help address institutional functioning as well as other concrete technical aspects of regional integration, such as customs and trade facilitations measures, could be an area of future regional cooperation.

The Special Development Fund (SDF), the main home grown development instrument of the region based within the CDB, and the new Regional Development Fund could be natural partners of the EU regional development assistance in the Caribbean. These solidarity based regional level funds could also be important instruments for the EU to channel its future assistance and reinforce the integration process.

The timely conclusion of the EPAs process is a strategic area of importance to the future of the Caribbean region. A well defined and credible integration agenda and functioning internal market are the necessary pillars for a successful outcome of the EPA negotiations. This integration process is of strategic importance to the future of the economy of the Caribbean

region. The development dimension should be further strengthened so as to better help the Caribbean region achieve strategic targets of global competitiveness. The EPA, which will properly take account of existing asymmetries between the two areas, shall allow the region to maintain and even improve its access to the EU market. The EU's policy will be to further strengthen the development dimension of EPAs so as to better help the Caribbean region achieve their strategic targets of global competitiveness. As it enters its third phase, the EU will intensify its support to the EPA process so as to make sure that an agreement is concluded by 2007. In this context, it will promote progressive integration of financial markets as well as the development of an appropriate regulatory framework based on transparency.

Trade related assistance is being provided to the Caribbean to strengthen in-country and regional trade policy and negotiation capacity, to assist countries with the negotiation and implementation of the WTO agreements and EPAs, as well as other concurrent trade negotiations.

The removal of current barriers to intra-regional trade and investment and the establishment of more stable, transparent and predictable rules and reliable institutions will contribute significantly to the growth of national and regional economies.

In order to be able to benefit more from increased opportunities to trade and to ensure that benefits from increased trade are distributed more evenly, trade needs to be better integrated into national development strategies and in particular into poverty reduction strategies. The EU should assist the region in this process so as to enable Caribbean governments to effectively use trade as a policy tool to reduce poverty.

The EU strongly encourages and supports efforts to expand trade and economic links to the wider Caribbean region and notably the French DOMs and the UK and NL OCTs, and to Central and Latin America.

Programmes for the restructuring of traditional sectors and enhancing competitiveness and promoting economic diversification have been put in place for bananas, rice, rum and sugar.

In its proposal for reform, the Commission committed itself to accompanying the adaptation process required in those countries. In this context a Regulation on "Establishing Accompanying Measures for Sugar Protocol Countries Affected by the Reform of the EU Sugar Regime" was adopted in 2005, outlining actions to be funded under the budget 2006-2013. Support will be provided on the basis of National Adaptation Strategies, prepared by the Sugar Protocol countries. Foreseen measures could include: (i) Supporting sustainable improvement of the competitiveness of the cane sector, (ii) Promoting diversification of sugar dependent areas (iii) Addressing broader adaptation needs, including mitigation of social impacts.

Key to the successful mitigation of exogenous economic shocks is comprehensive national strategies for restructuring and recovery including the social dimension, fully embedded within overall national and regional development strategies. Such national and regional strategies for reform should accommodate the provision of EU aid through general or sectoral budget support at regional and national level. This would further strengthen national and regional institutions as well as democratic accountability. It would also reinforce coherence in strategic planning and programming and coordination of the development cooperation between the European Community, CARICOM and the individual countries.

Support should be provided to the civil society and the non-state actors (NSA). Support will mainly be aimed at enhancing the capacity building efforts of the civil society and the non-state actors including social partners.

Support should be provided to the private sector and especially small and medium size enterprises that are expected to be the driving force behind sustainable growth and job creation.

EU Research and Development Policy: The EU Research Framework Programmes encourage international cooperation with Caribbean countries and value the potential to reinforce the partnership with that region.

Caribbean countries will benefit from new mechanisms which are being put in place under the 7th EU Research Framework Programme (2007-2013) such as exchange of researchers and coordination of the bi-lateral cooperation programmes vis-à-vis EU Member States and Third Countries. Moreover, Science and Technology Promotion Platforms recently launched with Latin-America and the Caribbean region will further develop these possibilities in a wide regional context.

The EU has supported in the past and will continue its support if required to the CARTAC, the Caribbean Technical Assistance Centre, spearheaded by the IMF, which provides technical assistance on economic and fiscal reform.

The EIB which has a solid track record of development activities in the region should also continue its activities in support of regional integration, private sector and the socio-economic infrastructure in the Caribbean.

Interconnection, whether in the form of air, sea and land transportation is a major element in regional integration and cooperation. The EU has a history of support to the sector of regional transport through the funding of airports, ports, maritime transport, roads and through support to institutional aspects of the transport sector. Interconnectivity programmes, possibly linking with existing programmes in the DOMs and in Latin America will be encouraged.

EU policy will be to continue its support in the area of interconnection, including infrastructure, to encourage the efforts of the individual countries and of the region to enhance their intra-region transport, ensure the closer coordination of their transport policies and liberalise the air transport sector.

Support will also be considered in the areas of energy interconnection, including grid-access to electricity from renewable energy sources and of energy efficiency e.g. by cutting systems losses.

Helping the Caribbean region in their efforts to come to grips with the changing international situation and with the need to embark on structural reforms and economic transition from their traditional sectors towards higher added value products and services is a key objective. In order to achieve this goal, the Caribbean must modernise their states, redefine their overall public sector, reform their government finances, reduce dependence upon import revenues and enhance competitiveness to improve the investment climate so as to create the conditions of sustainable and jobs creating growth.

Key to successful socio-economic transition is the establishment and effective implementation of national long term strategies by the region and the Governments of the Caribbean states.

These National strategies must be the basis for all donor cooperation on the regional and national level. All EU aid, irrespective of source or instrument, will be committed in full coherence with national development strategies. For EC development aid this will apply to 10th EDF development cooperation as well as all commodity specific instruments, including but not limited to sugar and bananas, and STABEX.

The EU will continue and strengthen its support to the sectors of Environmental Management and Natural Disaster Management, with emphasis on climate change adaptation and mitigation, early warning, prevention, recovery and rehabilitation.

The EU will support the current efforts of the Caribbean to engage into a proactive agenda to jointly manage structural environmental challenges such as climate change, chemicals and wastes, as well as limited and fragile coastal, marine, biodiversity, land and freshwater resources. Institutional and legislative framework improvement, capacity building and civil society and local population's involvement will form part of the strategy.

Cooperation in international fora relative to climate change and environmental management will be enhanced.

EU support to the tourism sector must also incorporate the environmental dimension and particularly waste management and coastal zone development. The EU has supported the creation of environmentally managed areas such as the Iwokrama project in Guyana and national parks creation in Grenada, Dominica and elsewhere.

The EDF funded Caribbean Regional Environment Programme with the Caribbean Environment Corporation aimed at strengthening of regional capacity in conservation, management and sustainable development of regional amenity areas (marine, terrestrial, watersheds), illustrated that institutional weaknesses exist in regional bodies which need to be addressed. The EU will therefore also contribute to the building of institutional capacity for environmental management.

CARIFORUM could be supported to train adequate numbers of professionals, to develop a regional action plan, to adopt common approaches to natural resource management, global warming and climate change, to strengthen regional institutional capacities and promote the sustainable use of its biodiversity for commercial purposes.

Environmentally friendly renewable energies could offer the Caribbean much in terms of enhancing the environment but also in economic terms. The EU will promote the pursuit of opportunities in the renewable energies sector, including the promotion of cooperation within the wider Caribbean region and the sharing of best practices and knowhow amongst partner countries. In the second half of 2006 the Finnish presidency of the EU will in the context of the Energy and Environment Partnership with Central America (EPP) organise a conference under the name "European Union Meets Latin America on Renewable Energies" in which the EU will strongly support active Caribbean participation.

The Energy sector in the Caribbean will be eligible for support from the Energy facility, and particular emphasis will be placed on promoting renewable energies.

The EU will contribute significantly to increase the region's capacity in Natural Disaster Management at all levels, with emphasis on risk reduction, preparedness, early warning, prevention, mitigation and recovery, rehabilitation and reconstruction.

Early warning, especially in the case of hurricanes, is technically feasible and the region's capacity has been enhanced through the 8th EDF Radar Warning System (€13.2 million, 2003-06). This programme will contribute to mitigate the economic, social and environmental losses arising from adverse weather conditions, to improve weather data for sensitive productive activities and to develop early warning and public awareness systems.

The EU will assist the Caribbean region in developing and implementing its strategy for a comprehensive disaster management plan. Such a plan must be holistic in scope also covering issues such as building codes, insurance, rapid response mechanisms including in the area of public security, telecommunications etc.

Support will give continuity to the programmes developed by ECHO, through the DIPECHO programme, and earlier EDF funding in association with CDERA and other strategic partners. DIPECHO (Disaster Preparedness ECHO) has been contributing to the improvement of capacity in the protection and preparedness of communities at risk, with focus on the interrelationship of the various levels of action (local, provincial, national and regional) and on initiatives that can be reproducing, and on the co-ordination of donor efforts. Cross fertilisation of best practices with the French DOM and other EU OCTs, will be strongly supported.

The EU will seek means of streamlining responses to natural disasters. Emergency aid through international partners is immediately allocated and rapidly delivered, however, the phase of rehabilitation, recovery and reconstruction requires strengthening. New and faster disbursing arrangements will be actively considered within a pre-committed financing arrangement.

Regional approaches to Natural Disaster Management are an imperative in the Caribbean. The size of most countries is such that disasters can affect over 90% of the country, as in the recent case of Grenada, necessitating immediate external assistance from the region.

Natural Disaster Management was one of the four priority areas retained for Caribbean ACP/OCT/DOM co-operation..

Exchanges of experience and know-how with countries of the wider Caribbean, notably Cuba, will also be actively promoted in the context of regional cooperation.

The EU Natural Disaster Facility that has been decided in 2005 and which will be a part of the 10th EDF development finance arrangements of the Cotonou Agreement will be a major step, particularly in addressing the area of preparedness. Bridging funding has been agreed to cover the period until the coming into force of the new funding and to assist in the design of the facility itself.

4.3. Promoting Social Cohesion and Combating Poverty

Tackling the major vulnerabilities in the Caribbean region will help the countries to both improve their economic competitiveness and ensure a better socio-economic cohesion. The EU's overarching development objective is to assist all the countries in the region to achieve their long term development goals in a self sustaining manner. This includes the generalized achievement of MDGs and poverty reduction, reversing the trend of HIV/AIDS prevalence, the consolidation and building upon the region's Human Development achievements and the

ambition expressed by some of the Caribbean MICs to join the ranks of the developed states by 2020, at the expiry of the current Cotonou Agreement.

Support to the efforts of the individual Caribbean states and of the region to tackle HIV/AIDS as well as other important endemic health problems in the region, including malaria, dengue fever, acquired diabetes and cardiovascular problems, is a political priority of EU development cooperation.

The EU will support interventions for health by strengthening health systems, with special emphasis on human resources, and by increasingly working through sector wide approaches and sector budget support.

The EU is supporting the replenishment of the Global Fund to Fight AIDS, Tuberculosis and Malaria with a view to maximising benefits for developing countries. In addition, the EU is contributing to the development of new drugs and vaccines against communicable diseases, inter alia through the European and Developing countries Clinical Trials Partnerships (EDCTP). In response to the Council's request²⁷, the Commission will, together with the Member States, develop a roadmap on possible joint action based on the European Programme for Action to confront HIV/AIDS, malaria and tuberculosis²⁸. The EU will, in this context, promote synergies and provide a coherent and coordinated response to the three diseases across relevant policy areas²⁹. In this sense, the Commission has adopted a Communication on combating HIV/AIDS within the European Union and the Neighbouring countries.³⁰

The EU has been at the forefront of international efforts to ensure access to essential medicines for developing countries. These efforts contributed to the adoption of the Doha Declaration on TRIPs and public health in November 2001, which confirms the right of WTO members to use flexibilities in the TRIPs Agreement, including issuing compulsory licenses of pharmaceutical products, for reasons of public health. The EU will also support a better linkage between the fight against communicative diseases and the strengthening of health services with special attention to vulnerable groups.

The EU will support the regionalisation of co-operation in health services. There are already examples of a regional approach to the health sectors within for example the OECS where there is a joint pharmaceuticals procurement programme aiming at economies of scale and the new St Lucia Hospital is intended to provide certain specialities for the sub region. This is also the case with certain other medical facilities in the region and in the French DOM.

²⁷ Council conclusions of 24 May 2005 on "A European programme for action to confront HIV/AIDS, malaria and tuberculosis through external action"

²⁸ Commission Communication of 24 April 2005 (COM (2005) 179 final).

²⁹ Selected areas of action include affordable pharmaceutical products, regulatory capacity, human resources in the health sector, and research and development of new tools and interventions.

³⁰ COM (2005) 654 final

EU support will be focused on the development and implementation of regional and national strategies addressing both the supply and demand reduction aspects of the problem and the associated issues of drugs related crime. It is necessary to strengthen regional co-ordination of the various drug control programmes by reinforcing relevant, sustainable regional institutions. Long-term objectives are to ensure full integration of drug-related policies into regional development strategies as well as into the social, economic and political fabric of the Caribbean.

With respect to demand reduction, the EU will support the region's efforts to increase levels of epidemiological surveillance, specialised training of professionals, revise national and regional action plans, place priority on public health, education and research, link treatment and law enforcement, provide specialised training and develop national and regional institutional capacities, and co-ordination of demand reduction projects. Regional capacity in drugs control will be developed, enabling the regional institutions to plan, co-ordinate and monitor demand reduction efforts throughout the region.

On the supply side the EU will support the region's efforts to deepen its involvement in the international coordination against drugs trafficking, improve regional capacities to disrupt flows, increase regional co-operation, expand regional co-ordination in anti-money laundering and provide specialised training and institutional capacity development.

Increased co-ordination and co-operation with Latin American and other countries and regions are key to the success of efforts in the area of drugs. Full engagement by all partners in the Co-ordination and Co-operation Mechanism on Drugs between the European Union, Latin America and the Caribbean will facilitate the achievement of this objective.

The EU has long played an important role in supporting education in the Caribbean, especially at secondary, tertiary and University level. This co-operation will continue and be enhanced.

The successful EU-supported Caribbean Examination Council (CXC) programme of harmonisation of secondary level education qualifications will be supported in its ongoing extension beyond the original English speaking zone.

Intra-regional University co-operation will be promoted, especially across linguistic frontiers. Such cooperation has already been the subject of a successful 7th EDF University level programme between the University of the West Indies and the Universities of the Dominican Republic and Haiti.

Civil society and the non-state actor University co-operation will also be promoted in the widest sense, eventually including Universities in the French DOMs, the Dutch OCTs and beyond with Universities in Europe and in Latin America. Twinning operations will be promoted.

Means of enhancing the quality of tertiary and university education through networking, mobility of students and scholars and institutional support and innovation, including the use of ICT and the establishment of a communications infrastructure for the research and development sector should be supported.

Enhancing the quality and effectiveness of human resources and enabling knowledge-based growth in order to improve learning skills and thus better address the needs of increasing knowledge-based activity, including services constitute an indispensable element of the region's development progress in which sectoral budget support should be considered an important component. The effective use of ICTs and support to the private sector including through the Investment Facility administered by the EIB, are essential ingredients for improving productivity and competitiveness. The Caribbean diaspora in Europe is a natural ally in the efforts of modernisation and re-positioning of the economy in the Caribbean.

Tertiary, or post secondary education, should be supported, possibly in partnership with the private sector in order to provide the appropriate professional skills in high demand in the restructured economies of the region, especially in the area of Information and Communication Technology (ICT).

Distance learning is a key element in the Caribbean region given its insular and geographically dispersed nature.

Following on from the Guadalajara EU-LAC Summit, the EU is prioritising the creation of a Common Higher Education Area between Europe, Latin America and the Caribbean. The aim is to ensure that a substantial number of teachers and students are invited to visit European universities during the period 2007-2013. It will be the EU policy to promote the fullest possible participation of the Caribbean region in these initiatives.

In the context of the 7th RTD Framework Programme that will come into force in 2007, the EU should facilitate networking between researchers from non-EU countries working in the EU and research organisations in their countries of origin. The co-operation with the research centres of the French outermost regions should also be encouraged in this framework.

Sectoral Budget support, wherever possible, should be considered as a privileged instrument for interventions in the education sector.

5. Being more effective

A number of structural problems impact on aid mobilisation and are also a source of tension in EU-Caribbean relations. The Caribbean countries benefit from EDF funding and also from a number of other budgetary instruments but there has been insufficient coherence and complementarity among the various strategies governing the use of these instruments and the range of actions funded. Additionally, the existence of a large number of small projects covering a wide range of sectors, in combination with often cumbersome procedural requirements, places an unmanageable burden on small and weak national and regional implementing bodies and government institutions. This is also a problem for the EC Delegations in the region.

Coordinated efforts are needed from both the EU and Caribbean side, drawing on the long experience of the past, in order to build a more structured and mature cooperation better adapted to the specificities of the Caribbean region.

Regional and National Support Strategies should have a high degree of coherence and the resulting Regional and National Indicative Programmes should, as much as possible, be mutually reinforcing. The principle of subsidiarity, reserving for the national or regional level what is best addressed at each level, should guide the selection of actions under the RIP and

NIPs. Budget Support at national level, and contribution agreements with regional bodies, should be utilised wherever possible. Budget support programmes offer many potential advantages, including encouraging greater ownership, lowering transaction costs and more effective use of aid. Budget support will also strongly assist structural transformation especially when delivered in a context characterized by the existence and implementation of a single sound national or regional development policy. As a matter of practice budget support will be provided in parallel with the obligation to provide transparent and accountable financial and administrative management of development funds.

At the national level, EU assistance will be articulated around a single national development strategy which will encompass all EC instruments including EDF, special funding related to bananas, sugar, rice and rum and also all other EC budget lines and facilities. Instruments such as the new Regional Development Fund could be considered as one of the potential conduits of the EU regional development assistance in the Caribbean.

Synergies between ACP, OCT and DOM development programmes will be actively encouraged, as well as with EU programmes involving Latin America.

The European Commission has proposed in early 2006 a common format for a Joint Framework for multi-annual planning to be applicable to all EU Member States plus an EU action plan to monitor implementation of coordination.

ANNEX II

Brief Overview of existing regional Organisations and bi-lateral actors in the Caribbean area

The Organisation of Eastern Caribbean States (OECS)³¹ is the inner circle of Caribbean economic/monetary integration, incorporating seven of the smaller Caribbean states. Established in 1981, its main objective is economic integration among its member states. The OECS has a single currency and an Eastern Caribbean Central Bank.

The Caribbean Community CARICOM³² was created in 1973 by the Treaty of Chaguaramas. The completion of the Caribbean Single Market and Economy (CSME) is the current major leap forward in regional integration for the CARICOM Group. The CSME recently came into being on January 30th, 2006, through the affiliation of a core group of states. The OECS member states have delayed accession due to concerns over their ability to fully benefit from the Single Market. The Regional Development Fund is being created to address these concerns. Functional collaboration efforts have resulted in a number of very successful regional ventures.

For CARIFORUM see Annex I

For LAC see Annex I

The **Dominican Republic** has a Free Trade agreement with CARICOM, signed in 1998. Of late there is renewed debate over the possibility that the Dominican Republic would possibly participate in the Caribbean Single Market and Economy. The Dominican Republic is also involved in the Caribbean EPA negotiations with the EU. Its participation in the Central American Free Trade Area (CAFTA) also offers opportunities for building bridges between the different regional economic integration processes.

Cuba: is the only country of the ACP group that is not member of the Cotonou agreement. Cuba, however, is member of the CARIFORUM group, which provides a platform for continuous dialogue with that country. A number of Trade and Economic cooperation agreements exist between Cuba and the Caribbean. While the two sides have substantial differences in matters of democratic governance and human rights there is a measure of political cooperation.

The Caribbean has traditionally supported calls in international bodies to lift the US embargo on Cuba and have strongly supported its integration into CARIFORUM and the ACP group.

Cuban development assistance is crucial to the Caribbean in the health sector. Many Caribbean students train in Cuba which also supports technical assistance to health in many of the Caribbean countries with over 1,000 medical doctors and nurses in the region counterbalancing the brain drain to Europe and the USA.

³¹ Antigua and Barbuda, Dominica, Grenada, Montserrat, St Kitts and Nevis, St Lucia and St Vincent and the Grenadines. Anguilla and the BVI are associate members.

³² Caribbean Community CARICOM: www.caricom.org

The existing objectives of the EU policy with Cuba are to foster civil society development in its widest possible sense, strengthening institutional capacities and assisting in administrative, legal and economic reform.

Both the EU and the Caribbean have to consider the present and the evolution of the situation in Cuba. The regional context, through Cuba's membership of the CARIFORUM group will offer an effective platform for addressing related political and economic issues.

Relations with Central America

The Caribbean shares many goals and challenges with Central America arising from the fact that both the Caribbean and Central America include small developing nations. Belize, a member of CARICOM is also a member of the Central American Integration System. A CARICOM – Central America Forum has existed since 1992 to promote closer relations. Costa Rica and CARICOM also concluded a Free Trade Agreement in 2003. Bananas are, of course, one of the major issues on which Central America and the Caribbean do not see eye to eye.

The Association of Caribbean States (ACS) established in 1994 comprises 25 Caribbean and Central American Member States.³³ The objectives of the ACS are the strengthening of the regional co-operation and integration process, with a view to creating an enhanced economic space in the region; preserving the environmental integrity of the Caribbean Sea which is regarded as the common patrimony of the peoples of the region and promoting the sustainable development of the Greater Caribbean.

An issue of concern is that of the **relations between Belize and Guatemala**. Guatemala recognised Belize's independence in 1992, but the relations between the two countries have been strained by a dispute. Guatemala claims rights over a portion of the Belizean territory which Belize rejects, in addition to an extension of its exit to the Caribbean Sea. Belize has shown flexibility on the exit to the Sea, but less on the territorial claims. Under the auspices of the OAS and, after protracted negotiations, dialogue was again engaged leading in September 2005 to an **“Agreement on a Framework for Negotiations and Confidence Building Measures” (CBM)**. This is to serve as a basis for the talks toward a final settlement between the two countries and includes a wide variety of topics, ranging from the Adjacency Zone where the OAS operates to the migrations of Guatemalans in the border area and the possibility of a juridical settlement.

Belize has become an observer member of the San Jose Political dialogue mechanism which vis a vis political dialogue shall cover all aspects of mutual interest and any other international issues.

³³ ACS Member States: 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 Member: Aruba, France (on behalf of French Guiana, Guadeloupe and Martinique) and the Netherlands Antilles. Observer Countries: Argentina, Brazil, Canada, Chile, Ecuador, Egypt, Finland, India, Italy, the Kingdom of the Netherlands, Korea, Morocco, Peru, Russia, Spain, Turkey, Ukraine, and the United Kingdom.

Relations with Latin America

Venezuela -Caribbean relations are currently characterised by efforts to enhance trade and investment. Venezuela has a border dispute with Guyana, and over the Aves Island, a sand bar located just 70 miles to the west of Dominica.

Petrocaribe, launched in June 2005 is an oil trade pact, under which Venezuela has agreed to finance US\$ 17 billion in oil sales during the next ten years in the region. Caribbean countries buy oil on market value but only a certain amount is needed up front; the remainder can be paid through a 25 year financing agreement on a rate of 1% interest. In addition it allows for nations to pay part of the cost with other products provided to Venezuela, such as bananas, rice, and sugar. 12 of the 15 members of CARICOM plus Cuba and the Dominican Republic signed the agreement on September 7th. Haiti may soon join. There are political and economic concerns on the sustainability of the scheme and as to its impact on regional unity given that Trinidad & Tobago are oil producers and had specific arrangements to supply the CARICOM region.

The Rio Group. The Caribbean is represented in the Rio Group through the Dominican Republic and Guyana (acting for CARICOM). The Rio Group offers possibilities to the Caribbean to reach out and engage their Latin American neighbours in the key areas of expanding political cooperation among the member states; coordinating common positions on international issues; cooperation within regional organizations addressing problems and conflicts, improving inter-American relations and the joint exploration of new fields of cooperation.

Brazil has not had a big presence in the Caribbean until the advent of the Lula Government which saw a renewed diplomatic offensive to establish ties between the two regions. Brazil borders Suriname and Guyana and there have been efforts in the past to establish a Brazilian outlet for its northern provinces through the funding of a road link. Wildcat Brazilian miners operate in southern Guyana and Suriname. Brazil is in charged of all UN security forces in Haiti.

The Organisation of American States.

Central America and the Caribbean hold regular consultations in the context of the Organization of the American States (OAS) and the two regions have been collaborating in the context of the FTAA.

The Caribbean states represent 40% of the membership of the OAS and therefore are a considerable political force within the organisation. With the Caribbean's fifteen votes, the OAS offers a platform for the region to make its voice heard. The OAS collaborates closely with CARICOM on election observation missions within the region.

Relations with the US and Canada

The United States Since 2001 the US have launched a new initiative qualifying the region as part of their "third border" reversing somewhat a trend which saw a declining US interest in the region accompanied by a drop in USAID development activities. Notwithstanding the importance of the relationship with the US in terms of trade, investment, tourism, migrant transfers etc, they are also significant divergence of views on a number of issues including Cuba, Taiwan, Haiti, unilateralism, the ICC and other issues.

The US has traditionally been one of the favoured destinations of **migration**, both legal and illegal, for the Caribbean. Caribbean diaspora communities are a consequential political force in several US states. The US policies of active recruitment of certain professions in the regions such as teachers and medical personnel, contributes significantly to the brain drain.

In terms of **security, drugs and crime, the main** concerns of the US include drugs trafficking from Latin America, money laundering, terrorism finance and the possibility of the rise of radical groups in the region possibly related to areas where there is a substantial Muslim segment in the population. The US policy to expel and repatriate all persons of Caribbean origin, even second generation resident in the US if they are convicted of any crime, is contributing to increasing violent criminality in the region.

After years of steady contraction **USAID development aid** operations are again on the rise. Country offices which had been shut down are being re-opened and generally USAID is more active and visible on the ground especially in relation to Natural Disaster Relief and emergency Aid.

Trade programs have been established known collectively as the Caribbean Basin Initiative (CBI), and are intended to facilitate the economic development and export diversification of the Caribbean Basin economies.

The FTAA: The effort to unite the economies of the Americas into a single free trade area began at the Summit of the Americas, which was held in December 1994 in Miami, U.S.A. The Heads of State and Government of the 34 countries in the region agreed to construct a Free Trade Area of the Americas (FTAA) in which barriers to trade and investment will be progressively eliminated. The initial target for the completion of negotiations towards this agreement was the year 2005. However, this target was not achieved and negotiations are still on-going.

As the proposed agreement includes draft intellectual property provisions that would restrict access to affordable medicines included in the World Trade Organisation (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) special attention needs to be paid to the FTAA negotiations.

Canada is a long standing friend of the Caribbean. Canada and the Caribbean enjoy a long history of close commercial, investment, cultural and political ties. Canada is also home to a very large Caribbean diaspora which is gradually evolving as a political force.

In 1986 Canada established CARIBCAN, an economic and trade development assistance programme for the Commonwealth Caribbean countries and territories. Under the programme 96% of Caribbean exports enter Canada duty free.

Canadian businesses, especially in the financial services sector have established themselves in the Caribbean benefiting from taxation treaties with certain Caribbean countries.

Within the FTAA the Caribbean perceives Canada as being an ally supporting the region's concerns related to its impact and issues regarding small economies and small states.

With about C\$2.7 billion in aid since 1963, the Caribbean is the highest per capita recipient of Canadian Official Development Assistance. CIDA currently provides about C\$80 million in assistance to the region each year.³⁴

Other International relations actors

China has diplomatic relations with 11³⁵ countries in the region. Recent years have seen an increased activity in China – Caribbean relations. China’s increased interest and support to Cuba is seen by Cuba as a crucial element in its foreign relations. China’s Caribbean policy is articulate around basic axes: the Taiwan issue, cooperation in the UN, investment and trade interests and cultural exchanges. China is gradually emerging as a major donor in the Caribbean and has recently earmarked US 1 billion for the region. China is a member of the Caribbean Development Bank since 1998 with a 5.77% capital stake. Areas of assistance include agriculture, maritime transport infrastructure etc and also include showcase projects, especially sports facilities related to the all important cricket sector and particularly the Cricket World cup which will be hosted by the Caribbean in 2007.

According to Chinese statistics, the trade volume between China and the Caribbean in 2004 totalled US\$ 2 billion, a 42.5% year-on-year increase. Importantly, several Caribbean countries have been listed as “official” tourism destinations for Chinese tourists which could mean a major boost in tourism revenues.

Japan has mostly bilateral ties with individual countries although recently cooperation with CARICOM was launched through a partnership for Stability and Development which will provide support for economic and social development. Fisheries are an area of substantial interest in the relations with the region.

The **Bretton Woods Institutions**; the IMF and the World Bank are also operational in the Caribbean. In the case of the Latin America and the Caribbean, the Inter American Development Bank (IDB) augments the work conducted at the World Bank level. The IMF supports economic reform in some Caribbean countries whereas all of them are subject to regular Article IV IMF consultations. Over the years loans have been granted to a broad spectrum of projects in the Caribbean region such as economic and social infrastructure disaster management, debt relief, water and sanitation, land management reforms, information technology equipment and capacity building and others.

The **ILO** is also present in the region. The number of ratifications in the region of core labour standards conventions and other international labour conventions is increasing. However the effective application requires, as in other regions, additional efforts in terms of better enforcement, more effective labour market governance, social dialogue and technical cooperation.

³⁴ Source: CIDA

³⁵ Although the Dominican Republic, Haiti, St Kitts and Nevis and St. Vincent and the Grenadines continue to have relations with Taiwan, China is actively pursuing the development of relations with them as well maintaining commercial missions in both Haiti and the DR.

ANNEX III

Overview of total EC aid to the Caribbean ACP States since Lome III³⁶										
Caribbean ACP States	6th EDF	7th EDF	8th EDF	9th EDF	EDF TOTAL ³⁷	SYSMIN	STABEX	BANANA ³⁸	SUGAR	TOTAL
allocations in millions €	(1986-1990)	(1991-1995)	(1996-2000)	(2000-2007)	(1986-2007)					
Antigua & Barbuda	4.500.000	3.500.000	4.500.000	3.000.000	15.500.000	0	0	0	0	15.500.000
Bahamas	4.000.000	4.400.000	4.500.000	4.500.000	17.400.000	0	0	0	0	17.400.000
Barbados	5.000.000	5.000.000	8.000.000	6.800.000	24.800.000	0	0	0	2.074.000	26.874.000
Belize	8.000.000	9.000.000	9.500.000	8.800.000	35.300.000	0	0	21.770.000	2.702.000	59.772.000
Dominica	6.000.000	5.500.000	6.500.000	15.700.000	33.700.000	0	45.125.771,64	41.810.000	0	120.635.771
Dominican Republic	0	85.000.000	106.000.000	176.000.000	367.000.000	23.353.363	0	0	0	390.353.363
Grenada	5.500.000	6.500.000	6.500.000	7.400.000	25.900.000	0	15.972.927,96	0	0	41.872.927,96
Guyana	22.100.000	32.800.000	32.000.000	48.000.000	134.900.000	15.973.504	0	4.000.000	5.037.000	159.910.504
Haiti	0	112.500.000	148.000.000	239.000.000	499.500.000	0	35.611.523,63	0	0	535.111.523
Jamaica	40.200.000	49.700.000	60.000.000	100.000.000	249.900.000	94.936.162	9.405.120,72	33.640.000	4.641.000	392.522.282
St. Kitts & Nevis.	3.500.000	2.500.000	3.000.000	4.000.000	13.000.000	0	0	0	2.531.000	15.531.000,00
St. Lucia	6.000.000	5.000.000	6.000.000	19.500.000	36.500.000	0	74.736.647,58	56.805.000	0	168.041.647
St. Vincent & the Grenadines	7.000.000	5.400.000	6.000.000	21.000.000	39.400.000	0	63.779.648,19	40.510.000	0	143.689.648
Suriname	24.000.000	27.000.000	32.500.000	19.100.000	102.600.000	0	0	17.470.000	0	120.070.000
Trinidad & Tobago	15.000.000	18.100.000	21.000.000	17.900.000	72.000.000	0	0	0	2.492.000	74.492.000
Total Caribbean ACP States	150.800.000	371.900.000	454.000.000	690.700.000	1.667.400.000	134.263.029	244.020.116	216.005.000	19.477.000	2.281.776.668
Regional allocations	71.000.000	105.000.000	90.000.000	57.000.000						323.000.000
Rum ³⁹										70.000.000
Grand Total Caribbean ACP States										2.674.776.668

36

Grants and loans

37

NIP (Eurostat)

38

Banana Budget line 210318

39

Allocated to WIRSPA (West Indies Rhum and Spirits Procedures Association)

ANNEX IV

Caribbean Socioeconomic and Vulnerability Table					
Population	GDP per capita (2005)	GDP growth % (1998-2003)	Total public debt (% of GDP)	Government expenditures (% of GDP)	Overall fiscal balance (% of GDP)
23.6 M	3640 US\$	2	96	32	- 6
FDI (% of GDP, 1998-2003)	Under five mortality rate (per 1000 births in 2002)	% of population without access to water	HIV/AIDS (% of population aged 15-49)	% of girls to boys in primary and secondary education in 2001	Gross primary completion (%)
6	34	10	2.4	103	93

ANNEX V

Selected Economic Indicators ⁴⁰														
Caribbean ACP States	Population	GDP per Capita	Total Public Debt		Govt Expenditure		Overall Fiscal Balance		Current Account Balance		Public investment		Foreign Direct Investments	
	(in thousands per 2003)	(US\$ - 2003)	(% of GDP)		(% of GDP)		(% of GDP)		(% of GDP)		(% of GDP)		(% of GDP)	
			1997	2003	1990-97	1998-03	1990-97	1998-03	1990-97	1998-03	1990-97	1998-03	1990-97	1998-03
Antigua & Barbuda	73	11,124	102	142	n.a	29	-5	-8	-4.4	-10.4	n.a.	23	7	6
Bahamas	314	16,691	46	48	n.a	n.a	-2	--2	-3.6	-10.6	n.a.	n.a.	1	3
Barbados	270	9,651	62	84	27	37	-3	-5	2.8	-5.0	11	10	1	1
Belize	256	3,891	41	100	n.a	31	-6	-11	-4.0	-15.1	11	8	3	3
Dominica	79	3,554	61	122	35	41	-3	-8	-18.4	-14.8	19	10	11	5
Dominican Republic	8,745	1,825	23	56	16	18	-3	-3	-3.3	-2.0	15	18	2	5
Grenada	80	4,103	42	113	31	37	-4	-7	-17.2	-24.3	25	12	8	14
Guyana	765	911	211	179	38	44	-4	-6	-17.3	-14.5	18	18	13	7
Haiti	8,326	460	n.a.	44	9	10	-4	-4	-1.8	-1.2	n.a.	n.a.	0	0.2
Jamaica	2,651	2,962	103	142	28	35	0.2	-9	-2.9	-8.0	24	27	3	6
St. Kitts & Nevis.	42	7,641	86	171	30	43	-2	-11	-19.2	-25.9	40	37	12	20
St. Lucia	149	4,048	36	69	27	29	-1	-3	-11.5	-12.8	13	17	8	3
St. Vincent & the Grenadines	120	3,329	48	73	31	33	-1	-4	-17.8	-16.9	19	21	13	12
Suriname	436	2,470	24	44	n.a	36	-4	-6	1.0	-9.0	46	42	-4	-3
Trinidad & Tobago	1,303	7,836	52	54	28	26	0.2	-2	1.9	2.4	15	16	7	7

⁴⁰

IMF and World Bank (WDI)

ANNEX VI



ANNEX II

List of abbreviations

ACP	Africa, Caribbean and Pacific States
ACS	Association of Caribbean States
ALBA	Iniciativa Bolivariana para las Americas
CARICOM	Caribbean Community and Common Market
CARIFORUM	Forum of Caribbean ACP States
CARTAC	Caribbean Technical Assistance Centre
CBI	Caribbean Basin Initiative
CBTPA	Caribbean Basin Trade Partnership Act of 2000
CDB	Caribbean Development Bank
CDERA	Caribbean Disaster Emergency Response Agency
CET	Common External Tariff
CFD	Caribbean Forum for Development
CIDA	Canadian International Development Agency
CIT	Caribbean Information Technologies
CKLN	Caribbean Knowledge and Learning Network
CRNM	Caribbean Regional Negotiating Machinery
CSME	Caribbean Single Market and Economy
CSP	Country Strategy Paper
CTO	Caribbean Tourism Organization
CXC	Caribbean Examination Council
DIPECHO	Disaster Preparedness ECHO
DFID	UK's Department for International Development
DOM	French overseas departments
ECCU	Eastern Caribbean Currency Union
ECLAC	Economic Commission for Latin America
EDF	European Development Fund
EIB	European Investment Bank
EPA	Economic Partnership Agreement
EU-LAC	European Union – Latin American and Caribbean
FAO	Food and Agricultural Organization
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
FTZ	Free Trade Zones
GDP	Gross Domestic Product
GNP	Gross National Product
HDI	Human Development Indicators
HIPIC	Heavily Indebted Poor Countries
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
ILO	International Labour Organization
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
LDC	Least-Developed Countries
LIC	Low-Income Countries
MDC	More Developed Countries

MDG	Millennium Development Goals
MIC	Middle-Income countries
NAFTA	North American Free Trade Agreement
OAS	Organization of American States
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OECS	Organization of Eastern Caribbean States
OCT	Overseas Countries and Territories
R&D	Research and Development
RDF	Regional Development Fund
RNM	Regional Negotiating Machinery
RSP	Regional Strategy Paper
SALW	Small Arms and Light Weapons
SDF	Special Development Fund
SMEs	Small and Medium Size Enterprises
TRIPs	Agreement on Trade-Related Aspects of Intellectual Property Rights
USAID	United States Agency for International Development
WDI	World Development Indicators
WMD	Weapons of Mass Destruction
WHO	World Health Organization
WTO	World Trade Organization