

## **Suriname's Interests in deepening trade relations with French Guiana.**

J.D. Renfurm MA, MPA

### **Introduction**

The origins of this paper stems from a CARIFORUM-EU-EPA Consultation Series that was held in Paramaribo on 14-16 February 2012. The consultation series covered Trade in Services, Trade in Goods and Trade Related Issues. During these consultations, many Surinamese entrepreneurs expressed their discomfort at the high tariffs regime in French Guiana. According to these entrepreneurs, their goods and services face barriers that are prohibited by the EPA. The participants also wanted to know what Suriname and French Guiana could do to remove the barriers to trade that are not transparent to Surinamese exporters.

This paper will try to assess the basic characteristics of trade between Suriname and French Guiana and how the EPA can assist in penetrating the market of French Guiana for the economic development of Suriname. The purpose is to highlight, not only the trade in goods, but also to indicate what opportunities and challenges can emerge from regional trade integration between Suriname and French Guiana.

### **Export Opportunities for Suriname**

The CARIFORUM-EU EPA provides for greater market access in goods, services and investments to the European market. Formal trade between Suriname and French Guiana has been increasing very slowly over the last three years.

<b>Table 1: Surinamese Exports to French Guiana in USD</b>	
<b>Year</b>	<b>Export USD</b>
<b>2009</b>	1,886,686
<b>2010</b>	2,377,340
<b>2011</b>	3,030,610
Data from the Ministry of Trade and Industry	

Of these figures the top ten exports to products to French Guiana can be found in table 2.

<b>Table 2: Top Ten Export Products from Suriname to French Guiana</b>	
<b>Number</b>	<b>Products</b>
1	White Rice
2	Plantains, fresh
3	Beer
4	Petroleum oils
5	Sacks and Bags (Plastics)
6	Wood Products

7	Lubricating
8	Heavy Equipment for Bulldozers
9	Trucks
10	Disinfectants
Data from the Ministry of Trade and Industry	

It is believed that the informal trade between Suriname and French Guiana is even higher than the formal figures. One possible explanation is that the socio-economic and cultural structure of the Indigenous and Tribal Peoples living in the border area provides for the lack of data. Their traditional trade does not recognize national borders. Besides trade in goods, tourism and transportation services are also experiencing an increase in activity. More people from French Guiana visit Suriname each year for shopping purposes as Suriname tends to have cheaper products. Yet, Suriname service providers experience barriers in French Guiana to conduct their services, by way of rules and procedures to which they cannot comply. During the national consultation series on the CARIFORUM-EU EPA, many entrepreneurs expressed strong emotions and dismay when trading with French Guiana and that they would like to see trade barriers removed for trade in goods and services.

### **Challenges for export to French Guiana: Legal issues**

Mainland France is far and away the leading trading partner of French Guiana, which still trades very little with its South American neighbours<sup>1</sup>. French Guiana is a largely dependent economy and regionally remote in South-America and the Caribbean, but is an integral part of the EU and as such people in Suriname tend to believe that the same rules apply to the French Outermost Regions. The Outermost Regions are the French overseas departments and the Spanish and Portuguese Islands of the Canaries, the Azores and Madeira. French Guiana, Guadeloupe and Martinique, are the three overseas departments in the Caribbean, while the fourth, Réunion is in Africa, which under French law are, for the most part, treated as integral parts of the Republic.

However, there are some legal challenges to increase trade to French Guiana because of the special legal status of the Outermost Regions. They are part of the EU and its customs territory and are fully covered by the commitments taken by the EC Party in promoting increased openness between the EU and the CARIFORUM countries both in goods, services and investments. This can be found in article 239 subparagraph 1 of the CARIFORUM-EU-EPA, which states that; *“Taking account of the geographical proximity of the outermost regions of the European Community and the CARIFORUM States and in order to reinforce economic and social links between these regions and the CARIFORUM States, the Parties shall endeavour to specifically facilitate cooperation in all areas covered by the present Agreement as well as facilitate trade in goods and services, promote investment and encourage transport and communication links between the outermost regions and the CARIFORUM States”*<sup>2</sup>.

<sup>1</sup> IEDOM, Institut D’émission Des Départements D’Outre-Mer. Express Note: *Outlook for Guyane*. (Agence de la Guyane no.108-July2011) P.3

<sup>2 2</sup> *Economische Partnerschapovereenkomst tussen de CARIFORUM-Staten, enerzijds, en de Europese Gemeenschap en Haar Lidstaten, anderzijds, Volume I*. (Publicatieblad van de Europese Unie L289, Brussel, 30 Oktober 2008) Article 239 (1).

To take account of the special geographical and socio-economic situation of the Outermost Regions, **specific safe guards** are foreseen. This is stated in article 239 subparagraph 4 of the EPA that; *“Nothing in this Agreement shall prevent the EC Party from applying existing measures aimed at addressing the structural social and economic situation of the outermost regions pursuant to Article 299(2) of the Treaty establishing the European Community”*<sup>3</sup>. It is **Article 299 (2) that provides for the derogation of EU Policies** and thus the provisions of the CARIFORUM-EU-EPA. This is at the basis of the legal challenges that limit exports to French Guiana.

Article 299 subparagraph 2 of the Treaty establishing the European Community<sup>4</sup> states that *“The provisions of this Treaty shall apply to the French overseas departments, the Azores, Madeira and the Canary Islands”*.

*“However, taking account of the structural social and economic situation of the French overseas departments, the Azores, Madeira and the Canary Islands, which is compounded by **their remoteness, insularity, small size, difficult topography and climate, economic dependence on a few products, the permanence and combination of which severely restrain their development, the Council**, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament, shall adopt specific measures aimed, in particular, at laying down the conditions of application of the present Treaty to those regions, including common policies”*.

In other words, because of the restrains that the French Overseas departments face, the EC shall adopt specific measures for these departments that differ from general EU policy.

**On top of that**, article 299 subparagraph 2 continues with; *“The Council shall adopt the measures referred to in the second subparagraph taking into account **the special characteristics and constraints of the outermost regions without undermining the integrity and the coherence of the Community legal order, including the internal market and common policies**”*<sup>5</sup>.

Thus making it possible that the EC can deviate from its own provision of the internal market and common policies, rendering it possible that *“**The Council shall, when adopting the relevant measures referred to in the second subparagraph, take into account areas such as customs and trade policies, fiscal policy, free zones, agriculture and fisheries policies, conditions for supply of raw materials and essential consumer goods, State aids and conditions of access to structural funds and to horizontal Community programmes**”*<sup>6</sup>.

Indeed, French Guiana enjoys for historical, geographical and political reasons, special status within the EU. This status ranges from **no or limited derogation** from EU policies, limited

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<sup>3</sup> *Economische Partnerschapovereenkomst tussen de CARIFORUM-Staten, enerzijds, en de Europese Gemeenschap en Haar Lidstaten, anderzijds, Volume I.* (Publicatieblad van de Europese Unie L289, Brussel, 30 Oktober 2008) Article 239 (4).

<sup>4</sup> Article 299 of the Treaty establishing the European Community, has been integrated in its entirety and can now be found as Article 349 of the Treaty on the Functioning of the European Union. For the purpose of this paper, reference shall be made to article 299 as it is written down in the legal text of the CARIFORUM-EU-EPA.

<sup>5</sup> Treaty establishing the European Community, Article 299 (2). At EUR-Lex – 12002E299 - EN

<http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:12002E299:EN:HTML>

<sup>6</sup> Treaty establishing the European Community, Article 299 (2). At EUR-Lex – 12002E299 - EN

<http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:12002E299:EN:HTML>

inclusion in EU policies or none at all. Under article 299 subparagraph 2, the French Outermost Regions **are exempt from any obligation** the EC as a party makes, **including** the provisions of the CARIFORUM-EU-EPA.

As a result the French Outermost regions have a separate tariff tax system called, “L’Octroi de Mer” and “L’Octroi de Mer Regional”. These taxes are applied on imported goods and fabricated goods made in other French Outermost Departments and are meant to protect the vulnerable local economy of the French Outermost Regions. Furthermore, they are also meant to stimulate trade between the Outermost Regions. This decision authorizes the French authorities to apply exemptions from the EU rules. It sets the maximum authorized tax differentials between local products and products from abroad. Depending on the categories of goods listed in the Annex, these maximum differentials are 10, 20 or 30 percentage points<sup>7</sup>.

Concretely, this means that the top 3 Surinamese exports to French Guiana, as stated in table 2, are severely taxed. As an example, white rice and plantains are taxed by 20% and Beer by 30%. One can understand the criticism against the Octroi de Mer in Suriname from the private sector.

### **Conclusion**

Finally, how can the EPA assist in penetrating the market of French Guiana for the economic development Suriname?

The social and economic situation of the French Outermost Regions as laid down in article 299 subparagraph 2, also apply to Suriname and the CARIFORUM States. It is our, remoteness, insularity, small size, difficult topography and climate, economic dependence on a few products that distinguishes these states. Therefore, the CARIFORUM-EU EPA points out to the geographical proximity of the Outermost Regions of the EC and the CARIFORUM States and in order to reinforce economic and social links between these regions, the Parties to the EPA shall endeavour to specifically facilitate cooperation in all areas covered by the present Agreement as well as facilitate trade in goods, services and promote investment.

Thus, the EPA is about cooperation, partnership and regional integration. Yet, on the matter of regional integration it is important to make a distinction between cooperation and partnership policy, on the one side and trade policy on the other side. There are many cooperation programmes between Brazil, Suriname and French Guiana on many subjects, like police and military cooperation and combating international crime. The question of regional trade integration has been contentious due to the special status of the French Outermost Regions and the defensiveness of the EU. Even though cooperation programmes will continue well into the future, the EU trade policy of opening up the French Outermost Regions depends on **the political will** of the EU. **Thus, the EPA will not facilitate market penetration in French Guyana, unless that political decision is made in Europe.**

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<sup>7</sup> The following website includes the annex of listed goods. <http://www.cr-guyane.fr/region-dynamique/dossiers/octroi-de-mer>