

The Economic Impact of the Elimination of Preferential Trade Arrangements in the Organization of the Eastern Caribbean States

Authors : Natasha Lalla

Abstract : The impact of free trade on growth has been highly debated and studies have generated varying results. Since the 1970s the Caribbean has engaged in asymmetrical trade with some European states characterized by the Lomé Conventions (1975-1999). These agreements allowed for Caribbean products such as sugar and banana to enter some European countries duty-free and above market prices. With the onset of the World Trade Organization by the mid-1990s, the EU's banana trade regime was considered illegitimate. Lomé was replaced by the Cotonou agreement (2000-2007), in order to phase out preferences and ensure that the Caribbean trade arrangements were consistent with the international economic environment of trade liberalization. This agreement facilitated signing of the Economic Partnership Agreement in 2008 by both trade blocs whereby Caribbean states must implement freer trade by 2033. The current study is an exploration of how the Organization of the Eastern Caribbean States, the smallest, economically and ecologically vulnerable states of the Caribbean have restructured their trade policies towards the end of preferences and what has been the economic developmental impact of this. This is done by analyzing key reports to understand how these states restructured policies towards freer trade. Secondly, to determine the impact of this, data collected for specific economic indicators were analyzed in a fixed effects panel data framework for the period 1979-2016 on six states of the Organization of the Eastern Caribbean States. The study, therefore, found that freer trade has resulted in negative growth in these states.

Keywords : free trade, growth, OECS, small island developing states

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