
CARIBBEAN COMMUNITY:

The Struggle for Survival

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Kenneth Hall and Myrtle Chuck-A-Sang

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Website: www.theintegrationist.org

Printed in the United States of America.

ISBN: 978-1-4669-1106-2 (sc)

ISBN: 978-1-4669-1105-5 (hc)

ISBN: 978-1-4669-1104-8 (e)

Library of Congress Control Number: 2012902701

Trafford rev. 02/27/2012

 **Trafford**
PUBLISHING® www.trafford.com

North America & international

toll-free: 1 888 232 4444 (USA & Canada)

phone: 250 383 6864 ♦ fax: 812 355 4082

CONTENTS

Introduction	vii
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SECTION I **Globalisation and the Threat of Marginalisation**

1.	Caribbean Development in a Changing Global Environment	3
2.	The Strategic Positioning of the Caribbean Community in the Changing Global Environment	20
3.	The Changing Environment of OECS International Economic Relations and Some External Policy Implications	36
4.	CARICOM and Security Governance: Probing the Limits of Regional Cooperation	51
5.	A New Conceptual Approach to Caribbean Security	72
6.	The Economic Partnership Agreement and the Building of a Post-Colonial Economy in the Caribbean	102
7.	CARICOM in Multilateral Trade Negotiations	122
8.	Reflection on the CARIFORUM-EC Economic Partnership Agreement: Implications for CARICOM	144
9.	The Implementation Plan for the CARICOM 'Regional Framework for Achieving Development Resilient to Climate Change'	198

10.	Future Directions Of Caribbean Foreign Policy: The Oceans	227
11.	ALBA, PETROCARIBE AND CARICOM: Issues in a New Dynamic	246
12.	The New Geography Of Brazil-Caribbean Economic Cooperation	267
13.	National Planning by Small, Non Strategic Developing States in the Face of Declining Overseas Development Assistance	283
14.	The Tourism Sector and The Global Economic Crisis Development Implications For The Caribbean	306

SECTION II

Beyond Survival: The Future of the Caribbean

15.	Future Focus: A New Diplomacy for Market Access	359
16.	Journalism for Caribbean Development: New perspectives in the Age of Economic Globalisation	379
17.	The Future of CARICOM in a Changing International Environment	386
18.	CARICOM Beyond Thirty: Connecting With The Diaspora	414
19.	Existential Threats in the Caribbean: Democratising Politics, Regionalising Governance	432

INTRODUCTION

Globalization and the Threat of Marginalization

WHATEVER MAYBE SAID about the Caribbean, it has to be admitted that it has a distinguished and fairly long intellectual tradition. Indeed, Professor Gordon K. Lewis in his “Main Current of Caribbean Thoughts” has made the following observation:

“The truth is, of course, that if a wider Caribbean perspective is adopted, and if the totality of public works on the entire region is taken into account, the Caribbean is possessed of an intellectual history of no mean proportion”

It is this tradition which has given the region some of the finest minds: Dr. Eric Williams, The Honourable William Demas, The Honourable Lloyd Best, Professor George Beckford, the Honourable Vidiadhar S. Naipaul, Sir Alister McIntyre, Sir Arthur Lewis, Professor Kari Levitt, and Professor Havelock Brewster, only to name a few. They all have produced academic and political work which are firmly anchored in this tradition and which have won them plaudits and admiration in different parts of the world, including the region which has given them succour. Of course, The Honourable Vidiadhar Naipaul and Sir Arthur Lewis have caught the imagination of the world to the extent that they have won the laurel of the Noble prize. It is to the credit of the region, that this intellectual tradition has continued and has manifested itself in various ways. I am convinced that the academic conferences and the seminars which have been held to investigate aspects of Caribbean political, economical and social life have allowed Caribbean thinkers and academics to demonstrate their capacity for thought and their commitment to seeking solutions to the problems of the region.

The writers of the papers on various issues assembled in this volume are experienced academics who are familiar with the problems of the region and have written knowingly and persuasively about finding solutions to

them. I sometime believe that the word “papers” do not quite capture the insights and ideas which are contained in them. A perusal of the papers in this connection, demonstrates quite clearly that the writers are not only interested in assessing the various aspects of Caribbean reality, but, also in proposing possible policy solutions to them. In this sense, these papers can be said to be located within the framework of the Caribbean intellectual tradition.

The papers range from the challenges posed by the New International Environment, declining Overseas Development Assistance (ODA), the complexity of the Economic Partnership Agreement (EPA) and the challenges posed by developments in the area of security. What emerges, is that after a period of “closed” integration, the Caribbean Community now finds itself in a novel situation needing an “open” form of integration that coincides with the rise of the new phase of globalization.

It is this background which gives urgency and relevance to the papers contained in this volume. Professors Denis Benn and Kenneth Hall have both dealt with the global environment in which the Caribbean Community finds itself, including the expanded Caribbean milieu. The former for example, believes that Caribbean Integration can benefit from “the acceleration of the pace of production integration aimed at optimising production and output in the region while the later recognizes that CARICOM must forge necessary relations with emerging powers such as China and India.

Professor Benn is quite persuasive in recommending in this new environment that training would be critical. Professor Hall in particular, has taken account of the importance of the Caribbean diaspora and the importance of expanding the Economic Partnership Agreement (EPA). The EPA is given elegant and factual treatment by former Prime Minister Owen Arthur in a paper entitled “*The Economic Partnership Agreement and the Building of a Post-Colonial Economy in the Caribbean*”. While his argument on the EPA could hardly be challenged, it is Mr. Arthur’s observation that a lack of political will caused the fragmentation of the ACP countries. This could well be cause for studied reflection. For what Mr. Arthur is saying, is that the unity which gave the ACP countries cohesion in 1975 is absent. Moreover, the decline of development economics might have played a role in preventing the Caribbean region and the rest of the ACP countries from evolving a grand design “subscribed to by all, to provide the architecture around which the EPA has been constructed.”

Mr Arthur's paper should be read in conjunction with Professor Clive Thomas' "Reflection on the CARIFORUM-EC Economic Partnership Agreement: Implications for CARICOM" Professor Thomas as usual, is quite thorough and examines this question from every relevant angle.

Security and Multilateral trade negotiation are also featured as issues addressed in this publication. In her paper "CARICOM in Multilateral Trade Negotiation" Ms. Emalene Marcus-Burnett has pointed out how complex multilateral trade negotiations have become. She has concluded the following:

"A combination of skill and luck has resulted in relatively successful flexibilities being secured under both negotiations. However, the increasing trade aggressiveness of developing and emerging economics, coupled with the traditional approaches by developed countries, signal that less munificence will be extended to the region."

It is a warning that should have been heeded. If the Region has already done so. This volume should add significantly to all of the writings and studies on the political and economic condition of the Caribbean community.

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SECTION I

Globalisation and the Threat of Marginalisation

CHAPTER 1

Caribbean Development in a Changing Global Environment

Kenneth Hall

GLOBALISATION AND ITS policy prescriptions have posed unprecedented challenges to Caribbean countries and it has fundamentally changed the environment in which Caribbean development has proceeded for much of the latter part of the twentieth century. In particular, globalisation has put an increasing stranglehold on small Caribbean economies that are characterised by a high degree of openness, limited economic diversification, export-concentration in one to three products, and have significant dependency on trade taxes as a main source of government revenue.

More unfortunate for these economies have been their small size; the high import content of production and consumption goods as a share of gross domestic product (GDP); and the undiversified economic structures that have constrained their economic adjustment processes. One outcome of this situation has been that during the last decade most of these economies have experienced low or declining economic growth, resulting in part from external economic shocks and the loss of special access, preferences and subsidies from bananas, sugar and rice exports into the European Union. Consequently, it has been a difficult task for policy makers to find new approaches to foster economic development, given the changes in globalised markets. More specifically, Caribbean countries are now forced to rethink every aspect of their domestic economic and social policies, given that they must participate in the global economy. In order to do this successfully, it is clear that they must find a new development path for continued economic progress, as the old approach to economic development has been superseded by changes in the global environment.

New Approaches

In this respect, several policy makers and academics have been grappling with this problem. For example, Owen Arthur suggested that:

“The building of a post-colonial economic relationship has as its principal focus the creation of an environment to spur the diversification of the typical Caribbean economy away from its traditional mono-crop culture, to end its passive dependence on aid and colonial type protectionist trade arrangements, to end its passive incorporation as a sub-species into the metropolitan economy on which it depended, and to create a basis for its sustainable development by bringing to the fore new mechanisms for domestic development and new modalities for cooperation with its international partners, that can play positive transforming roles in strategic areas, such as human resource development and the creation of dynamic private sector economies.”²

Caribbean technocrats and political leaders have advanced a different approach. They argue for an intensification of Caribbean Integration. In a communiqué issued by the CARICOM Heads of Government at the July 2008 meeting, the Heads reaffirmed the view “that the regional integration process remains the only viable option for a community of small developing states in the current global economic dispensation”.³ They further declared that the regional integration strategy for Caribbean development was the best policy direction to ensure “that our citizens live in a peaceful and safe environment, that they enjoy improved standard of living and quality of life, and that their rights are protected”.

The centerpiece of regional integration is the CARICOM Single Market and Single Economy (CSME), which is a legitimate response to “globalisation and liberalisation” and “the attainment of international competitiveness.” This can be achieved by means of market-led integrated production and consumption that are facilitated by “the unrestricted movement of capital, labour and technology” and “a fully integrated and liberalised internal market”. In 2007, CARICOM leaders went further and approved “a single development vision” aimed at creating a platform for internationally competitive exports to global markets, while pursuing functional cooperation to exploit institutional and resource synergies among countries.

Another alternative has centered on the notion of “strategic global repositioning” defined as a “process” of repositioning a country in the global economy and world affairs by implementing a strategic medium to long-term plan, formulated from continuous dialogue in the public service, the private sector, academia and the social sector. This would involve proactive structural and institutional transformation (not adjustment) focused on improvement and diversification of exports and international economic and political relations. Broadly speaking, this strategy is aimed at an accommodation with globalisation, in order to realise the opportunities that globalisation offered.

To achieve strategic global repositioning, advocates of this approach proposed a series of measures, including abandoning the traditional mindset, diversifying exports, adjusting proactively, improving human resources, supplementing the skills pool with overseas nationals, developing strategic corporate alliances, creating a business-facilitating environment, improving physical infrastructure, modernising international marketing, and garnering capital technology and skills. Additionally, this approach called for a dynamic private sector and envisaged a redefinition of the capacity and purpose of the Caribbean state, with a view to making it more effective, while bringing it in line with the ideas associated with good governance.

Another element of the debate was drawn especially from the Commonwealth Secretariat and the World Bank that have explored the policy options of smallness and vulnerability of Commonwealth Caribbean countries. The policy options were outlined in 2005 by two World Bank studies entitled, “A Time to Choose: Caribbean Development in the Twenty First Century”⁴ and “Towards a New Agenda for Growth”.⁵ The World Bank studies suggested that the Caribbean economy was “one of under-fulfilled potential and concern for the sustainability of past accomplishments”.

It noted that there were formidable challenges ahead for the Caribbean and suggested a wide-ranging series of recommendations to address these challenges. These studies saw no future for export agriculture and only a limited future for industry. Economic growth, the studies argued, depended on competitiveness in services, especially information and communication technology-enabled products and services, and offshore and niche education. It strongly recommended a proactive approach to Caribbean development, including greater integration within the Caribbean Region.

It also suggested “an orderly dismantling of preferences in return for increased financial and technical support”, improving the investment climate, making the public sector more cost effective and improving the quality and effectiveness of human resources.

In an effort to advance the debate on regional governance, some analysts have argued in favour of the concept of a ‘variable geometry of integration; similar to the policy pursued by the European Union, whereby those countries within the Caribbean Community wishing to pursue deeper forms of integration than the others would be allowed to do so, subject to two provisos, namely, that such deeper forms of integration should not contravene the objectives of the Community and, moreover, should not preclude other members of the Community wishing to join such deeper forms of integration from doing so.

In terms of economic strategy, the reality is that despite the small size of the individual Member States, the region, viewed as a collective, disposes of a significant range of resources, including petroleum and natural gas, gold, diamonds, vast agricultural resources, significant tourism infrastructure and not insignificant human resources. For this reason, some policy makers have urged the intensification of efforts to increase production-integration in the region, both in terms of cross-border sectoral aggregation and inter-sectoral integration, in an effort to optimise the region’s development potential.

Moreover, within the framework of increased production integration, some academics have advocated the establishment within the region of ‘growth triangles’, similar to those established within Asia, most notably the Indonesia/Malaysia/Singapore (IMS) growth triangle that integrates economic activities across Batam Island in the Riau Peninsula of Indonesia, Johor Province in Malaysia and Singapore. Part of the rationale for such a strategy is that Singapore, with limited land area but with significant foreign exchange reserves, amounting to over US\$70 billion at the time of the launching of the IMS, was interested in establishing an external investment platform. This approach was based on utilising its foreign reserves and technological know-how in combination with the land area, in Johor Province and in collaboration with the abundant labour supply in Indonesia.

In the case of the Caribbean, a similar approach was proposed. For example, Trinidad and Tobago, with its significant foreign reserves derived from petroleum and natural gas, is seen as being in a similar position

to Singapore at the time of the launch of the IMS Triangle. In this context, some analysts have argued that within the framework of efforts aimed at promoting production-integration in the Caribbean, growth triangles may be envisaged. One of these would involve the resource-rich countries of the region, such as Belize, Guyana, Jamaica and Suriname, in combination with the financial resources of Trinidad and Tobago, to promote an increasingly sophisticated service sector capable of competing in the global economy. In this case, Trinidad and Tobago is seen as the common denominator, since it has the potential to serve as a pivot, or what some analysts have termed a 'growth catalyst', in the context of the proposed growth triangles.

While regional economic integration has been the cornerstone of the region's development strategy, the Community has also sought to promote a pattern of concentric relations at the wider Caribbean level, within the Latin America system, at the hemispheric level and within the global system. For example, the Community has concluded trade agreements with Cuba and the Dominican Republic. It has also established trading and other economic arrangements with Brazil, Costa Rica, Mexico and Venezuela.

At the wider hemispheric level, it has significant aid and trade agreements with Canada and the US and is an active participant in the Organisation of American States (OAS). Furthermore, the Caribbean has actively participated in the work of the United Nations, which is seen as an important multilateral instrument for promoting and maximising small states development and diplomatic influence. Also evident from this framework is not so much that there are different approaches targeted at resolving the region's development problems. Instead, it is the notion that the opportunity exists for integrating all these approaches into one strategic mix that responds to a global environment, and at the same time establish opportunities for better integration and deeper functional cooperation between and among Caribbean states and other countries.

The Influence of China and India

Meanwhile, the Caribbean is, of course, keenly aware of the significant geostrategic shifts that are taking place at the global level. China, for example, has amassed significant foreign reserves amounting to some US\$1.5 trillion at the end of 2007, and has become, together with the European Union and Japan, a major investor in the US economy. China

also enjoys a significant trade surplus with the US. It is projected that by 2050, China with a GDP of US\$22.0 trillion will surpass the US as the largest economy in the world. For this reason, writers such as Ramo (2007) have characterised China as an 'asymmetric superpower', which will achieve global dominance, not by military means, but by economic influence and diplomacy.⁶

Similarly, with a population in excess of one billion people, India has also emerged as an economic force, based on its increased industrial capacity and its burgeoning information technology sector that is closely associated with cities such as Bangalore. It is expected that by the middle of the present century, India will rank as the third largest economy in the world, behind China and the US.

Viewed from a strategic perspective, the Caribbean is gradually becoming aware of the implications of these changes as its own long-term development prospects hinge on how best it positions itself, given that both China and India have shown an interest in the Caribbean. The former has done so largely because of its concern over the diplomatic recognition of Taiwan by a number of members of the Community, notably Belize, St. Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines, which it is determined to change through diplomatic initiatives and investments. Recently, China has been investing in the Caribbean by building infrastructure for public use. For example, China has built a number of cricket stadiums in the region in an effort to extend its diplomatic influence. They have also engaged in similar activities in financing the procurement of inputs and have been facilitating trade and investment in some sectors.

For its part, India's interest in the region is dictated by the presence of large East Indian communities in Guyana, and Trinidad and Tobago, which originated with the system of indentured labour instituted by the British in the nineteenth century, in an effort to provide replacement labour for the plantations following the emancipation of African slaves towards the middle of the century. Like China, India built a new cricket stadium in Guyana for the 2007 Cricket World Cup Competition and also maintains an extensive diplomatic presence in the region.

Given these realities, without abandoning its traditional alliances with North America and Europe, CARICOM will need to explore options for diversifying its trade and production structures in order to capitalize on the trade and investment opportunities that might arise in relation

to China and India. The expansion of such linkages could also provide opportunities for stimulating new development possibilities based on the integration of the production structure of the Member States of the Community.

Diaspora's Impact and Outreach

Reference must be made to the “Diaspora's Outreach” as a significant contributor to a more cohesive regionalism and the role which the Caribbean can play in deepening and strengthening the process of regional integration. It was in June 2007 that a major milestone was recorded in the history of the Caribbean Community in its measured progress towards a state of genuine integration. There was held, in various cities of the US, a coming together of CARICOM nationals and descendants of nationals in a collective effort at making a definitive and sustainable contribution towards the integration of the Caribbean Community. Broadly described as the “Conference on the Caribbean—A 20/20 Vision”,⁷ the region's Diaspora produced, through a consultative process lasting several months, a series of thought-provoking ideas and recommendations that integrally involved them through various contributions other than—or in addition to—the system of remittances which continues to make such a significant contribution to the region's several poverty amelioration programmes.

Much has been said about the value of remittances from the Diaspora to a country's development. This issue will not be debated here, other than to concede that these cross-border economic transfers contribute significantly to the survival and welfare of the recipients in their home states. The jury is still out, however, on whether remittances make any significant contribution to the national/regional development process, particularly when viewed in the context of the social and economic impact of the ‘brain drain’ on that very development process.

Dawson (2007), in her analysis of this issue, entitled: “Brain Drain, Brain Circulation, Remittances and Development: Prospects for the Caribbean” notes that, “*the emigration experiences of China, India, Mexico, Armenia, the Philippines and elsewhere tell a compelling story of how migration can contribute to development for some countries, but produce little in the way of sustainable development for others*”.⁸

As it regards the Diaspora as an essential element of development, and this was the fundamental premise of the “Conference on the Caribbean—A 20/20 Vision”, one needs to go much beyond the value of remittances and

recognise the Diaspora as a community which has a clear and positive umbilical linkage to the Caribbean Community.

What must be recognised, however, is the loss of skills and talent through migration to North America and Europe. This is a serious problem, especially at a time when there is a shortage of skills and talent in the region. A Canadian International Development Agency (CIDA) study, commissioned in 2007, recorded that the Caribbean Community has the highest per capita rate of emigration in the world.⁹ Many of these migrants are well educated. Indeed, the study noted that 73 per cent of college/university graduates have left the region since the sixties and that these figures are even higher for Guyana, Jamaica and St. Vincent and the Grenadines. These persons comprise the Diaspora, in addition to the hordes of skilled and semi-skilled workers who also have left the region in search of a better life elsewhere.

No developing country or region can sustain such losses and still maintain a strong foundation for its development. No developing country or region can successfully meet the challenges of development, unless it seriously addresses the relationship of its Diaspora to its development process. In this regard, Professor C. Kenrick Hunte, in his article entitled: “US/CARICOM: Building Partnerships and Expanding Outreach”, calls for a more systematic involvement of the Diaspora and recommends the creation of a Caribbean Diaspora Foundation that would be responsible for implementing a number of agreed recommendations involving skills and talent of the Diaspora.¹⁰

Expanding Partnerships and the EPA

In the continuing thrust for a cohesive Caribbean Community, no area has remained unexplored. In addressing the various challenges and in taking advantage of the many opportunities therein created, the Leaders of the Caribbean Community have recognised as well, the need to build partnerships. Such partnerships should include collective approaches to enhance governance at the regional level; improved arrangements and relationships with the region's private sector and private sector organisations; the Community's Diaspora; the region's institutions of higher learning; and the informed inputs of such Community institutions as the Assembly of Caribbean Community Parliamentarians and the non-governmental organisations that can give life and meaning to the Charter of Civil Society. These arrangements are intra-regional as

they seek to address institutional reform, expand outreach and improve accountability. Extra-regional partnerships encompass among other things trade and development issues including market access and fairness. One such area of debate has been the Economic Partnership Agreement (EPA).

In 2007, CARIFORUM countries (CARICOM and the Dominican Republic) completed negotiation for an economic partnership agreement (EPA) which would govern trade relations between CARIFORUM countries and the European Union (EU). The distinguishing provision of this agreement was the ending of preferential trade agreement and its replacement by reciprocity. Debate on the EPA has continued, however, despite the fact that the EPA has been signed. This is due in part to the fact that some in the Caribbean have questioned its transformative power to foster economic development in the region. At the centre of this dispute is the place of the Caribbean countries within the global economy and particularly, how best to promote Caribbean development through participation in the global system. Proponents of the EPA, drawn primarily from the school of strategic global repositioning, argue that the agreement promotes Caribbean development because:

1. Its scope is unprecedented in an agreement between developed and developing countries.
2. It is a trade agreement supported by development assistance.
3. Its objectives go beyond the expansion of trade to specifically target sustainable economic development, the progressive integration of CARIFORUM countries into the world economy and the elimination of poverty.
4. Its unique combination of trade and development measures can become a model for agreements between developed and developing countries.

In a spirited attack on the EPA entitled, “Caribbean Integration and Global Europe—Implications of the EPA for the CSME”, Professor Girvan argues that the CSME as the project of regional integration for engagement with globalisation has been superseded by the CARIFORUM/EU Partnership Agreement.¹¹ It is suggested that the EPA provides for a scheme of regional integration in which Caribbean states are incorporated into a European economic zone, with free movement of goods, services and

capital and with common policies and regulatory regimes in these areas, as well as in competition, intellectual property and public procurement.

It was speculated that implementation of the EPA would probably lead to the eventual abandonment of the CSME project. In short, the EPA “forecloses the CSME strategy of consolidating a regional economic space as a platform for developing internationally competitive production to engage with the world economy”. Girvan, in effect, has sided with those critics who argue that for development to take place, liberalisation must be synchronised with the development of local productive capabilities. It must be accompanied by targeted resource transfers to support such development; it must address the non-tariff barriers in European markets that have constrained export expansion in the past; and it must leave sufficient policy space for governments to foster new activities and local enterprises. None of these, it is claimed, is present in the EPA; and moving forward on this agreement will require extensive research and monitoring over the next decade, if definitive answers can be obtained for the important development concerns raised by some policy makers and academics.

Meanwhile, how the Caribbean reconciles its altered status in the changed global market place will not be settled in the short-run, given its concern for an environment that promotes development, satisfies the needs of its people for improved standards of living and ensures its cultural integrity. These anxieties are expected during the current global revolutionary process that is taking citizens out of the comfort zone of their traditional and historical patterns of economic and socio-political development, a comfort zone that is being eroded on an almost daily basis by a globalisation process that demands both seemingly radical change and urgent remedial action.

A Collection of Issues

It is in the context of this development, therefore, that Heads of Government have been meeting over the years and more recently with unprecedented but welcome regularity and urgency to discuss crisis-oriented issues such as Climate Change, Security, Energy and Rising Food Prices. At their Special Meeting in Guyana in December 2007¹² for example, to discuss Poverty and the Rising Cost of Living in Member States with a view to *“finding solutions, at both the national and regional levels, to the critical issue of poverty and the rising cost of living”*, they took note of the several factors which were impacting negatively on the issue, many of which were

outside of the control of the Community. These factors included: . . . persistently high and rising prices in the global economy . . . (that) are in turn fuelled by unprecedented high and rising oil prices; climate change which . . . disrupted food supplies from the main producer countries that have suffered droughts and other natural disasters; increasing demand by some emerging economies as a result of massive urbanisation and industrialisation; the shift in agricultural production from food to bio-fuels; increased cost in ocean freight resulting from high oil prices; and more recently the sharp depreciation of the US Dollar.

Just a few months earlier, in September 2007, CARICOM Heads of Government met in a Special Session to address the issue of Chronic Non-Communicable Diseases (NCDs) which was accounting for, among other detrimental factors, over 50 per cent of the deaths in *“the poorer countries which carried a double burden of disease”*.¹³

This response by the Heads underscores a number of important considerations that are relevant to the regional integration process. In the Nassau Declaration of 2001, there was the clear recognition that the health of the region was the wealth of the region and that both national and regional policies should be guided by this principle.¹⁴ The September Summit, however, in the face of rapidly changing global developments and their regional repercussions, significantly raised the level of focus and attention that should be placed on the imperative to stop the spread of NCDs. Additionally, Heads of Government had to respond to the issue of Governance, particularly with respect to decision-making; management of the CARICOM Development Fund; Crime and Security, and how to build on the legacy of Cricket World Cup from the perspective of enhancing Regional Security; regional coordination with respect to the issue of Drug Trafficking; the issue of Deportees and its impact on national regional development; review and rationalisation of Regional Institutions and Organisations.

The significance of all these events is that even as the regional integration process is being buffeted by the pressures of globalisation, strengthening the institutional arrangements to withstand these pressures is equally important and necessary in order to make the community stronger, as it seeks to improve its structures and enhance the environment for citizen participation. Yet, the effort to arrive at a satisfactory solution to regional governance has been bedevilled by a division between those in the community who seek to defend individual national sovereignty and

those who believe that an effective system of regional governance would imply some cession of sovereignty. Resolving this challenge lies at the heart of finding an accommodation between an uncompromising defence of sovereignty and conceding a zone for supranationality at some level of regional governance.

Concluding Remarks

There is a consensus that “the multidimensional process of globalisation is rapidly transforming, in profound ways, all aspects of national and global activities and interactions. The pace, character and extent of the economic, social and political dimensions of globalisation may vary across sectors and local circumstances, but its economic thrust is the erosion or elimination of national barriers to the international flow of goods, services, capital, finance and information.” (Bernal—Globalisation: The EPA and Economic Development).¹⁵ It is further agreed that national markets have been morphed into global markets because their operations are subsumed by global factors. “Every business, whether producing for the national or the world market, must become globally competitive, either to be able to export or to withstand competition from imports. The competition is no longer local, it is global in fact, and competition knows no boundaries”.¹⁶

Within this general framework, there is exponential growth of services within the world economy, increased international competition, and rapid and profound technological change and innovations. From the perspective of developing countries, two of the most significant consequences are the policy changes and the ideological underpinnings that shape those policies. It is noticeable that there is a pronounced decline in empathy for the plight of developing countries. This decline is manifested in several aspects of the interaction between developed and developing countries, most notably the dismantling of preferential trade agreements, the reduction of development assistance in real terms and the forced graduation of middle income developing countries from eligibility for lending on concessional terms, grants and certain trade concessions such as the generalized system of preferences.

Perhaps the most significant impact of globalisation on Caribbean development is the destruction of the consensus that has guided policymaking since the end of the Second World War and particularly during the 1960s. Nowhere is this more evident than in the vigorous debates that have been taking place recently among Caribbean

policymakers, academics and governments. Small Caribbean States have sought to respond creatively to the challenges facing them by embracing a strategy of regional integration, while at the same time pursuing a pattern of concentric diplomacy aimed at expanding their trade and economic links with other countries or groups of countries in the wider international system.

It is evident from the cursory review of the debate surrounding Caribbean development that there is agreement that globalisation has had and will continue to have a profound impact on the Caribbean's future. It is also clear that the policy options being proposed, demand that Caribbean development respond in a way that would provide a solid framework for building a safe and reliable domestic and international economic system that addresses citizens' participation, that provides for meaningful Diaspora Relations, and seeks to support collective regional diplomacy.

Kenneth Hall¹

NOTES

1. This paper draws extensively from a presentation made at the Fortieth Anniversary Celebrations of the State University of New York, Albany, New York, September 17, 2008.
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CHAPTER 2

The Strategic Positioning of the Caribbean Community in the Changing Global Environment

Denis Benn

Introduction

THIS PAPER OFFERS some perspectives on the Strategic Positioning of the Caribbean Community (CARICOM) in the Changing Global Environment.

In order to do justice to the topic it is necessary to adopt a theoretical approach that will enable us to interpret both the dynamics of the regional integration movement and the emerging geopolitical and geostrategic forces operating within the international system which exercise a major influence on the region.

Over the years, a number of different theoretical approaches, notably, functionalism/neo-functionalism (Haas (1958)¹, Schmitter [1964]² and Nye [1965]³), liberal intergovernmentalism (Moravcsik [1993]⁴), institutionalism (Armstrong and Bulmer [1998]⁵), network analysis (Peterson [1995]⁶ and Bomberg [1998]⁷) and transactional analysis (Deutsch [1957]⁸) have been applied to the analysis of integration processes. Similarly, a number of well-known theoretical frameworks have been advanced as a basis for interpreting international relations, the most important of which are realism, liberalism, rationalism, structuralism and various post-positivist approaches, such as critical theory, post-modernism and constructivism.

It should also be noted that Barnett (2004),⁹ in his book, the Pentagon's New Map: War and Peace in the 21st Century, has advanced a new paradigm for explaining the dynamics of international relations by

dividing the world between a 'functioning core', comprising the USA, Canada, Europe and Japan, and a 'non-integrating gap' which in fact encompasses the developing countries. In this context, he analyses the changing 'rule sets' which govern the relationship between the two as well as within each group.

In addition, Huntington (1994)¹⁰ has posited that the current dynamics of international relations can best be understood in terms of a 'clash of civilisations' involving mainly the Judeo-Christian tradition and Islam.

While all of these frameworks have some merit and therefore should be borne in mind, my preference in analysing the challenges facing the Caribbean Community is to apply the theory of 'concentricity' in which the imperatives for action by the Community are determined within a series of concentric relations radiating from the CARICOM core and encompassing, in a series of expanding waves, the wider Caribbean, Latin America and the Caribbean, the hemispheric system, the global South (i.e. the developing countries) and, ultimately, the international system as a whole. The paper will therefore seek to identify the strategic imperatives in each of these arenas beginning with the CARICOM core.

In terms of the CARICOM core, while individual national initiatives remain relevant, given their small size and therefore sub-optimal economic scale, increased regional integration is a critical requirement for optimising the development possibilities of the region and for ensuring their more effective participation in the international system. In this context, increased emphasis will need to be placed on production integration, as is contemplated in Article 52 of the Revised Treaty of Chaguaramas, in order to ensure the rational utilisation of the not inconsiderable resources of the region. This will require the development of both cross-border intra-sectoral and inter-sectoral integration within the Community.

It will also be necessary to explore the promotion of 'growth triangles' along the lines of the Indonesia, Malaysia, and Singapore (IMS) growth triangle. Under the latter arrangement, in recognition of its limited geographical size, which imposed a constraint on its further development, Singapore sought to build an external investment platform by combining its own significant resources and technology with land in Johor Province in Malaysia, together with a labour supply from nearby Batam Island in the Riau peninsula of Indonesia. In the case of the Caribbean, the creation of at least two growth triangles may be envisaged: one based

on collaboration among the resource rich countries such as Guyana and Suriname and the other aimed at the creation of a sophisticated services industry in the Eastern Caribbean. In both cases, Trinidad and Tobago would serve as a pivot or growth catalyst in the development of these triangles. Production integration, including the development of growth triangles in the region, could therefore serve as an important instrument for the achievement of the goals of the CARICOM Single Market and Economy (CSME).

The promotion of an intensified pattern of economic integration in the Caribbean will require visionary or strategic thinking. Despite the articulation of a Strategic Vision for the implementation of the CSME and current attempts to formulate within this framework, a Strategic Plan for Regional Development (SPRD), there is a danger that in the name of pragmatism and the need to achieve readily attainable goals, the region will adopt an increasingly 'functionalist' approach to integration, instead of the genuinely 'integrationist' approach articulated in the Revised Treaty of Chaguaramas.

Of course, the attainment of the objectives of the CSME will require the adoption of creative regional governance arrangements to effectively manage the integration process. The adoption of such arrangements has, however, been bedevilled by lingering misconceptions regarding the exercise of sovereignty within the Community. This is reflected in the guarded definition of the Caribbean Community as a 'Community of sovereign states'. But, this is a tautological definition with limited explanatory value since sovereignty is an inherent attribute of the state. As has been argued elsewhere, it would have been better to characterise the Community as 'a Community of states and territory (to cater for Montserrat) exercising sovereignty individually and collectively'. In order words, sovereignty within the framework of the Community should be seen as an instrument for maximising the influence of individual Member States. Moreover, the existence of intergovernmental arrangements is not incompatible with concessions to supranationality. For example, the European Union combines elements of both, since while the European Council (comprising the Heads of Government) and the Council of Ministers function inter-governmentally, the Commission, the Parliament and the Court operate, in effect, as supranational entities. Further progress towards the achievement of the objectives of the integration movement in the Caribbean will therefore require a flexible approach to the exercise of

sovereignty which does not necessarily imply political union or federation, as is sometimes assumed in some quarters.

Given the reluctance of some countries to engage in deeper forms of economic integration, it will be necessary to pursue a 'variable geometry of integration', which will permit those countries wishing to do so, to engage in deeper forms of integration provided such cooperation does not contravene the provisions of the Revised Treaty. Indeed, a pattern of variable geometry already exists within the Community, since the OECS countries, which have a common central bank, a common currency and a common regional court, engage in deeper forms of integration than the other members of CARICOM. Similarly, the principle of a variable geometry is also a feature of the European Union since not all members subscribe to the same degree of integration. For example, Britain has not adopted the Euro as its national currency while Sweden and Norway do not subscribe to some security arrangements sanctioned by the Union. The only proviso in the European Union is that 'variable geometry' arrangement should be consistent with the Treaty and should not prevent other Member States of the Union from acceding in the future to such deeper forms of integration.

The Wider Caribbean

The concept of the wider Caribbean, in the limited sense of the term, embraces the Member States of CARICOM plus Cuba and the Dominican Republic. In the case of the former, the Caribbean Community played an important role in enabling that country to break out of its diplomatic isolation by granting it collective diplomatic recognition in the 1970s. The Community has also been an important advocate for ending the US-imposed trade embargo. For its part, Cuba has sought to provide technical support to Member States of the Community, particularly in the field of health. CARICOM-Cuba cooperation has therefore become quite pragmatic and useful instead of ideological, as was the case to some extent during the 1970s.

In the case of the Dominican Republic, cooperation with CARICOM takes place both within the framework of the CARICOM-Dominican Republic Trade Agreement and also within the Caribbean Forum (CARIFORUM) which, in a sense, was established as a 'marriage of convenience', in order to carry out the negotiations with the European Union (EU) in the context of the Economic Partnership Agreement

(EPA). Over the years, there have been voices calling for the closer integration of the Dominican Republic within CARICOM. Indeed, the Dominican Republic has renewed its application for formal membership of CARICOM. The issue is being studied by a Task Force on the subject, which will in turn, submit appropriate recommendations to the CARICOM Heads of Government.

Given its participation in CARIFORUM and based on the earlier admission of Haiti, the inclusion of the Dominican Republic as a member of CARICOM is seen by some as a logical development but, given its size and difference in traditions, its participation in CARICOM would change the character of the Community. Moreover, unlike Haiti which, because of internal political distractions, has played a passive role in CARICOM, the Dominican Republic is likely to play a much more active role. These implications will therefore need to be studied carefully. Indeed, CARICOM would do well to heed the wise counsel of the West Indian Commission which, in its 1992 Report, emphasised the importance of protecting its 'inner core' of members 'lest it becomes overwhelmed by further expansion and end up being lost in a widened Community'.¹¹

In the wake of the discussion on the Dominican Republic, the sentiment has been expressed in some quarters that perhaps other states abutting the Caribbean Sea should be encouraged to become members of CARICOM but this is highly problematical since such a development would significantly weaken the position of the original core countries of the Community. It would, in fact, be much better to preserve the separate identity of CARICOM and convert the Association of Caribbean States (ACS) into another integration movement than to seek a further expansion of the membership of CARICOM.

The call for the expansion of the membership of CARICOM is motivated to a large extent by those who see CARICOM in terms of expanding the internal market of the Community in order to create a larger market for the individual Member States of the Community, as opposed to those who emphasise the deepening of the integration process, based on an integration of production structures, macroeconomic policy coordination and capital market integration. The danger therefore, is that the emphasis on expansion in order to create increased market size may well result in the freezing of the integration process at the level of a free trade area instead of the creation of a genuinely integrated single economy.

It should be pointed out that the debate as to whether the CARICOM Regional Negotiating Machinery (CRNM) should function as an independent entity focusing on the negotiation of increased market access or come under the authority of the CARICOM Secretariat, as has now been decided by the Heads of Government, reflected this conceptual divide within the Community regarding its objectives.

Be that as it may, the implementation of the recent EPA between CARIFORUM and the EU presents a challenge for CARICOM and the wider CARIFORUM. Clearly the Agreement, which has provoked an intense debate within the region, has both pluses and minuses. The duty-free, quota free access that it provides to CARICOM, offers important opportunities for the region to capitalise on a major market, but this would depend on the expansion of the supply capacity of the region. As was mentioned earlier, it would seem that the acceleration of the pace of production integration aimed at optimising production and output in the region, is the key to the development of such an expanded supply capacity. At the same time, while the members of CARIFORUM will have access to the EU market, European enterprises will, also in turn, have access to the CARIFORUM market which could present a number of challenges to local firms which will be required to compete with much larger and well established European enterprises enjoying, in many cases, superior economies of scale. One particularly important concern that has been voiced in some quarters is the most-favoured nation (MFN) provision under the EPA for CARIFORUM to grant the EU the same concession it grants to countries, including developing countries, which account for one per cent or more of global merchandise trade. It is felt that this provision could limit the capacity of the Community to engage in a strategic and competitive diversification of trade and investment with important emerging economies such as China, India and Brazil.

An even wider conception of the Caribbean is embodied in the Association of Caribbean States (ACS), which was established in 1994, based on the recommendation of the West Indian Commission. This grouping includes a wide range of countries abutting the Caribbean Sea. However, it is a loose cooperation arrangement which emphasises cooperation in four main areas namely, trade, transport, sustainable tourism and natural disaster reduction. It therefore provides a useful framework for fashioning common strategies that are relevant to all countries with an interest in the Caribbean, broadly conceived.

Cooperation within the wider Caribbean, as defined above, should therefore continue as part of the strategic positioning of the Caribbean Community in a changing global environment, without prejudice to the primacy of the CARICOM core in any such effort.

The Latin America and Caribbean Region: A Sub-Hegemonic Zone

The Latin American and Caribbean region, which comprises countries of varying sizes ranging from Brazil to St, Kitts and Nevis, embraces a complex political, economic, social and cultural reality. The region may be characterised as a sub-hegemonic zone since, although the US remains the undisputed hegemon, some middle powers, notably Venezuela, aspire to a sub-hegemonic role and on this basis, to advance a more radical agenda in the region. Partly for this reason, the traditional sub-regional integration arrangements such as the Andean Group, the Central American Common Market (CACM) and MERCOSUR have become overlaid with an ideological division between so-called moderate and socialist/populist tendencies. The latter is in fact, reflected in the formation of the Bolivarian Alternative (ALBA) by Venezuela, with the support of Bolivia, Cuba, Honduras, Nicaragua and, more recently, Ecuador. Two CARICOM countries, namely, Dominica and St Vincent and the Grenadines, have opted to become members of this Group.

President Hugo Chavez' influence in the Caribbean has, of course, been bolstered with the launch of the Petro Caribe Agreement which provides petroleum supplies to the region on concessional terms. ALBA is also likely to prove increasingly attractive as a result of the launch of a US\$1 billion fund within this framework to finance projects in member countries of the Group. However, it should be noted that Venezuela's territorial claim to a part of Guyana and the assertion of its jurisdiction over parts of the Caribbean Sea, by virtue of its ownership of Bird Island or Bird Rock, as some have preferred to call it, are likely to create tensions in these emerging relations.

In addition, CARICOM countries, such as Guyana and Suriname, see themselves as the bridge between CARICOM and Brazil, and ultimately MERCOSUR, aimed at fostering increased trade and investment. This link will be particularly important given Brazil's projected emergence within the next decade as one of the leading economies in the world. At the same time, Brazil is perceived as the natural leader of the more

moderate ideological group within the region, although it is sometimes cast in the role of mediator between the moderates and the more radical populists.

CARICOM countries will therefore need to orchestrate a foreign policy, ideally on a collective basis, that will enable them to capitalise on the benefits that can be derived from both sets of relationships instead of opting for one or the other.

The Hemispheric System

A notable feature of the hemispheric system is the presence of the US, which is the dominant global power. Inevitably, therefore, the agenda of hemispheric institutions such as the Organisation of American States (OAS), the Inter-American Development Bank (IDB) as well as the annual Summit of the Americas, tends to reflect issues and themes of special importance to the US, such as human rights, security, terrorism, drug trafficking, international crime and, of course, the perennial preoccupation with democracy. However, given the new, open attitude of the Obama administration, there is likely to be greater scope in the future to advance issues of concern to the other countries in the hemisphere. The Caribbean should therefore seek to use its numbers to ensure that its interests are fully reflected in the deliberations which take place in hemispheric institutions. In this regard, it may prove to be propitious that the last Summit of the Americas was in fact hosted by a CARICOM country, namely, Trinidad and Tobago.

In this context, the Caribbean should also seek to capitalise on a number of other propitious developments in seeking to fashion future trade, aid and investment arrangements with the US, notably in relation to the successor arrangements to the Caribbean Basin Initiative (CBI) and the Caribbean Basin Economic Recovery Act (CBERA). The elevation of Congressman Charles Rangel as Chairman of the Ways and Means Committee of the US House of Representatives is likely to ensure a sympathetic ear to Caribbean concerns. This has already borne fruit, as evidenced by the fact that, on the recommendation of Chairman Rangel, the Caribbean was invited to present its case for future trade, aid and investment arrangements before the US International Trade Commission (ITC). CARICOM should also seek to ensure follow-up on the Conference on the Caribbean, held in Washington DC in 2007, which brought together a large number of policy makers from the US and the Caribbean to discuss issues relevant to the region.

However, given the apparent determination of the new US administration to institute measures designed to reduce the attractiveness of off-shore financial centres, many of which are in the Caribbean, in an effort to capture additional revenues for the US Treasury, Caribbean countries will need to mount a special initiative to ensure that their interests are not adversely affected by future US action in this area.

In the case of Canada, the Canadian government recently agreed to increase its assistance to the Caribbean, as was reflected in the announcement made by Prime Minister Stephen Harper during his visit to the region in July 2007. However, as useful as this is, the Caribbean will need to mobilise its efforts to ensure that it successfully negotiates a new trade agreement to replace the existing Caribbean-Canada Trade Agreement (CARIBCAN).

The hemispheric system therefore constitutes an important arena in which CARICOM Member States should seek to exercise increased influence in defence of their common interests.

The Global South: The Emergence of a New Geography of Trade and Investment

Organised within the framework of the Group of 77, the developing countries in the Global South, as they are referred to in the context of this paper, have traditionally sought to promote and defend their interests in the negotiations on international economic issues carried out in various international forums, notably within the United Nations, in which, by virtue of their numbers, they exercise an important influence. Indeed, the Group of 77 serves as an important counterweight to the developed countries (the so-called North).

Apart from carrying out negotiations with the North, the developing countries have also formulated over the years, comprehensive programmes for promoting cooperation among themselves, which have been endorsed at the highest level, including endorsements by the two Group of 77 Summits, the first held in Havana in 2000, and the second in Doha in 2005. While the actual implementation of the various programmes has fallen short of expectations, a number of analysts have pointed to the fact that a new geography of trade and investment is emerging in the South, based on the dynamic growth experienced in Asia, which, in turn, provides a basis for increased South-South cooperation. For example, the trade among developing countries now accounts for more than

30 per cent of total world trade. Moreover, foreign investment among developing countries has also increased significantly in recent years. Both the substantive aspects and institutional dimension of South-South cooperation will be addressed at a UN High Level Conference on the subject to be held later this year, to mark the thirtieth anniversary of the adoption of the Buenos Aires Plan of Action (BAPA) on Technical Cooperation Among Developing Countries.

Three CARICOM countries, namely, Antigua and Barbuda, Guyana and Jamaica, have so far served as the Chair of the Group of 77. Given the importance of the Group, which now comprises 132 countries, it is important that the Member States of the Community continue to play an active role in its deliberations.

It should be mentioned that although China is not formally a member of the Group, in recognition of the close working relationship which exists between it and the Group, the latter is customarily referred to as the Group of 77 and China.

In the context of South-South cooperation, it is important for the Caribbean Community to seek to promote increased economic links with China and India, which are projected to become the first and third largest economy in the world by the year 2040, in an effort to diversify the trade and investment options available to the region.

The International System

Within the past two decades, the international system, which represents the largest arena for action by the Caribbean Community, has undergone a number of profound geopolitical and geostrategic changes against the background of a rapidly expanding process of globalisation. The most important events that have shaped the present configuration of international relations are the collapse of the Soviet Union and the end of the Cold War, the expansion and consolidation of the European Union, the emergence of China as a major economic power, and more recently, the global financial and economic crisis.

Despite the continuing pre-eminence of the US as a military power, the international system is currently characterised by an increasing diffusion of power and influence in the economic sphere. Indeed analysts, such as Zakaria (2008)¹² have already begun to speak of a post-American world in which other economic groups and countries, such as the EU, China, India and Brazil have begun to reduce the gap that has traditionally

existed between themselves and the US. Other commentators such as Mahbubani (2008),¹³ Dean of the Lee Kuan Yew School of Public Policy at the University of Singapore, have been even bolder in asserting that the 21st century will be Asian century, in which China and India will play an increasingly important role. Indeed, it is projected that by 2040 or even before then, China will surpass the US as the largest economy in the world. Writers from the developed world, such as Ramo (2004)¹⁴, have in fact, argued that China is an asymmetric superpower which will achieve global dominance not by military means, but through diplomacy and economic influence.

These factors, together with the adoption by the new US administration of a foreign policy stance based on mutual respect, partnership and shared responsibility, have created an environment that is more conducive to the pursuit of multilateralism, as opposed to the tendency towards unilateralism that characterised the previous Bush administration. It is important, therefore, for small countries such as the members of the Caribbean Community to emphasise the importance of a return to multilateralism in the context of the deliberations within the United Nations in which small countries, acting in concert with other developing countries, are able to exercise an important diplomatic influence.

Within the new dispensation, it will be important to emphasise the need for increased democratisation of global decision-making in order to create a more inclusive international system. In this context, increased emphasis should be placed on the reform of the UN Security Council which, in its allocation of permanent membership, has become anachronistic in the sense that the existing allocation reflects the power relations that existed at the end of the Second World War, some 64 years ago, instead of the current reality. The developing countries will also need to ensure that development remains a primary objective of the United Nations. Similarly, there is a clear case for the reform of the international financial architecture, which is currently dominated by the developed countries, in order to ensure the effective participation of all countries in the decision-making on global economic issues. Indeed, it has become increasingly evident that the global economy cannot be run exclusively by the G8 nor even by the G20 since the interests of all countries will need to be taken into account if there is to be a just and equitable distribution of the world's resources.

Equally important is the fact that the current global financial and economic crisis has called into question the validity of the assumptions of the neo-liberal economic model, with its emphasis on market fundamentalism. Despite the much vaunted, and indeed misguided, claim of writers such as Fukuyama (1992)¹⁵ who asserted that the neo-liberal economic paradigm had emerged as the final stage in the evolution of economic organisation, critics had long pointed to the theoretical weaknesses inherent in neo-classical economic analysis which underpins neo-liberalism. Already there is a growing demand, even in the US, for a more 'managed capitalism' in which prudential regulation, as opposed to unfettered market forces, will play an increasingly important role. In the quest for specific models, some analysts have advocated the introduction of structural Keynesianism which, in fact, seems to underpin the logic of the various stimulus packages supported by the current US administration.

The Caribbean Community will therefore need to add its voice to the demand for change in the international system in order to ensure increased democratisation of decision-making and a more equitable distribution of the benefits of the system. In this regard, the Member States should reiterate their commitment to multilateralism and resolve to redouble their effort with the United Nations which provides a forum in which they could engage other members of the international community in arriving at solutions to the critical issues of the day.

Conclusion

In seeking to position itself strategically in the context of a changing global environment, the Caribbean Community will need to intensify the process of regional integration based, among other things, on the promotion of production integration as a means of optimising the development of the region and ensuring its effective participation in the international system. This will also require the adoption of a creative system of regional governance based on the flexible exercise of sovereignty, in order to manage effectively the integration process in keeping with the objectives set out in the Revised Treaty of Chaguaramas. In addition, it will be necessary for the Community to identify the critical strategic arenas to which it should relate and pursue, within this framework, a strategy of concentric diplomacy aimed at determining the terms of its engagement with the various arenas with a view to advancing its interests.

In other words, the Community will need to look beyond the limiting confines of its immediate geographical space and actively engage in the global dialogue on change and transformation that is not only important, but is also urgently necessary. This will require the development of a cadre of professionals with skill sets that will enable them to engage in strategic thinking and with a capacity for articulating the needs of the region and on this basis, promote the interests of the Community—hence the relevance of training for diplomatic personnel.

In this spirit, the perspectives advanced in the paper are intended to stimulate debate on the strategic options facing the Caribbean at this important juncture of its evolution and thus, to enable diplomats and other policymakers to make policy choices relevant to the formulation and implementation of the foreign policy objectives of the Community.

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CHAPTER 3

The Changing Environment of OECS International Economic Relations and Some External Policy Implications

Vaughn A. Lewis

“The United Kingdom is about, public reports indicate, to give up this system of Commonwealth preferential arrangement, by going into the European Common Market. It is unthinkable that the preferences for citrus and sugar will survive British entry into the European Common Market, and the whole mood in the world today is against preferences—the Kennedy Round, the General Agreement on Tariffs and Trade . . . our concern is more with the compensation we might be provided with in return for preferences we are to lose . . .”

Dr Eric Williams, Prime Minister of Trinidad and Tobago,
February 1967

“All the evidence available so far points to an extremely long delay before Britain can gain entry into the Community, thus what will otherwise be an imperative necessity might well be transmuted into an opportunity for us to reduce our dependence on Britain either by lowering our costs of production or by judicious forms of economic diversification”. Dr Eric Williams, April 1968.¹

DR. WILLIAMS’S PROJECTED “extremely long delay” did indeed last until 1973, when Britain, ten years after its first application, acceded to the European Economic Community; but that delay allowed Britain and her

prospective partners to negotiate for prolonging our preferences through what became the Lomé/Cotonou Conventions.

It goes without saying, however, that Williams's suggestion that an opportunity had arisen because of Britain's negotiating difficulties, to "reduce our dependence on Britain" or to find "judicious forms of economic diversification" has hardly been taken, even over the long periods of the Lomé Conventions. So that today, we find ourselves pleading for more time to adjust or diversify, and, in Williams' words, for some "compensation . . . in return for the preferences we are to lose".

Now, when the then European Community announced in 1986 that the establishment of a Single Market and Economy for the Community would entail changes in the trade arrangements embodied in the Lomé Convention, few of us envisaged that almost twenty years later, in 2005, the changes would not have been finalized to the mutual satisfaction of the European Union (EU) and the African, Caribbean and Pacific (ACP) states.

What we know now, of course, is that the revision of the trade arrangements opened up a Pandora's Box of changes that were not the original intention of the EU, but reflected the process of liberalization of international economic arrangements in general, that resulted in the establishment of the World Trade Organisation (WTO).

The long process of negotiations, culminating first in an agreement, in 1994, between EU and ACP that we felt would guarantee the future of our banana trade in particular, but then going through a series of litigations at the WTO, gave us in the Organisation of Eastern Caribbean States (OECS) and CARICOM a first indication of the limits which had been placed on the ability of the United Kingdom, and even the EU itself, to come to conclusive arrangements with us on our future trading arrangements. We came to understand that everything was now *ad referendum* to the WTO, and that the General Agreement on Tariffs and Trade (GATT)-waiver provisions in favour of regional economic integration areas, would no longer constitute an easy, or readily available mechanism, for facilitating ratification of agreements between ourselves and the EU.

Towards the end of the 1980's, we had already come to understand that our economic diplomacy, vis-à-vis changes to the Lomé Convention, could not be limited to preliminary agreement with the United Kingdom which would then act as our *interlocuteur valable* with the rest of the Caribbean

Community. Instead, we would have to engage directly in negotiations, and establish mechanisms for continuous diplomatic interaction with the European Commission itself, and the particular members of the Community. Some of these we came to realise, like Germany, the Netherlands and certain Scandinavian states were not particularly in favour of the grant of preferential arrangements of the Lomé Convention-type. Recall that in 1986, and for most of the rest of that decade, we had no diplomatic representation in Brussels, and that only Antigua and Barbuda, of the OECS countries, was a member of the GATT.

The negotiations on a revised banana agreement also exposed us to the complicated relationship between the United States government and its political institutions (the Houses of Congress), the American multinational companies and their relationship with South and Central American states which were (are) banana producers. As we found out, the latter's influence with the United States far dominated any influence we could exert in respect of US policy, especially as the Cold War had come to an end.

We realized too, that by the beginning of the 1990's the European Union had initiated a new diplomacy vis-à-vis South America, designed to position the EU in the evolving process of international economic liberalization affecting the Hemispheric countries, and to take advantage of opportunities for trade and investment there. What this meant was that the arrangements vis-à-vis bananas could not necessarily take precedence over Europe's long-term relations with the South-Central American arena.

Finally, the implications of that process of economic liberalization to which we have referred began to become clearer as various decisions were taken by the WTO. The necessity to conform to the new rules was seen to apply not only in the field of agriculture, as far as we were concerned, but to financial services, where the Organisation for Economic Cooperation and Development (OECD) had begun to exert pressure on our states in what looked like a profitable avenue for them, but also in respect of services which benefited, or were even the creations of, the revolution in the technology of communications—as Antigua and Barbuda discovered as she was taken to the WTO by the United States for her initiative in Internet gambling.

At the present time, the ACP Sugar Protocol within the EU, strictly speaking outside of the Lomé Convention, has fallen victim to the same liberalization processes and we are made to understand that these processes, as institutionalized in the WTO Agreement, take precedence over any

other processes and related agreements which, we assumed, fell under the rubric of *pacta sunt servanda*.

So, our first proposition states the need to recognize the substantially changed conditions of the environment of international economic relations in which the OECS and CARICOM are constrained to negotiate today, to the point of non-observance of the protocols of international law into which we were socialized. New terms of international economic relations are being created on the hoof, so to speak, and are, as in all international relations, subject to the relations of power among states. As we see Brazil, India and China seek to force their way into the arena where the power game in international economic relations is being played out, we are reminded that old relationships are disintegrating and that, as in the case of, for example, Guyana-Brazil relations vis-à-vis the fate of Sugar Protocol at the WTO, the wider concerns of one state in the game of economic negotiation may damage the concerns of the smaller state in geographical proximity.

Our diplomacy needs therefore to recognize the multiple games (the multiple arenas of negotiations) that take place simultaneously, where the objectives of states in one arena may conflict with those in another. To put it by way of a question: how does Venezuela's assistance to us in respect of petroleum relate to Venezuela's resistance, at the WTO, to the banana regime arrangements which we are trying to work out with Europe?

Part of our diplomacy needs also to work out consistently, bases for new relationships with countries with which we have not had traditional connections. Whether this should be done as single states, as OECS, or in wider frameworks, needs to be decided. After 1986, we found that we really had little knowledge and minimal relationships with the majority of European Community members. The position today is more serious, as the EU now encompasses a range of smaller countries whose relationships with us have been virtually non-existent. Our use of multinational forums is also important in this regard, given our limited capabilities for state-to-state representation.

Relating Demand and Supply Conditions

When Eric Williams, speaking in 1976, suggested that a delay in Britain's entry into the European Common Market was fortuitous, in that it gave us time to prepare to adjust to the new conditions, he implied an important point: that these new international conditions would require a transition

to new kinds of economic activity permitting survival in the new trading environment. In other words, our conditions of production would have to change, to permit successful trading in the non-protected environment. Ensuring new arrangements for the (Caribbean) supply side would be as important as negotiating appropriate arrangements on the (European or global) demand side.

In the years following the major recessions in Latin American and the Caribbean economies of the mid 1980's into the early 1990's, this proposition came to be subsumed under the concept of structural adjustment explicated in the precepts of the so-called Washington Consensus.

Now in fact, it cannot be said, as far as our traditional agricultural exports—sugar, citrus, bananas—are concerned, that the stabilization part of the structural adjustment process initiated by our countries, was followed by any major changes in the production of these commodities that would permit them to compete in the liberalized environment—particularly one in which different kinds of subsidies still remained in place for similar products in the metropolitan countries. The supply side has hardly been made any more efficient, and indeed in the case of both sugar and bananas, we have seen a persistent decline in the quantum of production in most countries.

We should indeed note also, that the recent WTO rejection of the arrangements proposed for bananas means that the real effect of any WTO arrangement has not yet hit us. But it is obvious that our negotiators would be able to speak with more confidence if they know that the conditions of production (the supply side) are being made to approximate to demand conditions.

We can see, further, that this does not relate simply to agricultural exports. Antigua and Barbuda, as we have hinted, has had to contest the way in which, in fact, the supply conditions for its Internet gambling, are being opposed by the United States, and has had to strenuously resist the attempt at nullification of her new initiative at the WTO. In the United States in particular, the complex relationship between Federal laws and rules and State laws and rules makes this situation even more difficult, in addition to being extremely costly for the small state.

The fact is, that as small states, we tend to find ourselves negotiating under pressures emanating from the larger states as regards our internal conditions or arrangements. A deliberate policy response to those conditions

is, as the Antiguan have shown, useful in resisting such pressures, thereby influencing the negotiating arena.

Another aspect relating to the conditions of the supply side is more particular to our own internal relationships. We need to bear in mind that what we might call a seasonal consistency between the productivities of our differing commodities/services in the OECS countries, particularly Bananas and tourism, and the supply of foreign exchange resources deriving from them to our monetary system, has been an important factor in overall sub-regional economic stability. The sequencing of returns from Bananas and tourism has maintained the balance of our reserves at acceptable levels. The persistent decline of one or the other is therefore bound to have an effect on the stability of the monetary system, and therefore on our overall economic stability.

The Changing Caribbean Map

A third proposition relates to the changing nature of relationships within the Caribbean itself. This is perhaps best indicated in the decision of the Dominican Republic (DR) to join the United States-Central America Free Trade Agreement (US-CAFTA), and on completing this, to immediately announce a decision to re-launch a bid from membership of CARICOM and the CSME.

There tends to be resistance to the DR initiative, mainly on the grounds that her large population and more competitive conditions of production would negate our chances of growth through trade, even in the CSME. The problem is, however, that the DR's experience in CARIFORUM, and more importantly the evolution of relationships between the DR and the EU, are inducing the EU itself to prefer a certain consistency in negotiation with all of our countries, and therefore to encourage DR membership of our grouping.

Urgent decisions will therefore have to be taken on a CARICOM-DR institutional relationship. Not only does the DR stand to become a significant exporter of bananas to the EU, but it is also the case that for some time now, Trinidad and Tobago appears to have been developing a sense of constriction within the currently existing CARICOM, and appears desirous of a more direct relationship with countries of the wider Caribbean. Hence, her insistence that CARICOM hasten institutionalization of free trade relationships (now accomplished) with both the DR and Costa Rica.

There are two reasons for looking further at these issues. The first is that there appears now to be a change in the priorities which countries are attaching to the original CARICOM sub-region and wider, or potentially wider, versions of Caribbean relationships, in which they may wish, or may have to operate. Put another way, countries are beginning to look again at the *economic spaces* from which they may effectively wish to operate.

As we have already remarked, for example, it appears that Trinidad and Tobago may perceive a wider free trade area, encompassing countries in the Greater Antilles as well as Central America, as a more appropriate base for enhancing the use of her resources. In addition, however, the Law of the Sea Convention and agreements on maritime boundaries appear to be inducing relationships with Venezuela which permit production sharing agreements, and a degree of what used to be called production integration. Trinidad's orientation towards creating an effective industrial platform in that country induces it to look beyond the existing CARICOM to new hinterlands that can provide complementary income to that deriving from foreign investment in oil and gas exploitation.

In another area, the now persisting initiatives of Brazil towards access to the Atlantic through Guyana, and towards the establishment of industrial and commercial zones around the neighbouring regions/states of the two countries, will induce more formalized arrangements with free trade area content, stretching as it were, the boundaries of CARICOM.

We in the OECS, once effectively elaborated a limited version of collective economic space through the complementary arrangements made for the production and export of our bananas to Europe. We can see that the Windward Islands operated, in effect, as a single production space responding to demand impulses organized by the single entrepreneur. The arrangement was intended to ensure consistency of both demand and supply, albeit under conditions of protection. The breakup of that system, and the atomization of the production base and of the market, coupled with the loss of consistency of supply of inputs resulting from that atomization, has meant instability on both the demand and the supply side. This has occurred precisely at a time of widening of the market that would require stability of supply.

In effect, the collective production space (for bananas) which, as we have mentioned above, also provided for a consistency of supply of monetary resources to our Central Bank, has disintegrated. Instead we have sought now, through force of circumstances, to ensure stability of

supply (maintain our market-share) by arrangements permitting the filling of our transportation space by the Dominican Republic. In effect, for maintenance of the market for bananas, the DR has become part of our economic space. This has implications for our effective maintenance of our market share, given the situation of rising DR production and diminishing Windward Islands production.

It follows, and almost goes without saying that no amount of effective negotiations towards maintenance of market share are of any use, if the structural conditions of production are absent.

The question therefore, of how the OECS countries can arrange effective economic spaces—spaces providing for scale economies and volumes of product attractive to competitive liberalized international markets, and the mechanics of production in such spaces, is a crucial one for the sub-region at this point. Looked at from this angle, OECS Economic Union is not just a legal framework, but a facilitating framework for long-term negotiation of what that space can attract. We shall return to this. But, suffice it to say that the conditions of movement of factors of production across the sub-regional economic production space, must, in practice, approximate the liberalizing conditions of the spheres from which it wishes to attract investment, and to dispatch exports.

A second consideration in looking at CARICOM regionalism follows from this, and I believe that a persistent OECS insistence on applying the conditions for appropriate functioning of economic/production spaces, to the wider CARICOM, can only advance the OECS objectives.

The consideration is the obvious one, that as we approach a Hemispheric Free Trade Area, or bilateral US FTA's in the Hemisphere, there will be a tendency for conditions to apply that go beyond our, so far, limited implementation of a CSME, and result in an obliteration of the boundaries, in specific areas relating to investment between our CSME and the wider FTA.

As we recognized in the Grande Anse Declaration (1989), the processes of international economic liberalization, and the emerging regulations applying to them, were removing the old *raison d'être* for the 1973-type of CARICOM integration. The 1973 Treaty of Chaguaramas was framed on the basis of effective regional protection permitting time and space for economic activities to eventually grow up to international levels of competitiveness. In between then and now however, the international community has moved ahead and set the new standards for

the operation of liberalized economic spaces (single markets or FTA's with rules applying not only to trade but production as well), irrespective of their level-of-development status, and to which we have found ourselves subscribing. The rules of international liberalization are now tending to determine the rules of regional integration areas.

The question arising for us in the OECS now therefore is, assuming an effective Economic Union, what are the conditions that we can negotiate in the wider sphere, that will give us capacity for competing in the new environment, given our limited human resources and limited market sizes?

We have chosen, in international forums, to emphasise the necessity for special and differential treatment. The larger, industrialised countries are unwilling to accept this formula when transformed into any meaningful programme. They prefer some form of agreed phasing down of certain special arrangements like tariffs. The larger developing countries are in general, not favourable to Special and Differential Treatment (S&DT)—it is deemed inappropriate to the notion of equality of states and equality of treatment among competitors in the open market.

The FTAA-type integration formula relies on the working of the market for investment and trade to facilitate development. It stresses “capacity-building” and attraction of effective entrepreneurs to equalize the conditions of competition. The EU, on the other hand, recognizes that change of noncompetitive structural conditions requires assistance to reconstruct appropriate conditions. This has been indicated in their substantial structural and cohesion funds allocated particularly to new entrants to the Union, but also in their linkage of development funding to trade agreements in Lomé-type arrangements.

The OECS is necessarily a part of the wider CARICOM, and indeed ACP frameworks in the tasks of influencing the WTO community towards special and differential treatment. In the meantime however, CARICOM is simultaneously involved in negotiating the proposed Economic Partnership Agreement with the EU that involves elaboration of both trade and development policies (unlike the FTAA negotiation).

The question therefore becomes: how are these two aspects of the negotiation to be made compatible—in the sense of ensuring that CARICOM/OECS countries will be able to take advantage of future trading arrangements through the establishment of changed structural conditions, it being accepted that present conditions do not facilitate effective competition? In other words, how can an effective structural

adjustment be facilitated so as to set the ground for changed conditions of production and therefore effective trading capability? Trade policy and development policy must go together, in time and space. (And this is, in fact, implied in the Trade Officials' Agenda which has for consideration not only Trade policy, but the OECS Development Strategy).

For that really is the issue, given that many CARICOM countries have gone through effective *stabilization* programmes, but these have not changed the structural conditions in order to permit development of economic activities capable of competitive participation in international markets. And it is obvious too that the time period and resources devoted to stabilization, do not suffice to deal with this *structural adjustment* aspect.

Ensuring Complementarity of Trade and Development Policy

Now, I am aware that our Governments and Regional Negotiating Machinery have been elaborating basic frameworks for the conduct of the negotiations to achieve a general compatibility among their various objectives.

As these negotiations have proceeded, the preferences which Caribbean countries have traditionally received for sugar have now been extended to apply to the Least Developed Countries of the developing world; and further, the WTO has now declared the EU's own internal arrangements for sugar invalid, with negative consequences for our own sugar sales. The search for "compensation" to which Eric Williams alluded is still on; and those of our countries still in sugar production, speak now of alternative uses for sugar—as one form of diversification—including assistance from Brazil, one of the main countries challenging the EU sugar regime.

In the OECS, banana production, which Williams did not mention when he spoke in the 1960's, has suffered a tremendous decline, with the islands exporting in July, 826 tons per week, as against quantum into 2000 tons per week being exported by Saint Lucia, alone ten or so years ago. The relatively complementary contributions to our monetary reserves and balance of payments of bananas and tourism, clearly no longer obtains. Tourism receipts indicate a degree of diversification, though the consistency of its contribution over the last ten years is in doubt.

The issue can hardly be one of compensation. As the challenges to our banana production and exports become more constricting, the issue

of the Windward Islands inability to meet market demand, indicates that the constricting factor is not the narrowing of the market, but equally, the conditions of production. The question of creating new conditions of competitive production or of finding alternative productive capabilities in other spheres, is therefore squarely put on the table.

I want to suggest that we can use the opportunity of the Economic Partnership Agreement negotiations with the European Union to link the issues of trade policy and development policy to provide a rationale, and resources, for the structural adjustment of our countries that is needed at this time. For we must seek to avoid a situation in which any deterioration of our economies becomes so extensive that the priority, in terms of international assistance, becomes simply stabilization, rather than effective structural adjustment.

As I have recently suggested elsewhere, we must take advantage of the particular conjuncture of European Union thinking, which stresses that a purpose of its trade-aid relationship with ACP countries is to assist the integration process among developing countries, the rationale being that the path of integration provides a basis for identification and rationalization of systems of production among these countries, on the basis of appropriate economic spaces and therefore appropriate economies of scale in production or economic activity generally.

For trade policy, as I understand it, involves Government's role in the establishment of rules, regulations and institutions that would facilitate the finding of markets and investment possibilities both internally and externally, for the movement of goods and services at rates of return beneficial to the citizens of, and investors in, our states. But the achievement of this, is based on the availability of opportunities for production of such goods and services, on competitive bases.

We need therefore, in the OECS, to take the lead in embedding in the negotiations, the issue of the linkage of structural adjustment projects at both national and regional levels, to the discussion of trading arrangements.

We need to introduce into the discussions the issue of the need for the mechanism of *structural or cohesion funds* which the Europeans have beneficially used within their own Union, to advance the structural adjustment of less developed, new members of the EU, to enable them to engage in production and trade on a competitive basis.

- i. In order to do this persuasively, we need to engage the services of the institution which was originally designed to give the then-called Less Developed Countries a certain priority in its work—the Caribbean Development Bank, in order to identify: the sub-regionally organized economic and physical structures/institutions, spread across the boundaries of our states, which can provide the basis for functioning at appropriate scale economies;
- ii. and the nature of the internal (island) resources, particularly human resources, that need to be consistently developed in order to service the activities identified by the public or private sectors, or by the demands of the market over specific periods of time.

We need to pursue this line because all experience in our relations with the European Community/Union indicates that our, admittedly necessary, focus on preferential relations over the years, has not provided a basis for the adjustment or diversification of which Eric Williams spoke. The fortuitously good circumstances of the banana trade over the years, has induced us into not bothering about the issue of agricultural diversification in particular, on any consistent basis.

The lesson of the relative success of the banana industry rests in the fact that it was based on the precept of *the market determining demand*, and the nature of that demand, and the market determining the infrastructure necessary to meet that demand. Circumstances led to the identification of a particular profit-oriented entrepreneur in the market-place. That circumstance does not exist today; nor, as I have earlier suggested, does its complement, the organization of the industry on an appropriate scale.

I insist therefore, that the OECS must take the lead on this issue because it is probably the case that the issues of appropriate size and scale are not as uppermost in the minds of policy-makers in the larger countries of the Region, as they must be in the minds of policy-makers in the OECS. We must insist that the trade negotiations go hand in hand with negotiations on structural adjustment assistance, taking into account that one of the main reasons given by the EU for a major revision of the Lomé/Cotonou Convention process was that over the years since 1975, ACP countries showed limited abilities to take advantage of the investment provisions of the Treaties.

Finally, experience of our efforts in the mid 1980s to source from within, the available regional funds envelope of the Convention, a

sufficient amount of funds for ourselves in the OECS, indicates that in the wider counsels of CARICOM, the OECS need to enforce appreciation of its presence in the system, and consequently, appreciation of its needs, through persistent diplomatic action and manoeuvring, along with the appropriate documentary information as the basis for our case. That is why I suggest that we must get CARICOM to formally agree to enlist the CDB in the work that requires to be done. Additionally, that activity has to be conducted in close collaboration with the EU institutions, preparation for which interaction must be done by our diplomats there.

Regional Diplomacy and Structural Adjustment

As I speak of the need to get the empathy of the officials in Europe itself, I do so in the context of a view that I hold that, difficult though this might be, we need to seek to take advantage, in pursuing our diplomatic and negotiating activities, of the presence of European territorial jurisdictions in the Eastern Caribbean, and the need for some harmonizing of policies relating to their development and their security.

There are indications that the European governments wish to permit a degree of autonomy on the part of these jurisdictions. In regional infrastructure arrangements like transportation, energy, tourism and image projection, there can be a case made out on efficiency grounds for a degree of cooperation/integration between our jurisdictions and theirs.

Indeed, a few years ago, the European Union floated what was called the Guyana Plateau Initiative, calling for structural and physical integration between French Guyana, Suriname and Guyana, thus indicating the felt need for a degree of rationalization in the use and protection of resources in the area.

We need to advocate the view that there can be a degree of integration among the Eastern Caribbean states and territories, irrespective of legal jurisdiction, that would permit such rationalization among our relatively small populations. We need to interest Europe in such activities as part of our project of regional integration as an avenue to structural reform and competitiveness. And we need to do so within the methodological context of our projected new relationship with the European Union as a whole. Let me summarise what I have been attempting to say:

Firstly, as CARICOM and the European Union engage towards the development of a new economic relationship—the Economic Partnership

Agreement, we need to recognize that one of the main fulcrums on which our relationship was based—the export on a protected basis of our agricultural commodities—cannot play that role in the future.

Secondly, nonetheless, agriculture is an important element in the economic and social development of our countries, so while reaching for a degree of retention of preferentialism, we need to put agriculture in the context of readjustment for development of new or alternative agricultural products for export or to service our tourism industries.

This implies, thirdly, that we need, conceptually, to see and pursue the link in our negotiations between structural adjustment policy and trade policy. This applies to our whole effort of structural adjustment which we must explicitly elaborate, linking this to the phasing of trade preferences over specific periods of time.

Fourthly, the link between trade and adjustment policy can only be indicated in detailed work relating to our ongoing process of regional integration, and the fit between national adjustment projects and projects of sub-regional dimensions appropriate to necessary economies of scale.

Fifthly, this requires that we develop specific notions of the economic and production spaces within the Eastern Caribbean that are appropriate to our development objectives, in the context of our relatively small sizes.

Sixthly, we need an active diplomacy in support of this orientation, directed at incorporation into the EPA, not simply of arrangements for compensation, but for structural adjustment assistance—structural or cohesion funds in European parlance.

Seventhly, we need to explore, as a means of interesting the European Union in our long term development, the possibilities for harmonization of policies and economic activities between ourselves in the Eastern Caribbean and the European jurisdictions in this area.

Eighthly, we need to explore from a diplomatic strategy point of view, the best ways of drawing empathy and understanding from the European Union from their perspective of the validity of regional economic integration as a path to structural adjustment and development. To this end, we need to give indications of our active pursuit of the project of Economic Union.

Ninthly, the OECS must take the lead in CARICOM in pushing the necessity for this orientation, especially as OECS governments are more likely to be concerned with the question of size and scale, and the

necessity for specific reforms to deal with it, in an era of relative lack of sympathy for small states in the post-Cold War world.

Finally, we need, given our experiences of the movements of world economics and politics over the last quarter century in particular, to actively concentrate on understanding the wider context which is influencing the functioning of our economies, and therefore our economic policies. This reinforces the need for a continued strong policy analysis emphasis at the OECS Secretariat and at our Central Bank.

This paper was delivered as the Opening Address at an Organisation of Eastern Caribbean States' High Level Retreat on the Preparation of an OECS Trade Policy Framework, Bay Gardens Hotel, Castries, Saint Lucia, 24-25 August, 2005.

NOTE

1. Both quotations reproduced in Roy Preiswerk (ed.) Documents on International Relations in the Caribbean (Institute of Caribbean Studies, University of Puerto Rico, Rio Piedras, P.R., 1970) at pp. 41 and 204.

CHAPTER 4

CARICOM and Security Governance: Probing the Limits of Regional Cooperation

Jessica Byron

Introduction

THIS CHAPTER EXAMINES the concept of security governance and discusses its applicability to the Caribbean Community (CARICOM). It explores whether CARICOM fits the profile of a “security provider”, given the very different geopolitical circumstances of the Caribbean region and the capabilities of the organisation itself compared with those of the European Union. Specifically, this comparison is made in the context of Emil Kirchner’s suggestion that the EU’s form of security governance may offer a model that can be transferred to other regions (Kirchner, 2006).

The Chapter begins by discussing the concept of governance in a security context and matching this notion against our understanding of the origins, structure and functions of CARICOM. This is followed by a survey of the various threats that pervade the regional environment and the multi-level response strategies that have been adopted by the states concerned. Finally, CARICOM’s involvement (or lack of it) is examined in seven instances of intra-state or inter-state turbulence between 1983 and the present. This material serves as the background against which CARICOM’s capacity to carry out the various elements of governance in conflict prevention, peacekeeping and peace-building is assessed.

I. Security Governance

In Kirchner’s conceptual discussion, he shows the similarities and the differences between the idea of a “security community”, proposed initially

by Karl Deutsch (1957) and further developed by Constructivist thinkers in the 1990s, and “security governance”. In a security community, during a prolonged period of cooperative interaction, the behaviour and values of the states and societies are modified to the point where there is a stable environment and “people maintain dependable expectations of peaceful change”. (*Adler and Barnett 1998: 30, cited in Kirchner, 2006: 950*). Security governance goes beyond the above in suggesting that security is maintained at multiple levels by a variety of state and non-state actors. In the case of the European Union, it goes beyond maintaining stability within the community; it also encompasses the stability of the surrounding external environment.¹ Governance involves the coordination of policies and actions, the management and regulation of issue areas. Security functions, as outlined by Boutros Ghali in 1992 in his report to the United Nations Security Council on the security roles of the United Nations (UN), involve conflict prevention, peace enforcement/peace-keeping and peace-building activities.

Kirchner concludes that the European Union’s (EU’s) performance in these different areas of activity qualifies it to be considered a security provider, an institution that generates greater stability in its surroundings. However, despite all the initiatives on coordination, policymaking on security in Europe remains fragmented and challenging to the institutions involved.² Nonetheless, the EU’s responsibilities in this area are increasing and the norms and rules it has developed over the years have a significant positive impact on security policy and on the stability of the entire region.

Developments in the European Union have had a tremendous influence on regional integration theorizing and on the shaping and practice of regionalism in other parts of the world. The concepts of security community and security governance can be used to analyse security management in other regions. However, they need to be adapted to the security and capability conditions prevailing in different locations. In particular, all regional groupings may not be equipped to engage in conflict prevention, peace-keeping/peace enforcement and peace-building on the same scale.

The Member States of the European Union, up until the 1980s, were long-established nation states that viewed security threats as emanating primarily from the overarching bipolar divide. After several decades of regional integration, a security community had taken root and security

cooperation had become a process of managing the external environment with a range of non-military measures in addition to the North Atlantic Treaty Organisation (NATO) alliance.

In the case of CARICOM, the members are developing states of very recent vintage with limited economic, administrative and security capabilities. In many states, there are low levels of national cohesion and various types of political and social instability. Threat perceptions arising out of these conditions have focused on both the external and the domestic environments. While the external environment has been viewed as the potential source of various types of aggression, a major domestic security preoccupation has been nation-building, the consolidation of a weak state and society.

II. CARICOM's Origins and Security Environment

CARICOM's full members are fourteen independent states in or around the Caribbean Sea.³ One other full member, Montserrat, is a British dependency, as are four associate members. Most CARICOM members are islands while Belize is located in Central America, and Guyana and Suriname in South America. The grouping was formed in 1973. Most of the English-speaking countries are founding members, while Suriname and Haiti joined in 1995 and 2002 respectively.

CARICOM's genesis lay in small state perceptions of their vulnerability and limited capacity to cope with a challenging external environment as they assumed sovereignty in the 1960s and 1970s. In addition to concerns about their political and economic viability as states, they had a common sense of Commonwealth Caribbean identity, based on their shared British colonial history and similar institutions. They are located in a complex security environment, influenced by both extra-regional and local factors (Payne and Sutton 1993a).

Significant geopolitical features include proximity to the United States and to a number of large Latin American actors like Colombia, Venezuela, Mexico and Brazil with strategic interests in the Caribbean Sea or elsewhere on their borders. European powers like Britain, France and the Netherlands have a territorial presence in the region. Caribbean countries are spread out across more than a thousand miles of maritime space and face major challenges of policing their waters and coastal areas. They have diverse threat perceptions and security priorities, based on their

different geographical locations, varying types of topographical features, socio-economic and political systems, ideological and alliance choices.⁴ While there may be a broad consensus on threats such as domestic crime and violence, drug trafficking or natural disasters, building regional security cooperation in other areas is much more complicated. Even within CARICOM, the differing priorities of the Member States have not always facilitated such cooperation. This was demonstrated in their failure to conclude a regional security agreement in 1991 despite calls for such an initiative after the failed Jamaat-al-Muslimeen coup in Trinidad (Griffith, 1992). Existing regional security objectives and structures have been greatly influenced by the perceptions and strategic priorities of their super power neighbour, the United States, working on its own initiative or in collaboration with Caribbean territories to secure its Atlantic/Caribbean border, dubbed the “Third Border”. The United Kingdom, France and the Netherlands, which have overseas territories in the Caribbean, are also integrally involved in cooperation on the maintenance of border security, narcotics and money laundering interdiction. The United Kingdom (U.K.), in particular, is engaged in a range of capacity-building initiatives with CARICOM.

These examples all attest to the complexity of security governance in the Caribbean. Not only are there multiple national jurisdictions involved with differing threat perceptions and priorities, there are also several extra-regional powers with vested interests in the region. In a globalised era, the distinction between domestic and external threats has been blurred and traditional security concerns of maintaining state sovereignty and territorial integrity have expanded considerably to include transnational criminal and terrorist activities, and non-traditional threats like the increased incidence of natural disasters and global epidemics. A wide range of non-state actors is therefore included in regional and national security governance, rendering it an even more complex process.⁵

III. Threat Perceptions of CARICOM states⁶

In the 1960s, security challenges facing the future CARICOM states concerned their political and economic viability as states and, more specifically, the issue of territorial integrity. These were exemplified in the Venezuela-Guyana and Guatemala-Belize territorial disputes, the 1967 secession crisis of the multi-island territory of St Kitts and Nevis-Anguilla and finally, political unrest in Guyana in 1964, based on ethnic tensions

and external subversion. In the 1970s, a sharp increase in Cold War rivalry in the region, combined with domestic governance conflicts, resulted in ideological, political and social conflict in Jamaica, Guyana and Grenada. Likewise, in a climate of economic downturn, the smaller Eastern Caribbean territories would become vulnerable to threats of mercenary invasion and armed uprisings.

The 1979 events of the Grenada revolution would be followed in 1983 first, by a domestic counter-coup and then, by military intervention by the United States, Jamaica, Barbados and other Organisation of Eastern Caribbean States (OECS) Member States. In the 1980s, the regional security agenda came to reflect the increased US presence and strategic concerns, particularly during the first half of the decade. During this time, the Caribbean—Central American region was portrayed as an “arc of crisis” threatened by Soviet-Cuban military and political activities. The US response was a sharp increase in military assistance and training, coupled with the economic and political programmes of the Caribbean Basin Initiative. In the latter half of the 1980s, however, this approach was modified and local security perspectives, which emphasized human security concerns, came more to the fore. In the Eastern Caribbean, the Regional Security System (RSS), formed in 1982, in response to the Grenadian Revolution by Barbados and the members of the Organisation of Eastern Caribbean States, soon de-emphasised excessive militarisation, viewing large armed forces on small islands as too costly and an incipient source of threat.⁷ It incorporated into its mandate a wide range of non-military threats like natural disasters, marine search and rescue, and the policing of fisheries (www.rss.org.bb).

In the 1990s, the central regional security preoccupation, initially of external actors like the United States, and eventually, of regional states themselves, became the transnational threat of the narcotics trade. There were various negative by-products for CARICOM societies like a sharp increase in organised crime and violence, a proliferation of illegal weapons, corruption of public officials, and growing numbers of deportations from North America and Britain, mostly for drug-related offences, which had the potential to strengthen the ranks of the local criminal gangs.⁸

The 1990s also witnessed a marked tightening of US extraterritorial jurisdiction in the Caribbean region, based on a series of bilateral agreements on Mutual Legal Assistance, Extradition and Maritime Policing (the latter

commonly referred to as the Shiprider Agreements). These were coupled with CARICOM states reinforcing their domestic legislation on money laundering and interdiction of narcotics use or trafficking.

Another major theme of the decade became environmental security as the Caribbean region experienced significant damage and socio-economic disruption from hurricanes, drought, earthquakes and volcanic eruptions. The lead agencies dealing with ecological threats are those concerned with disaster preparedness and management and insurance schemes. However, they coordinate activities closely with regional security forces who are trained to respond to such national and regional emergencies.

In addition to perennial environmental security issues, the contemporary threat scenario encompasses territorial and border conflicts which are often complicated by resource or migration issues. There are still ideological and influence conflicts involving Cuba and the United States, Venezuela and the United States and there is a growing incidence of intra-state governance conflicts which have both domestic and transnational dimensions. The most severe case is that of Haiti.

After 2001, the Bush Administration in the United States, in its security partnership with CARICOM states, viewed all the existing cooperation through an anti-terrorism lens. Narcotics interdiction, for example, became anti-narcoterrorism and operations against illegal migration were subsumed into the far more extensive surveillance and interdiction activities of US Homeland Security and the Third Border. CARICOM states share US concerns, particularly about the security of the tourist industry and collaborate closely in the area of port security. They continue to emphasize that their main security threats are the illegal drugs trade, for which they are major transshipment points, terrorism, organised crime, and its impact on civil society. They have had mixed experiences in their security partnerships with external actors. These partnerships, although useful, have focused primarily on the priorities of the external actors.⁹ Despite the long history of security consultation and collaboration, they continue to suffer the major destabilising effects of criminal deportations from North America and Britain which they are ill-equipped to accommodate. Likewise, there has been little significant progress in stemming the flow of illegal weapons from the United States to some CARICOM countries.

IV. Security Governance Structures of CARICOM

CARICOM has evolved as a heavily intergovernmental organisation in which unanimous approval by Heads of Government has been the main approach to decision-making. Although this is preceded by the consultations of lower level ministerial councils and government officials, it has often imposed great constraints on the adoption and implementation of common policies. There was little explicit emphasis in the 1973 founding Treaty of Chaguaramas, in the regional institutions or in periodic policy statements issued at CARICOM Summits, on security coordination. CARICOM's sphere of cooperation was envisaged as economic and social development with some coordination of foreign policy. This, it was hoped, would lead to stable, peaceful societies with acceptable levels of socio-economic well-being, and strengthened administrative capabilities. The approach to security management was therefore an indirect one in which security was equated primarily with economic and social stability. But inevitably, political and security issues like the Belizean and Guyanese territorial disputes, the meaning for the Community of a policy of ideological pluralism, and the emergence and collapse of the Grenadian Revolution between 1979 and 1983, would have to feature on the agendas of the Standing Committee of Foreign Ministers and thence, on the agendas for the Heads of Government Conferences. Security issues were therefore dealt with on an *ad hoc* basis and coordinated approaches emerged incrementally as responses to crises.

CARICOM's internal governance was generally weak in the 1970s and first half of the 1980s. The Heads of Government Conference, the sole decision-making organ, caught in a maelstrom of economic and political crises, was not convened between 1976 and 1982, although other consultative committees of the regional grouping continued to meet and to elaborate draft policy documents. Notwithstanding their other deep divisions, the governments managed to maintain common regional positions in support of the territorial integrity of Guyana and Belize and to pursue unified diplomatic stances in this regard in their diplomacy in multilateral settings like the United Nations and the Organisation of American States. A unified stance was made easier because the issues were relatively clear-cut—support for the territorial integrity of newly established countries, Member States with a shared British colonial past against third countries. CARICOM countries used the resource most readily available to them, namely, coordinated diplomacy in multilateral fora like the

United Nations, the Commonwealth, the Non-Aligned Movement and eventually, the Organisation of American States to invoke international norms of non-aggression, peaceful settlement of disputes, and to drum up international support for the recognition of the sovereignty and territorial integrity of Belize and Guyana.

Another major security challenge arose between 1979 and 1983 in the form of the Grenadian revolution and its demise. As this watershed event will be discussed further later on, suffice it to say that CARICOM Member States showed very divided responses based on their geographical locations and political orientations. The events in Grenada had implications for security institutions and governance in the region. They produced the formation by Barbados and the OECS of the Regional Security System. They also resulted in a much more active and institutionalised US security presence in the CARICOM sub-region.

In 1989, in response to their perceptions of a dramatically changing global environment and unsatisfactory regional advances, the governments established a West Indian Commission to make recommendations on strengthening regional integration. Throughout the 1990s, work was done to restructure the legal provisions and institutions of CARICOM, to establish a single market and to construct a wider diplomatic and trading community in the Greater Caribbean Area. During this period, a shift in their approach to regional security requirements could be detected, namely, a greater emphasis on building intra-community relations and the attempt to establish a regional dispute settlement mechanism in the form of the Caribbean Court of Justice, (CCJ).¹⁰ The CCJ was intended to have two main functions. For those countries with common law systems, it was thought that it would eventually be their final appellate court. So far, this has been approved and implemented only in Barbados and Guyana. For all the Member States, the CCJ is the legal dispute settlement organ for disputes arising in the functioning of the Single Market. Therefore it should be a major instrument in the smooth functioning of community relations. However, it is still greatly under-utilised.

One of the organs created in the revised Treaty of Chaguaramas was the Council on Foreign and Community Relations (COFCOR). This Council of Foreign Ministers has two regular meetings per annum but can be convened for emergency purposes also. COFCOR not only coordinates CARICOM diplomacy vis-à-vis international issues, it also has a mandate to consider intra-Community relations and the domestic or regional

issues which may negatively impinge on them. COFCOR has, since 2000, routinely discussed developments in Haiti and CARICOM's policy responses. It has also deliberated on maritime boundary disputes between Member States like Trinidad and Tobago and Barbados (1999-2007), and Suriname and Guyana (2000-2007), issued policy statements and engaged in mediation attempts.

The final arbiter remains the Heads of Government Conference which plays an active role in policy-making on community issues and on international affairs. One member country (currently Saint Lucia) holds the portfolio of governance issues and it should be noted that portfolios are periodically re-allocated among the governments. During the political crises which arose in Guyana after the elections in 1998 and in St Vincent and the Grenadines after the elections of 2000, CARICOM played an intermediary role in collaboration with various civil society organisations within the countries concerned. Thus, since the mid 1990s, CARICOM has become a more active contributor to the peaceful resolution of internal conflicts.

Security governance embarked on a new phase in July 2001, when a Regional Task Force on Crime and Security (RTFCS) was set up.¹¹ This was fuelled by concerns over intensifying crime and violence in several CARICOM countries. It was also felt that closer security coordination was necessary for the operations of the CARICOM Single Market and Economy. The Task Force had a mandate to "examine the major causes of crime and to recommend approaches to deal with inter-related problems, illicit drugs and firearms as well as terrorism" (*"CARICOM Regional Task Force on Crime and Security"* www.caricomimpacs.org accessed 21/03/08). Over the next three years, the Task Force made over one hundred recommendations to CARICOM governments on enforcement measures and socio-economic policies to combat crime and security threats. It also advised on a new regional framework for managing crime and security issues.

The initiative was given added momentum by the terrorist attacks in the United States on September 11, 2001. CARICOM countries, in their own right and as members of the OAS, committed themselves to supporting the Global War on Terror and to adopting a range of measures promoted by the United States to secure its Third Border.¹² These included new anti-terrorist legislation and law enforcement measures in some countries, increased air and sea port security and tighter migration policies (*Jaramillo*

Edwards 2004; Griffith 2004). US authorities also took the position that governments needed to assert control over lawless zones within their national territory as these could become sites for terrorist-related activities (*Cope and Hulse 2004*). Although the US had traditionally based its security cooperation in the Caribbean on a series of bilateral agreements (e.g., *the Shiprider Agreements 1995-1997 or the bilateral Mutual Legal Assistance Treaties of the early 1990s*), since 1997, there had been greater emphasis on building a multilateral approach exemplified in the establishment and annual meetings of the Joint Committee for Justice and Security.

The Global War on Terror had contradictory effects on this US-Caribbean multilateral cooperation. On the one hand, the annual convening of the Joint Committee declined and a number of differences emerged between US and CARICOM states' positions on three important issues, namely relations with Cuba, relations with Haiti, and the signing of the Statute of the International Criminal Court. On the other hand, the global and hemispheric focus on security spurred CARICOM to put in place its own regional institutions. Moreover, US consultations on the Third Border Initiative encompassed CARICOM and the Dominican Republic, which obliged them to maintain closer contact with a regional state which is not part of CARICOM but nonetheless, an essential actor in various regional security matters. One last external catalyst was the 2007 staging of Cricket World Cup in the Caribbean. The deadlines for security arrangements associated with this event caused CARICOM's regional security planning to advance at a much faster pace than would otherwise have been the case (*CARICOM IMPACS, 2007*).

The government of Trinidad and Tobago holds portfolio responsibility for regional crime and security management. In 2007, Prime Minister Patrick Manning of Trinidad and Tobago announced that security should now be seen as the "Fourth Pillar" of CARICOM—an obvious reference to the EU model and an example of the demonstration effect of the EU on other regional groupings. The RTFCS had identified the main factors driving regional criminality as the transnational drugs trade, youth unemployment, inequality and social exclusion. A range of measures to address the socio-economic roots of crime were proposed. While these are assumed to be addressed in countries' social and economic policy agendas, regional crime and security coordination has focused on institution-building and strengthening and implementing priority areas in a regional crime and security strategy. In 2005, the Council of Ministers

responsible for National Security and Law Enforcement was formalised as well as a Security Policy Advisory Committee. An Implementation Agency for Crime and Security (IMPACS), based in Trinidad, was set up in 2006 (*“IMPACS Architecture”* www.caricomimpacs.org, accessed 21/03/08) and a CARICOM Intelligence Sharing Network by 2007.

The RTFCS was disbanded in 2004. Its successor bodies and agencies continued work on the issues it had identified, including the operation of a regional witness protection system, border security, criminal deportees, mutual assistance in national security emergencies, human resource development and information and intelligence sharing. The four priority areas of regional security cooperation since 2005 have been training for law enforcement and security officials, intelligence sharing, maritime cooperation and enhancing border security. Most of these activities have been supported through the CARICOM-United Kingdom Security Cooperation Plan finalised in 2004 which established the priorities. A significant research component has been the conduct of national studies on the impact of deportees. These are being carried out in Jamaica, Guyana and Trinidad and Tobago. Policy statements have been made about the need for a sub-regional mutual assistance agreement, a regional arrest warrant agreement for the surrender of fugitives across borders, and a maritime and airspace agreement to improve the joint use of resources for monitoring marine territory. However, these have not yet materialised (*see CARICOM Press release 137/2005 of 27/06/05*, www.caricom.org).

Resource shortages are, and will probably remain among the most acute challenges facing CARICOM regional security governance. The organisation and its members remain heavily dependent on external funding to establish and maintain new security structures. The EU has been involved in providing support for the establishment of the IMPACS. Likewise, Britain has made a significant contribution to capacity-building through the CARICOM-United Kingdom Security Cooperation Plan. Nonetheless, a fundamental requirement will be to put institutions on a sustainable financial basis.

Despite the advances in establishing regional security agencies, they appear to fall short in extending their cooperation on transnational crime or other threats to regional states that are not core members of the organisation and that do not share the institutional legacy of British colonialism. For example, CARICOM security consultations between 2003 and the present have not often included Haitian or Surinamese

officials, although they have included law enforcement agencies in several British dependencies. Likewise, they have not often involved officials from the Dominican Republic or other non-CARICOM parts of the Caribbean. This means that regional security cooperation remains fragmented, which reduces its effectiveness, particularly in areas like confidence building and intelligence sharing.

Regional security cooperation still depends on a push from external developments for significant advances. Cricket World Cup in 2007 was the opportunity for CARICOM countries to introduce a pilot project on governing security activities in a Single Domestic Space. The Trinidad and Tobago administration, with lead responsibility for the security portfolio, is now lobbying member countries to institutionalise such arrangements, arguing that it is necessary for the operation of the CARICOM Single Market and Economy and for combating crime. But it remains a sensitive political decision, not yet endorsed by all actors, which would place national security decision-making much further into the realm of regional governance (*Communiqué issued at conclusion of 19th Inter-Sessional Meeting of Conference of Heads of Government, CARICOM Press Release 8/03/08, www.caricom.org*). A special regional summit on crime took place early in April 2008 to discuss these issues further.

Some critics point out that regional security initiatives have focused primarily on strengthening law enforcement capabilities without providing equal support for revitalising outdated and sagging justice systems.¹³ Judicial and penal reforms have therefore lagged behind. Moreover, most CARICOM states, caught in an economic climate of declining growth and the pressures of budgetary adjustment and economic restructuring, have scarce resources for addressing social inequality and youth development. Yet, these projects are vital to reducing crime and violence, and stimulating economic growth and sustainable human development in their societies.

V. Evaluating Regional Security Governance¹⁴

1. Conflict Prevention

- (a) Falling into this category of activity would be the longstanding Belize-Guatemala and the Guyana-Venezuela territorial disputes, as well as the more recent maritime boundary delimitation disputes that flared up between Barbados and Trinidad and Tobago (1999-2007)

and Guyana and Suriname (2000-2007). CARICOM's role in the former disputes included the provision of diplomatic support to Member States in multilateral fora, stressing the need for a peaceful settlement of the disputes and respect for the sovereignty and territorial integrity of their Member States. On various occasions, nationals from CARICOM states served as mediators acting on behalf of the OAS or the UN, or they led fact-finding missions from those organisations. CARICOM showed a preference for working within these multilateral bodies with greater capacity, particularly as only one party to each dispute was a CARICOM Member State. In those two cases, although there has been no permanent settlement, the disputes have been managed with minimal threats or outbreaks of armed conflict for several years. In the case of the Belize-Guatemala dispute, as long as referenda in both countries provide a mandate, the dispute should finally be adjudicated by the International Court of Justice (Richards, 2008).

In the latter two disputes, the CARICOM role was first to emphasise the need for negotiated or juridical settlements. In the case of Suriname-Guyana, a CARICOM mediator was appointed but had unsuccessful dialogue with the parties. CARICOM then listed the range of international peaceful dispute settlement mechanisms that were at their disposal and urged them to avail themselves of an appropriate option. In the case of Barbados-Trinidad and Tobago, the parties refrained from using trade sanctions against each other out of deference to the regional organisation. Ultimately, both disputes were submitted to compulsory arbitration under Article XV and Annex VII of the United Nations Convention on the Law of the Sea (1982) and rulings were delivered in 2007 (*Donovan 2007; Griffin 2007*).

- (b) Examine internal political crises. Here, one would consider Guyana's post-electoral crisis in December 1997. CARICOM's response involved several civilian missions and mediation among all the contenders in this crisis of domestic governance. It resulted in the signing of the Herdmanston Accord by political leaders in January 1998. Elements of this included:-

- Three-month moratorium on street protests.
- An audit of the electoral count and a review of the role of the Electoral Commission to be conducted by CARICOM.

- Dialogue to start between the two political parties, the PPP/Civic and the PNC.
- Constitutional Reform Commission to begin work and to present a report in July 1999.
- New elections to be held within three years.

The CARICOM initiative certainly restored order in the short term and resulted in fresh elections in March 2001 and more widespread acceptance of the results. However, the constitutional reform project petered out. Guyana, for various reasons, has experienced a deepening crisis of law and order since 2002, manifested in a tremendous upsurge of crime and violence and the incapacity of state authorities to contain the crisis.

2. Peace-keeping/peace enforcement

Two examples of this type of security function might be listed as Grenada in 1983 and Haiti in 1994 and 2004. CARICOM's responses demonstrated two things. Firstly, they showed up CARICOM's incapacity to undertake such security operations alone, the continued need to play junior partner to external intervention in the form of the United States and/or other actors. This meant also that CARICOM's policy recommendations in the case of Haiti in 2004 were subordinated to the objectives and priorities of the other actors involved and ultimately rejected.¹⁵ Secondly, CARICOM, in both cases, experienced strong divisions among its own membership concerning appropriate regional responses. This resulted in delayed or divided responses and long-term repercussions for regional consensus on security.

3. Peace-building

On the one hand, CARICOM's performance in this area can be viewed favourably. The regional grouping has contributed to promoting stability and development among its Member States. It has undoubtedly contributed to milieu goals, has enhanced the climate of community relations and, by working to endorse norms of peaceful settlement of disputes and respect for international institutions, has helped to foster a regional culture of peace.

However, Haiti is the litmus test for these achievements and so far, CARICOM has been very cautious about the extent of its commitment. The organisation, partly due to its limited capabilities and also stymied

by differing opinions among Member States, has not demonstrated much will to engage itself deeply in peace-building operations in Haiti.

Conclusion

So, can CARICOM be considered a “security provider”? The answer would be yes, to a limited degree. Due to its limited capabilities and history, it has been much more active in the conflict prevention dimension than in the other spheres. Also, it has shown a preference for working together with other, larger multilateral organisations in the resolution or management of disputes affecting its members. Its tasks have expanded, particularly since 2001, with the focus on antiterrorism and on combating organised crime in Member States. It is not quite clear how these latter activities which relate to internal security should be categorised since they do not fit easily into the conventional categories of conflict prevention, peace-keeping/enforcement or peace-building. Nonetheless, they are vital for security governance in the region.

There remain four major challenges. The first concerns the resource shortages for addressing security challenges. Secondly, if regional security governance is to become more effective, there is the need for more extensive collaboration with other regional actors who are not part of the grouping or not among its core membership. Thirdly, there is the ongoing challenge of security cooperation with major powers which involves a perpetual balancing of interests and priorities. Finally, in the present regional threat scenario, where the emphasis is so heavily on transnational crime and on localised violence, on juvenile delinquency, unemployment and social exclusion, there is the need for much closer collaboration between state and civil society actors in order to formulate and implement effective human security responses.

NOTES

1. This has been expressed most recently in the establishment of the European Neighbourhood Policy (ENP) in 2004, which involves extensive political and economic cooperation, financial and technical assistance to sixteen neighbouring countries to the East and South of the EU. The ENP is based on the following principles, “It is in the European interest that countries on our borders are well-governed. Neighbours who are engaged in violent conflict, weak states where organised crime flourishes, dysfunctional societies, or exploding population growth on its borders all pose problems for Europe Our task is to promote a ring of well governed countries to the East of the European Union and on the borders of the Mediterranean with whom we can enjoy close and cooperative relations” (*European Security Strategy, December 2003, cited in eufocus January 2008*).
2. Lavenex (2005) details the slow development of cooperation not only in foreign and security policy but in sensitive areas of domestic security and sovereignty encompassed in the Justice and Home Affairs pillar of the Treaty of Maastricht. She refers to the latter as transgovernmental (i.e. rather than intergovernmental cooperation). Direct EU institutional involvement grew after the adoption of the Treaty of Amsterdam in 1997 with its objective of creating an Area of Freedom, Security and Justice and the establishment of EUROPOL in 1999. It accelerated with the prospect of Eastern enlargement. The weaker capabilities and disparate justice and security institutions of many of the acceding Member States necessitated stronger coordination by the European Union. While the agenda for national security cooperation has expanded considerably, EU states have preferred to keep it mainly transgovernmental and less communitarised than other areas of EU integration.
3. Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Saint Lucia, St Kitts and Nevis, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago.
4. For example, the security perceptions of Belize and Guyana are heavily influenced by their locations in Central and South America, by the historical territorial disputes between themselves and neighbouring states, by the porosity of their borders and their great vulnerability to instability in the surrounding environment. Threat perceptions of Haiti and the Dominican Republic revolve around their shared land border,

among other things. Shared marine space and resources led to the maritime delimitation, resource based disputes of Trinidad and Tobago and Barbados, also Guyana and Suriname. Most Caribbean countries face perennial threats of natural disasters involving climate change and the environment.

5. This is well illustrated by Griffith (2004), *Caribbean Security in an Age of Terror*, pages 514-515, in which he presents data on multilateral security engagement zones in the Caribbean and agencies and networks in these multilateral security engagement zones.
6. This section draws heavily on the analysis in J. Byron, "State, Society and Security Issues in CARICOM post-September 2001", *Pensamiento Propio*, No. 17, enero-junio 2003, pp. 39-58.
7. See statement by Sir James Mitchell, Prime Minister of St Vincent and the Grenadines, quoted in Payne and Sutton, *Modern Caribbean Politics* (1993) p. 285.
8. There has been considerable controversy in policy discussions about the impact of deportations from North America and Europe on local crime statistics. While policymakers have periodically linked the deportees to rising crime in their societies, a study by Oliver Headley in 2004 reached less categorical conclusions and focused more on the need to provide support and re-integrative facilities for such deportees. For the former position, see Ann Marie Barnes, Congressional Hearing: Sub-Committee on the Western Hemisphere "Deportees in Latin America and the Caribbean, July 24 2007, www.globalsecurity.org/security/library/congress/2007_h/070744-barnes.htm, also A. Barnes, "Flawed Critique, Flawed Analysis—Deportee Study followed Tried and Tested Methodology", *Jamaica Gleaner*, 24/12/2006. For reports on the latter perspective, see "Deportees have little impact on crime, study says", *Jamaica Star Online*, 29/09.2004, www.jamaica-star.com/the_star/20040928/news3.html
9. For example, US aid to the Caribbean region for the military and the police between 2004 and 2009 concentrates mainly on counter-narcotics activities, related training and equipment. The emphasis has been primarily on interdiction and far less on demand reduction. On the other hand, the European Union has been the leading funder of demand reduction activities, seeking to build capacity both in demand reduction and supply reduction activities (see "EU Support and Strategy for the Caribbean" address delivered 12/09/07 at CARICOM Meeting of

National Observatories on Drugs, www.cicad.oas.org. In addressing the current explosion of organised crime activities, Britain has provided the most consistent support for building local and regional capacity.

10. The Caribbean Court of Justice (CCJ) was inaugurated in 2004 and is based in Trinidad.
11. The Regional Task Force on Crime and Security was composed of representatives from the national security authorities, regional bodies like the Regional Security System, the Association of Caribbean Commissioners of Police (which includes representatives from the police jurisdictions of the French, Dutch, British and US dependencies), the Caribbean Financial Action Task Force, a regional association of Customs officials and some regional criminologists. Interview with RTF member, Kingston, October 2005.
12. See CARICOM Nassau Declaration on International Terrorism, October 2001 and Inter-American Convention on Terrorism adopted by OAS Member States in Barbados in June 2002.
13. See, for example, “A Caribbean Crime Wave”, EIU Views Wire www.economist.com 20/03/08.
14. The following section draws from my earlier paper “Interstate Conflicts and Mechanisms for Conflict Management in the Caribbean: the role of CARICOM and the ACS”, FUNGLODE/Woodrow Wilson Centre Conference on *Gobernabilidad de la Seguridad en el Caribe: Iniciativas de Reforma y Cooperación*, Santo Domingo, August 1-2, 2005.
15. C. Granderson, “The CARICOM Initiative towards Haiti—A Case of Small States Diplomacy” Focal Point, Vol. 3 (6) (June 2004); CARICOM Calivigny Statement on Haiti, issued at 25th regular Meeting of the Conference of Heads of Government, Calivigny Grenada, 7/07/04, www.caricom.org

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CHAPTER 5

A New Conceptual Approach to Caribbean Security

Ivelaw Lloyd Griffith

“We need to start afresh, to relax in our gardens, emulate [Isaac] Newton and ponder the scene around us, allowing ourselves to be puzzled by those recurring patterns that seem self-evident but that somehow have never been adequately explained.”

James N. Rosenau¹

“It is almost no longer controversial to say that traditional conceptions of security were (and in many minds still are) too narrowly founded. That advance does not, however, mean that consensus exists on what a more broadly constructed conception should look like.”

Barry Buzan²

Today, we live in the shadow of September 11. That horrific tragedy has cast a pall across the whole hemisphere.

Prime Minister Owen Arthur³

Introduction

THE WISDOM OF the observation above by distinguished scholar James Rosenau extends beyond the arena of foreign policy where the observation was first made. The remark is valuable for scholars in security studies as well and, indeed, for scholars in virtually every social science field. Rosenau's comment assumes added value when one is dealing with an area of inquiry with significant “real world” policy implications and where the changing dynamics of domestic and international politics have so affected the terms

of intellectual engagement that rethinking of core concepts and central assumptions is not merely desirable but necessary.

Significant efforts to redefine “security” as a core concept, to which political scientist Barry Buzan refers, followed the end of the Cold War, which witnessed the altering of power relations between, among, and within states in significant ways. Many security scholars began to do precisely what Rosenau had suggested a decade earlier—revisit concepts and theories, reexamine threats and vulnerabilities, review puzzles and patterns, and re-estimate the utility of and necessity for extant strategies. As if the post-Cold War ferment were not enough, along came the events of September 11, 2001, referred to hereafter as 9-11, making terrorism central to the security, foreign policy, trade and other discourse by statesmen and scholars, and renewing the salience of Rosenau’s remarks.⁴ Thus, it seems hardly disputable that “we live in the shadow of September 11,” as Prime Minister Owen Arthur asserts. Of course, terrorism is not new in the international or regional arena. However, the dynamics of 9-11 are so powerful and so potentially far-reaching for the Caribbean that it is important to examine the contemporary security scene in the context of 9-11 dynamics.

Against the backdrop of Rosenau’s advice, this chapter makes a modest attempt at probing a question that is central to interpreting the region’s contemporary security scenario. The question is: What is an appropriate conceptual framework to examine contemporary Caribbean security challenges? As might also be expected, grappling with this question entails responding to subsidiary questions. Two such questions come to mind. What do we mean by security? When does a national issue become a security matter? Understandably, the primary question and the subsidiary ones posed here are not the only questions that may legitimately be raised. Another pertinent question is: What are the region’s main security challenges? Beyond this, it is reasonable to ask: What are some relevant strategies to cope with those challenges? Nevertheless, the focus of this chapter is on the first question: What is an appropriate conceptual framework to examine contemporary Caribbean security challenges? Settling this question is pivotal to the exploration of other questions.

A preliminary observation is warranted before proceeding. As might be expected, this is not the first attempt to develop a framework to examine Caribbean security, or to apply a broader construct to the region.⁵ However, this effort differs from previous ones in notable ways. Firstly,

it adopts a “back to basics” mode. Secondly, its ambit extends beyond United States-Caribbean security relationships, or geopolitics, although it recognizes the value of focusing on these. Thirdly, it aims to construct a holistic schema and not a segmented one, and to do so in the context of 21st century realities.

For instance, although Robert Pastor’s “whirlpool” approach is valuable and has relevance to the security area, it is (a) an approach for interpreting United States-Latin American/Caribbean dynamics, and (b) not designed purely with security in mind (Pastor 1992). Similarly, Anthony Maingot’s application of interdependence theory pays considerable attention to security matters, but his approach is intended essentially to explain and interpret United States-Caribbean realities writ large (*Maingot 1994*). James Rosenau’s application of Frangmegration to the region is presented in a book on Caribbean security and it has elements relevant to the security area, but the work is essentially an analysis of the Caribbean in the vicissitudes of international politics (*Rosenau 1998*).

Much the same could be said about Eddie Greene’s schema, although Greene provides more local-regional analysis and application than Rosenau does (*Greene 1990*). Leslie Manigat focuses mainly on geopolitics and ideology, while the approach by Andrés Serbin centers largely on geopolitics (*Manigat 1988; Serbin 1990*). Knight and Persaud deal with a regional-international architecture for security governance, while Tyrone Ferguson’s framework focuses essentially on management modalities and coping strategies (*Knight and Persaud 2001; Ferguson 2002*). My own earlier pursuit revolves around four factors—perception, capabilities, geopolitics, and ideology—the last of which has lost its salience, thereby reducing, although not eliminating, the explanatory utility of the overall framework (*Griffith 1993*).

Adoption of the “back to basics” approach requires attention to several issues. Moreover, as is the case with the elaboration of any credible framework, design of this framework requires attention to its central building blocks, some of which are issues of structure and concept, to which we turn attention next.

First Set of Building Blocks: Elements of Structure

States in the Caribbean share with states everywhere the reality of being in an international arena characterized by what international relations scholars call “anarchy” and by complex interdependence. One analyst

offered the following commentary on this structural reality: “In previous centuries, the course of history was determined largely by events in only a few regions, particularly Europe and North America. The world’s continents existed mostly apart, not influencing each other a great deal. No longer. During the 21st century, the struggle for progress and prosperity, as well as questions of war and peace, will be influenced by events in many disparate places.” (*Flanagan 2001: 7*). Nevertheless, Caribbean states possess a structural feature that is not common to all states in the international system: they are small states in terms of territory and population, as well as in most—and in some cases, all—elements of national power and state capacity. This structural feature accentuates their vulnerability.

It is obvious from Table 1 that there are intra-regional asymmetries; that Cuba, the Dominican Republic, Haiti, and Jamaica are territorial and population “giants” compared to St. Kitts-Nevis, Grenada, Barbados, and other countries; that several countries do not fit the conventional population definition of a small state—population of 1.5 million or less (*See Commonwealth Advisory Group 1997: 9*). Yet, it is also evident from Table 1 that when the profiles of the various states are considered overall, the characterization of the region as one comprising small states is more than justified.

Much has been written about the security of small states over the last several decades, and although it is outside our purview to examine this literature, it should be noted that over recent years the scholarship on small state security has changed significantly. Firstly, the preoccupation with external security has given way to recognition that internal security issues are not only important in their own right, but also they complicate, and sometimes aggravate, external challenges. Added to this, the distinction between internal issues and external ones often is blurred. Further, the tendency to cast security analysis in military-political terms has been replaced by acceptance that security concerns go beyond these to the economic area and often to the environmental one as well. In addition, there has been growing recognition of an emphasis on the link between security and development. What Robert Rothstein noted in the mid-1980s is even more valid now, in the early 21st century: “The traditional concern with territorial integrity and political independence has had to be broadened to include a concern with domestic stability—and thus also a concern with prospects for, and means of, domestic development.” (*Rothstein 1986: 8-9*).

Moreover, what the Commonwealth Advisory Group said about the 32 small states in the 54-member-state Commonwealth of Nations is relevant to small (and medium and large) states outside the Commonwealth: “The major threats faced by small states are to their territorial integrity and security; political independence and security; economic security; environmental sustainability; and social cohesion. Some of them are acutely vulnerable, others moderately so.” (*Commonwealth Advisory Group 1997: ix*).⁶ The capability limitations of small states present severe security challenges to many, if not most, of them. But it is comforting to note the assessment of one recent (Commonwealth) survey: The changing international norms and the regional and international support have been such that small states generally are able to cope with their critical security challenges (*Bartmann 2002*).

Caribbean Community: The Struggle for Survival

Country	Year (Est.)	Population	Armed Forces	Force Make-Up	Police Force (2002)	GDP per Capita Current Prices	Real GDP Growth Rate	Foreign Debt (\$B)
Anguilla	91	13,440	None ²	—	79	9,902	2.8	NA
Antigua-Bahuda	640	47,440	130	G, CG	679	9,091	3.3	406.0
Aruba	191	70,440	None ²	—	390	19,811**	-3.2	219.7
Bahamas	19,962	36,320	400	G, CG	2,040	95,250	3.3	383.4
Barbados	432	276,007	410 ²	G, CG	1,240 ²	9,444	-2.8	467.5
Belize	22,980	382,980	1,150	G, CG, AC	779	3,144	4.6	639.7
B. Virgin Islands	110	21,272	None ²	—	166	36,034	NA	49.0
Cayman Islands	294	36,179	None ²	—	166	46,371	1.3	15.8
Cuba	119,860	11,234,321	40,000	G, N, AF	20,000	2,800 (2002 est.)	2.1	27,000 (est.)
Dominica	790	70,490	None ²	—	900 ²	3,695	-4.3	161.5
Domin. Republic	49,467	8,721,394	24,500	G, N, AF	11,000	3,800	2.7	5,400
French Guiana	90,909	183,353	None ²	—	400 (2003)	6,100	NA	1,200
Grenada	361	85,211	None ²	—	730 ²	5,800	-3.4	144.4
Guadeloupe	1,780	479,730	None ²	—	660 (2003)	9,000	NA	NA
Guam	214,979	698,209	1,600	G, CG, AC	3,350	920	1.8	1,192.6
Haiti	27,750	7,163,722	None ²	—	5,800	479	-2.3	NA
Jamaica	11,624	2,680,029	2,830	G, CG, AC	7,756	2,392	3.7	6,146.1
Martinique	1,100	422,277	None ²	—	603 (2003)	11,000	NA	180
Montserrat	102	8,437	None ²	—	92	8,002	-4.2	NA
Puerto Rico	9,334	3,957,980	None ²	—	18,543 (2003)	11,200	2.2	NA
St. Kitts-Nevis	209	36,736	120	G, CG	384	7,430	2.4	143.3
St. Lucia	410	166,140	None ²	—	542 ²	6,189	-3.4	191.3
St. Vincent and the Grenadines	388	116,394	None ²	—	700 ²	5,137	0.2	185.3
Suriname	183,270	438,494	2,000	G, CG, AC	1,064	3,300	41.3**	912
Tanzania/Tobago	3,120	1,163,734	2,700	G, CG, AC	3,424	7,000	3.3	1,037.6
Turks & Caicos	417	18,730	None ²	—	130	11,030	0.1	8.2
U.S. Virgin Islands	312	23,490	None ²	—	581	15,000	NA	NA

Notes:

All figures are for 2001, unless otherwise noted

* = Active forces only

** = GDP at Constant (1995) Prices

*** = Includes informal sector NA—Not available

+ = Member of the Regional Security System

a = Defense is the responsibility of the United Kingdom

b = Defense is the responsibility of the Kingdom of the Netherlands

c = Defense is the responsibility of France

d = Defense is the responsibility of the United States of America

1 = Dominica had an army from November 1975 to April 1981, when it was disbanded

2 = Grenada's People's Revolutionary Army was created in March 1979 and disbanded in October 1983, following the U.S. intervention.

3 = *The Haitian military was demobilized between November 1994 and April 1994, following Operation Restore Democracy in September 1994.*

AC/AF = Air Component/Air Force CG = Coast Guard G = Ground Forces N = Navy.

Sources: Caribbean Development Bank, Annual Report 2002, March 2003; International Institute for Strategic Studies, *The Military Balance 2001/02. (London, 2001)*; Secretariat, Caribbean Commissioners of Police, 2003; International Monetary Fund, Country Information, available at <http://www.imf.org/external/country/index.htm>; UN Economic Commission for Latin America and the Caribbean, *Economic Survey of Latin America and the Caribbean 2000-2001, (Santiago, Chile, 2002)*; John Collins, *Caribbean Business*, 2003 (*data on the Police in Puerto Rico*); and Col. Roger Bencze, former French Military Liaison to the Joint Inter-Agency Task Force-East, now Director of the International Liaison Division of the Joint Inter Agency Task Force-South, 2003 (*data on the Gendarmerie in the French Caribbean*).

Yet, the fact that international norms and international cooperation help small states to cope with their security challenges does not remove another structural feature of small states: their vulnerability. Vulnerability arises when geographic, political, economic, or other factors cause a nation's security to be compromised. Usually it is not a function of one factor, but several, which combine to reduce or remove a state's influence or power, thereby opening it up to internal subversion or external incursion, among other things.

Some writers feel that small states are "inherently vulnerable" because they can be perceived as potentially easy victims for external aggression. (*See, for example, Commonwealth Study Group 1985: 15.*) But, the perception of other states is only part of the matter. Vulnerability also relates to objective geographical, economic, political, and organizational deficiencies, such as populations too small to meet security needs, limited funds to acquire defense-related material, and fragile economies. One leading Caribbean personality captured some structural dynamics as follows: "Small states are by their nature weak and vulnerable. Sometimes it seems as if small states were like small boats pushed out into a turbulent sea, free in one sense to traverse it; but, without oars or provisions, without compass or sails, free also to perish. Or, perhaps, to be rescued and taken aboard a larger vessel." (*Ramphal 1984*).

Focusing on economic vulnerability, two scholars suggest that there are differing kinds of threats related to this area: economic vulnerability

threats; systemic vulnerability threats; sensitivity dependence threats; and structural dependence threats. For example, with the first, states are exposed to the transmission of external economic disturbances originating in the international system, and the second stems from transactions among states based on asymmetric relationships (*Azar and Moon 1984*). In relation to our unit of analysis—the Caribbean—it is easy to understand the reality of economic vulnerability. For instance, the Caribbean has some valuable natural resources, including oil, bauxite, gold, and diamonds. However, these resources exist in just a few countries.

For example, only Trinidad and Tobago and Venezuela (and Barbados, Cuba, and Suriname to a much lesser extent) have oil industries, although there are refining and transshipment operations in many countries. Bauxite is produced only in the Dominican Republic, Guyana, Jamaica, and Suriname, and only Cuba, the Dominican Republic, Guyana, and Suriname produce gold. This limited resource availability partly explains why Caribbean economies have narrow economic bases of (a) agriculture (mainly sugar and bananas); (b) mining and manufacturing (notably bauxite, oil, gold, and apparel); and (c) services, mostly offshore finance and tourism.

The economic vulnerability is not only functional, but also structural: economies suffer from heavy reliance on foreign trade, and there is limited production and export diversification and heavy dependence on foreign capital, among other things. Much of this vulnerability has been highlighted recently as some countries suffered setbacks in the garment and tourism industries and as others faced a threat to their banana market guarantees. Moreover, the Caribbean Development Bank (CDB) reported: “9/11 reemphasized the structural weaknesses of economies in the region and their vulnerability to external shocks. Growth was already slowing in many Caribbean economies when the closure of U.S. airspace to flights for some days and, following the resumption of air operations, the sharp decline in air travel as a result of air safety concerns, caused a massive and unprecedented reduction in tourist arrivals in Caribbean destinations.” (*Caribbean Development Bank 2002: 22-23*).

Needless to say, Caribbean vulnerability is not limited to the economic area. As the 1990s dawned, one Caribbean leader eloquently described the structural and multidimensional character of the vulnerability facing states in the region: “Our vulnerability is manifold. Physically, we are subject to hurricanes and earthquakes; economically, to market conditions taken

elsewhere; socially, to cultural penetration; and now politically, to the machinations of terrorists, mercenaries, and criminals.” (*The Caribbean Community (CARICOM) Secretariat 1990: 6*) This description is over a decade old, but it still resonates powerfully with the structural and functional realities of the region.

However, small size and vulnerability in the context of anarchy and complex interdependence are not the only structural features of Caribbean states and societies. Space limitations preclude attention to other features, but two others should be mentioned: Caribbean states are *weak states*; they also are *subordinate states*. Moreover, the combined effects of these four structural features—small size, vulnerability, weakness, and subordination—not only undermine, although not eliminate, the ability of Caribbean states to exercise leverage vis-à-vis the rest of the world, but often within the region itself. Three examples of this will suffice. One has been the virtual paralysis of CARICOM in helping to resolve the crisis in the Haitian political saga. A second example was the unwillingness of Barbados to pursue intra-regional resolution of its maritime dispute with Trinidad and Tobago; it went to the United Nations Law of the Sea arena. A third example was Guyana’s choice of the same United Nations forum to settle its maritime dispute with Suriname.⁷ (*See Stabroek News 2004, Wickham 2004, Denny 2004, Black Britain 2004, Jamaica Observer 2004, Jamaica Gleaner 2004, Polygreen and Weiner 2004, the Caribbean Media Corporation (CMC) 2007*).

It must be noted, however, that while attention to issues of structure is necessary such is not sufficient in the design of this framework, or of any credible framework for that matter. Attention needs also be paid to some foundational concepts.

Second Set of Building Blocks: Core Concepts

A discussion of some core concepts is essential in order to facilitate creation of some definitional baselines. In this respect, the plethora of definitions and the ambiguities surrounding the use of the terms “security” and “threat” make them prime candidates for this discussion.

The term “security” has long been a highly contested one, with a multiplicity of definitions and usages, most of which revolve around a few core concepts: international anarchy, survival, territorial integrity, and military power.⁸ Moreover, the definitions mostly share a common theoretical foundation in traditional realism. Although there are different

variants of realism, the common denominators are: a focus on the state as the unit of analysis; stress on the competitive character of relations among states; and emphasis on military and, to a lesser extent, the political aspects of security. The realist approach is oriented to the international arena, which sees states as national actors rationally pursuing their interests in that arena. It also considers military power capabilities as the most critical ones. Noteworthy, too, is that traditional realism pays attention mainly to “great powers” and views security as “high politics.”⁹

For most of the post-World War II period there was wide consensus among political scientists and military theorists that traditional realist theory provided the appropriate conceptual architecture to examine questions of security. As might be expected, this paradigm was challenged, but not concertedly. However, the dynamics of international politics, since the end of the Cold War have led many scholars to pursue concerted journeys beyond the traditional realist paradigm in conceptualizing and probing security issues. During the early 1990s, one scholar, himself an erstwhile proponent of realism, averred: “Realism, rooted in the experiences of World War II and the Cold War, is undergoing a crisis of confidence largely because the lessons adduced do not convincingly apply directly to the new realities. The broadened global agenda goes beyond what Realism can realistically be expected to address.” (*Kegley 1993: 141*)

As might be expected, the “horrific tragedy,” to use Prime Minister Owen Arthur’s term, has served to further undermine confidence in the utility of realism. For example, distinguished scholar Robert Keohane observed in 2002: “The globalization of informal violence has rendered problematic our conventional assumptions about security threats. It should also lead us to question the classical realist distinction between important parts of the world, in which great powers have interests, and insignificant places, which were thought to present no security threats although they may raise moral dilemmas.” (*Keohane 2002: 41*). However, it should be said that this rethinking about traditional realism does not represent its total debunking. As Richard Falk once noted: “To challenge the centrality of realism does not imply its total repudiation. States do remain important actors, war does remain profoundly relevant to international relations, and many international settings can be better understood as collisions of interests and antagonistic political forces.” (*Falk 1991: 10*)

In relation to the Caribbean, the pre-9-11 assertion by United States scholar Michael Desch still holds true: “Realism still has much to tell us about

post-Cold War international relations in the American Mediterranean.” (Desch 1998: 148). Also true is the post-9-11 contention by Caribbean scholar Jessica Byron: “Ironically, a liberal paradigm of free trade and fluid inter-societal relations, provided it undergoes some modification, suits Caribbean interests better than a realist, security-oriented framework. The latter may well be inimical to Caribbean economic survival in the contemporary world. And yet, given the new global security context, it is impossible to abandon a realist paradigm altogether. A constant factor for this hemisphere is the reality of US hegemony, and US relations with its neighbors are always guided to a greater or lesser extent by security considerations.” (Byron 2003: 74). I share Byron’s view, but with one caveat. For me, the partial utility of realism in relation to the Caribbean goes beyond United States-Caribbean dynamics; it extends to the vicissitudes of contemporary international politics, not the least of which is what Robert Kagan calls “the unipolar predicament” (Kagan 2004), and to the region’s subordination in the global arena.

In relation to the Caribbean, the departure from sole reliance on traditional realism predated the end of the Cold War and the arrival of the “age of terror.” (For some of this evidence, see Young and Phillips 1986; Bryan, Greene, and Shaw 1990; Griffith 1991; and Griffith 1995). Security in the Caribbean has never really been merely protection from military threats. It has not been just military hardware, although it has involved this; not just military force, although it has been concerned with it; and not simply conventional military activity, although it certainly has encompassed it.

For example, I long have defined security as *protection and preservation of a people’s freedom from external military attack and coercion, from internal subversion, and from the erosion of cherished political, economic, and social values*. The values include democratic choice and political stability in the political area, sustainable development and free enterprise in the economic domain, and social equality and respect for human rights in the social arena.¹⁰ Thus, security is multidimensional, with military, political, economic, and other dimensions. As one leader with intellectual acumen asserted, and quite rightly so: “It would be a fundamental error on our part to limit security concerns to any one area while the scourge of HIV/AIDS, illegal arms and drug trafficking, transnational crime, ecological disasters, and poverty continue to stare us in the face.” (Arthur 2002: 3). Indeed, in an earlier assessment, this

writer offered (hopefully) credible evidence of the nexus between the drug phenomenon and the security circumstances of the region. (See Griffith 1997).

In terms of threat arena, then, the international system or external arena cannot be the sole arena of attention. Equally important is the domestic system, or the internal arena. This is partly because of the nexus between the domestic and international arenas, but also because, in many cases, the source of threats and the challenges to security are not from the external environment; often the enemy is within, so to speak. In addition, the structural realities of small size and vulnerability, along with the nature and source of the threats suggest that the definition of the relevant actors needs to go beyond the state. The state is still the primary actor in the context of the international system, but the changing dynamics of international politics, the capability limitations of Caribbean states to adequately cope with those dynamics, and the matrix of issues and actors they face suggest the need to extend the actor matrix to include non-state actors.

Thus, the remark by the late Susan Strange is apposite, and it extends beyond the area of international political economy where it was made: "Today it seems that the heads of governments may be the last to recognize that they and their ministers have lost the authority over national societies and economies they used to have." (*Strange 1996: 1*) In other words, non-state actors are equally important. Indeed, evidently from the actions of some individuals and groups engaged in drug trafficking, weapons trafficking, and other criminal enterprises across the world, many non-state actors own, or can mobilize more economic and military assets than can some state actors. It is partly the diminished capacity of states to cope with threats that justifies the redefinition of the actor matrix.

One influential security analyst has noted: "Only when one has a reasonable idea of both the nature of threats, and the vulnerabilities of the objects towards which they are directed, can one begin to make sense of national security as a policy problem." (*Buzan 1991: 112*) Of course, this raises a key question: What do we mean by threat? The two-decades-old definition by Richard Ullman has considerable explanatory utility, and will be used for our purposes: "A threat to national security is an action or sequence of events that (i) threatens drastically and over a relatively brief span of time to degrade the quality of life for the inhabitants of a state, or (ii) threatens significantly to narrow the range of policy choices

available to the government of a state or to private nongovernmental entities (persons, groups, corporations) within the state.” (*Ullman 1983: 133*).

Given my earlier definition of security as having military, political, and other dimensions, it is understandable that I would view threats in commensurate terms. Thus, threats could be military, political, economic, or environmental. Because the use of military force against a state tends to present core threats by undermining national stability and sovereignty, military threats are generally viewed as the highest priority among threats in the various dimensions.

Barry Buzan offers the sobering caution that since security has to be defined within a competitive environment, it is unwise to take the “easy route” of defining all threats as national security threats. I also agree with his suggestion that the difference between normal challenges and threats to national security necessarily occurs on a spectrum of threats that range from trivial and routine, through serious but routine, to drastic and unprecedented, and, he argues, where on the spectrum issues begin to get legitimately classified as national security problems is a matter of political choice rather than objective fact. There is need for an additional caution, though, as balancing acts are critical: “Setting the security trigger too low on the scale risks paranoia, waste of resources, aggressive policies, and serious distortions of domestic political life. Setting it too high risks failure to prepare for major assaults until too late.” (*Buzan 1991: 115*).

Thus, threats are a function of subjective and objective factors, as Buzan notes: The question of when a threat becomes a national security issue depends not just on what type of threat it is, and how the recipient state perceives it, but also on the intensity with which the threat operates. The main factors affecting the intensity of a threat are the specificity of its identity, its nearness in space and time, the probability of its occurring, the weight of its consequences, and whether or not perceptions of the threat are amplified by historical circumstances. Other things being equal, the more intense a threat, the more legitimate the invoking of national security as a response to it. (*Buzan 1991: 134*).

Our examination above of the fundamentals of structure and some core concepts in this design effort is an important antecedent to the next step: elaboration of the elements of the framework and construction of the

framework itself. Keep in mind, though, that the purpose here is framework design and not framework application. Hence, although reference will be made in the following section to Caribbean examples to explain some elements, as was done in previous sections, the natural curiosity that may prompt questions about the application to, or manifestation of those elements in the Caribbean must be tempered; first design, then application. (See Griffith 2004 for one application.)

Third set of Building Blocks: Elements and Framework

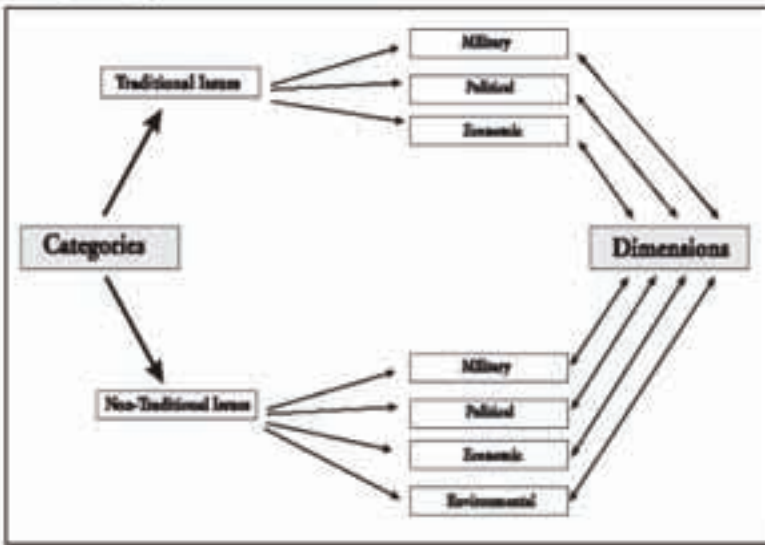
I name this schema the *Discrete Multidimensional Security Framework*. The term “Discrete” reflects my awareness of the need to avoid inclusion of all “significant” national challenges in the security matrix, for reasons related to parsimony and policy utility. “Multidimensional” speaks to the multiplicity of elements in the schema and the plurality of aspects of each element. Several elements are involved, including security categories and dimensions, threat type and arenas, threats and threat intensities, and response instruments. The number and variety of elements involved make it necessary to approach the construction of the framework in component stages

Figure 1

Figure 1 maps the security categories and dimensions, showing that the *Traditional Issues* category has military, political, and economic dimensions, while the *Non-traditional Issues* category accommodates the three dimensions of the Traditional Issues category plus an additional one: environmental.

Figure 2 sketches threat types, threat intensities, and threat arenas. Two types of threats are identified. First are *core threats*, defined as actions or a sequence of events that affects the vital interests of nation-states, directly undermining their territorial or political integrity by jeopardizing their protection against external coercion, internal subversion, or erosion of their cherished political, economic, or social values. Examples of this for nation *Caribe X* would be: invasions; military coups; sustained terrorist actions; or consistent and significant drug trafficking and other related activities that spawn violence and corruption and undermine normal political and administrative governance.

Security Categories and Dimensions



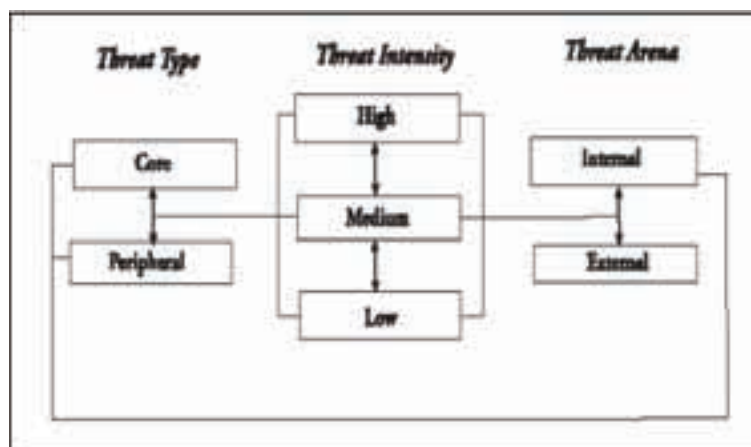
The second type of threat is the *peripheral threat*, viewed as an action or sequence of events that affects the secondary interests of nation-states by visiting collateral damage on the territorial and political integrity of the state or its cherished political, economic, or social values. Examples of this for the nation *Caribe Y* would be: invasion of a nation that borders *Caribe Y* or which is vital to its trade and commerce; a category 3 or 4 hurricane that wreaks economic and social devastation; or a dramatic increase in poverty over a relatively short period, for whatever reason, that precipitates squalor, crime, and emigration, among other things.

Understandably, this threat specification raises a key question: What do we mean by vital and secondary interests? Following Thomas Robinson's discourse (*Robinson 1969*), I view *vital interests* as protection of the physical, political, and cultural identity of the nation, and *secondary interests* as matters outside the vital interests matrix, but are important to maintaining it. In practical terms, vital interests would involve the survival of the nation-state as a political-legal entity, affecting things such as its territorial integrity and political system. Secondary interests might involve trade and foreign assistance, health and education, and human rights.

While all threats are important, some are relatively more important than others. Hence, it is useful to distinguish among threats in terms of rank order or intensity. Figure 2 therefore specifies a three-level order of threat intensity: high, medium, and low. A few observations about threat intensity

and its relationship to other features in Figure 2 are warranted. Firstly, *threat intensity* is a function of both objective factors, such as the number, severity, and timing of threat actions or events and whether military force is used, and of subjective factors, largely the perception of the relevant political elites and security practitioners. On the matter of perception, Kenneth Boulding's 1958 remark is worth remembering: "The people whose decisions determine the policies and actions of nations do not respond [only] to the 'objective' facts of the situation, whatever that may mean, but to their 'image' of the situation. It is what we think the world is like, not what it is really like, that determines our behavior." (*Boulding 1969: 423*).¹

Figure 2
Security Threat Type, Intensity, and Arena

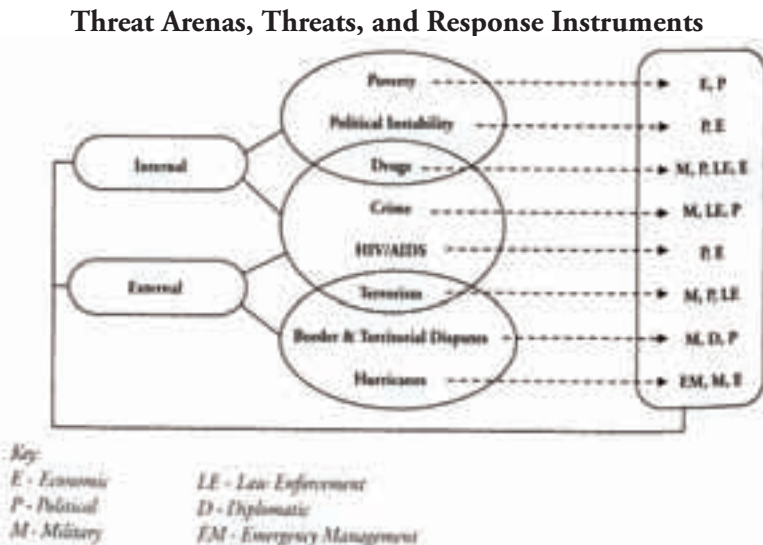


The second observation is that the relationship between threat type and threat intensity is variable. Thus, core threats may not always exist at high intensity; they could be medium or low, depending on the number, severity, and timing of threat actions or events, whether military force is employed, and how political elites define the situation. The third observation is that threat intensity is not static; the intensity of threats may change from one level to another, again, depending on objective and subjective factors. In addition, there is no necessary correlation between threat intensity and threat arena. Put differently, not all threats from the internal arena may be high or medium; threats from either arena can be high, medium, or low, again, depending on objective and subjective factors.

Finally, quite important is the fact that there are symbiotic relationships between threat type and threat intensity, threat type and threat arena, and threat intensity and threat arena. Thus, there are dynamic relationships involving all elements of the matrix, although those relationships are not all causal-consequential in nature.

Figure 3

Figure 3 takes one component of Figure 2—threat arena—and uses it to help portray the connectivity to threats and response instruments. As is evident from Figure 3, although some threats may be identified as being within a specific arena, most threats are a function of both internal (national) and external (systemic) factors. They fall within the category of issues known variously as “interdependence issues” (*Rosenau 1990*), “transsovereign problems” (*Cusimano 2000*), and “problems without borders” (*Anan 2001*). Also, evidently from Figure 3, none of the threat issues is amenable to resolution by any single response instrument. Further, although the military instrument is considered to have utility in most cases, this is not always the case. Moreover, in those cases where the military instrument is believed to be important or useful, it is but one of several instruments. Among other things, all of this reflects our earlier discussion that some of the precepts of realist theory have little or no applicability to the Caribbean.

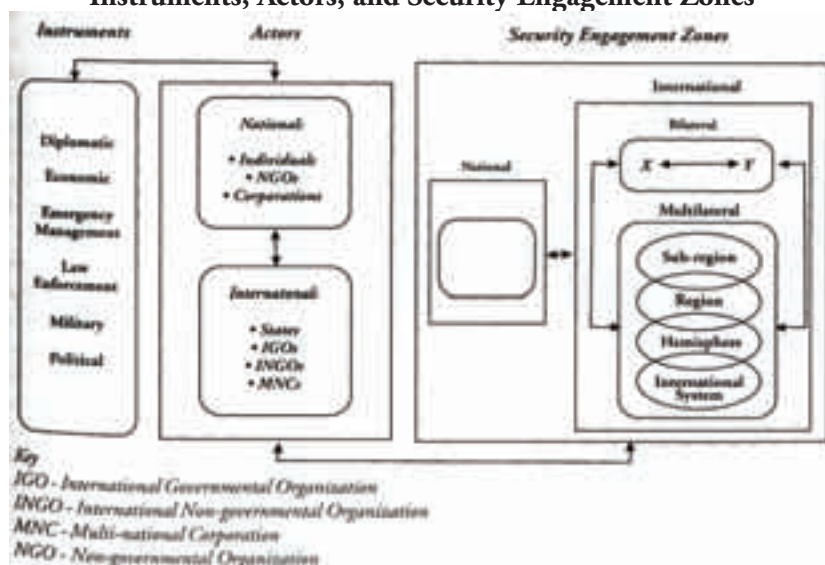


It is important to take the response instruments beyond what is portrayed in Figure 3 and establish linkages to the actors in the security milieu and to their engagement in that milieu. This is diagrammed in Figure 4. The milieu is one where both state and non-state actors are engaged. They do so both nationally and internationally. International engagements are found at several levels: sub-regional, regional, and hemispheric. As is shown in the graphic, there are three kinds of actors other than governmental agencies at the national level: individuals, non-governmental organizations, and corporations. Four kinds of actors feature at the international level: states, intergovernmental organizations, international non-governmental organizations, and multinational corporations. *Engagement Zones*, defined as geographic spaces for policy and operational collaboration by state and non-state actors in relation to defense and security matters, exist nationally and internationally.

Figure 4

Concerning the relationship between actors and Engagement Zones, it should be noted that the nature and capabilities of some actors make them better candidates for engagement in some zones than in others. For instance, individuals may have engagement capacity within the national zone, but they have little or none outside of it. National corporations that are part of a multinational corporate structure have a better chance of international engagement than those without it, although the interest in regional or hemispheric engagement may exist. Also, as one might expect, there is variability in the nature and scope of engagement by the various actors and in the response instruments used. As an example, some NGOs may not be engaged in counter narcotics or counter terrorism efforts, but they can be engaged in the area of HIV/AIDS. Others may have little or no engagement capacity in relation to terrorism or territorial disputes, but rather, in relation to crime or drugs. Further, depending on the nature of the actor and of the threat, the use of military or law enforcement instruments may be out of the question. Or, such capacity may very well exist but not be welcome by the managers of the state, for a variety of reasons.

Figure 4
Instruments, Actors, and Security Engagement Zones



For instance, it is unrealistic to think that military or police forces can be meaningfully employed in meeting the threat of HIV/AIDS or economic deprivation. But military and law enforcement resources can productively be deployed to deal with social instability precipitated by HIV/AIDS, or with political stability spawned by poverty.

In relation to the engagement zones, sub regions, regions, and the hemisphere are viewed as relatively discrete spaces for analytic purposes, but they are not exclusive spaces in terms of actual engagement; they overlap. Figure 4 highlights both bilateral and multilateral engagements at the international level. But, it does not reveal the fact that each of the multilateral zones has several non-state and state entities, with both governmental and international governmental units in the state category. Engagement instruments, such as treaties, conventions, memorandums, and protocols, guide the actors at the sub-regional, regional, and other levels. Such instruments create the organizations that operate within the zones and define their terms of engagement.¹²

The Discrete Multidimensional Security Framework is portrayed in Figure 5. Developing it in stages, as captured in Figures 1, 2, 3, and 4, make mapping of the overall Framework relatively easy. As is the case with any framework, this Framework is a heuristic device. As such, it is not

intended to explain each and every element or component of the social phenomenon or researchable issue being explored. The aim is to provide a conceptual architecture to facilitate explanation and interpretation of structures, patterns, and dynamics involved in the security issue area.

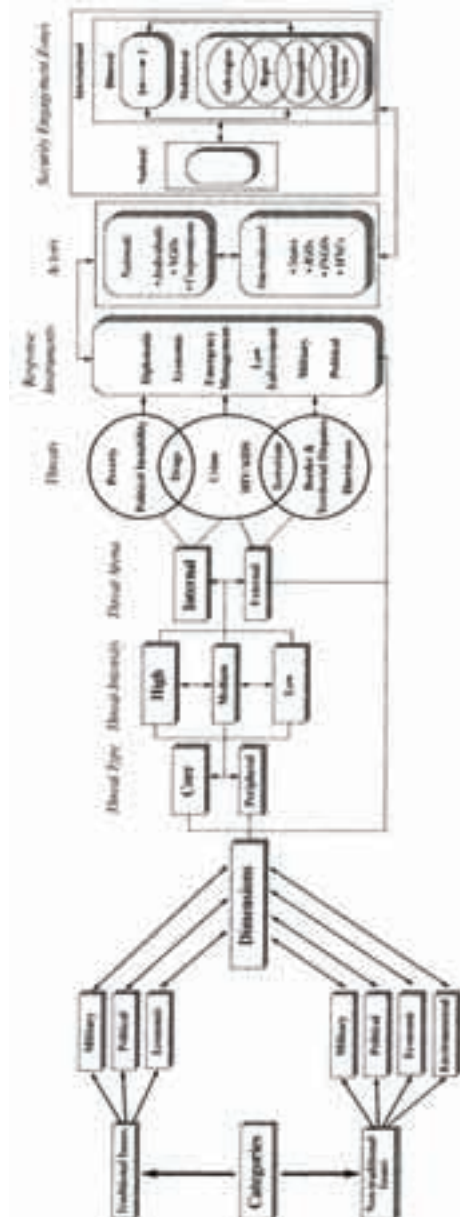
While this Framework has been developed to facilitate assessment of the Caribbean, it is not designed only for the Caribbean; it is intended for use in national and regional security assessments generally. Further, it is intended to be dynamic, both in terms of its context and time of application. As such, its application in the context of Central America or Southeast Asia or West Africa or Europe, would reveal different configurations of threats, response instruments, actors and other elements. Moreover, even if applied to one context, such as the Caribbean, at different time periods, the configurations most likely will be different. It is not just conjecture to suggest that the nature and salience of threats, the response instruments and such in the Caribbean in 2008, would be different than in 2018 and 2028.

This Framework could be applied in cases where the unit of analysis is an individual state or groups of states, such as sub-regions and regions. In the context of a region (or subregion) as the unit of analysis—whether the Caribbean or another region—it is important to observe that security challenges facing one or a few states within the region do not automatically become challenges of the region. Therefore, it is important to clarify when challenges within a region become challenges of the region. In this respect, this Framework contemplates appraisal of a region in aggregate terms and not in terms of each of the constituent nation-states within it.

In terms of “challenges within a region” versus “challenges of a region,” a point made elsewhere in another context is worth stating here: regional security is relational. As such, it is difficult to appreciate the national security challenges of one state in a region without understanding the patterns of security interdependence within the region (*Griffith 1993: 27-77*). The relational aspect of regional security is central to coming to terms with the issue of “challenges within a region” versus “challenges of a region.” But the relational aspect alone does not resolve the issue. Needed also, is a baseline or a set of parameters to facilitate judgement on the regional salience of the challenges. In the context of this Framework, *regional salience* is a function of the threat type and threat intensity, and it is influenced by three main factors: the number of states affected; the definition of the situation by the relevant elites of state and other actors

within the region; and the amount of resources being invested in the matter by state (and non-state) actors.

Figure 5: Discrete Multidimensional Security Framework



In relation to the first factor, a reasonable approach is to use a ratio of states affected to Member States in a relevant regional organization. For our purposes, the ratio will be two-third states affected to the number of Member States in an appropriate organization. The organization considered relevant to the Caribbean is the Association of Caribbean States (ACS). Needless to say, in plying the framework outside the Caribbean the organization of relevance would change, depending on the unit of analysis under consideration. In the case of Europe, it most likely will be the European Union (EU); for Africa, the African Union (AU); for Southeast Asia, the Association of Southeast Asian Nations (ASEAN); and for the Americas, it would be the Organization of American States (OAS). Indeed, although not in the context of a framework design, in an earlier assessment of the Americas, the OAS was defined as the organization of relevance. (*See Griffith 1999: 3*).

A few other observations about regional salience are warranted. The first pertains to the ratio. Barry Buzan's caution against setting the security trigger too low is relevant, not just to the national arena but to the regional one as well. This has influenced my desire for a salience factor with a high bar for inclusion and, consequently, the adoption of the two-thirds ratio. This ratio is an above-minimum threshold. Partly because of this, the two-thirds ratio often defines the quorum of the significant organs of international organizations or the special majority decision-making arrangements within them. For instance, it features in the General Assembly of the United Nations, the General Assembly of the OAS, and the Ministerial Council of the ACS.

The second comment pertains to the organization of relevance. The ACS is used as it is the most inclusive of the regional—not hemispheric—organizations of which Caribbean state and civil society actors are members. ACS civil society actors, called social partners, include the Caribbean Medical Association, the Caribbean Association of Industry and Commerce, and the Association of Caribbean Universities and Research Institutes. The ACS was formed in 1994, to strengthen regional cooperation and integration, preserve the environmental integrity of the Caribbean Sea, and promote sustainable development. It has 25 state members (Antigua and Barbuda, The Bahamas, Barbados, Belize, Colombia, Costa Rica, Cuba, Dominica, the Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Saint Lucia, St. Kitts and Nevis, St. Vincent

and the Grenadines, Suriname, Trinidad and Tobago, and Venezuela) and three associate members (Aruba, France on behalf of French Guiana, Guadeloupe, and Martinique, and the Netherlands Antilles). There also are 16 observer states, both within and outside the Americas. (*Girvan 2002*).

Considering the ratio (two-thirds) and the ACS membership (25), the numerical threshold for regional salience is 17. Incidentally, this calculation does not take account of associate members and observers. In other words, for a security matter to have regional salience in the Caribbean—to be a challenge of the region and not merely a challenge within the region—it needs to be defined as a core or peripheral threat—whether high, medium, or low intensity—by the political elites of at least 17 national state actors (independent states and dependencies) and/or non-state international governmental actors.

The second salience factor—definition of the situation by the relevant elites—pertains to elite perception, which, as we discussed above, is a critical variable. However, the perception factor in this case of estimating regional salience, goes beyond the perception of the political elites and security practitioners of states—either those facing the challenges or those that are part of regional organizations. It extends to the perception of key role actors within regional organizations, such as Secretaries-General and Directors-General of organizations such as the ACS, CARICOM, the Regional Security System (RSS), and the Organization of Eastern Caribbean States (OECS). Concerning the third factor—amount of resources invested—the resources of relevance are not just money and manpower, but also the amount of time devoted to the matter by leaders, individually, and in bilateral and multilateral contexts, such as summits.

Conclusion

Caribbean sociologist Anthony Maingot once remarked: “If it is a cliché that generals always fight the last war, it is equally true that civilian elites (including academics) tend to hold on to theories long after events have rendered them irrelevant.” (*Maingot 2000: 25*). The statement often is true not only for theories, but also for paradigms from which they spring and frameworks to which they give rise. But, although revisiting theories and frameworks periodically is important, also crucial is the strategy for doing this. In this respect, it is important to ponder whether the strategy should

be one of marginal modification, or one of going back to the basics, as advocated by James Rosenau.

This chapter has aimed at the latter. Moreover, in doing so, this writer has been mindful of the following observation: “The first-rate social scientist does not regard a research design [or a theory] as a blueprint for a mechanical process of data-gathering and evaluation. To the contrary, the scholar must have the flexibility of mind to overturn old ways of looking at the world, to ask new questions, to revise designs appropriately, and then to collect more data of a different type than originally intended.” (*King, Keohane, and Verba 1994: 12*). It is for others to judge whether or not my overall research profile warrants my entry in the “first-rate social scientist” category. Nevertheless, I offer this work modestly with flexibility in mind and with a view to posing new questions and sketching new designs, to set the stage for gathering and interpreting new data, tasks to be undertaken elsewhere.

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NOTES

1. James N. Rosenau, *The Scientific Study of Foreign Policy* (London: Frances Pinter, 1980), p. 237.
2. Barry Buzan, *People, States, and Fear* (Boulder: Lynne Rienner, 1991), p. 14.
3. Prime Minister Owen Arthur, “Address” at the Inaugural Session of the 32nd General Assembly of the Organization of American States, Bridgetown, Barbados, June 2, 2002. p. 2.
4. See, for instance, Keohane 2002, Duffield 2003, Kaldor 2001, and Howard and Sawyer 2003.
5. Some notable works in this respect are: Pastor 1992, Maingot 1994, Rosenau 1998, Greene, 1990, Manigat 1998, Serbin 1990, Knight and Persaud 2001, Ferguson 2002, and Griffith 1993.
6. Dame Eugenia Charles, former Prime Minister of Dominica, led the Advisory Group.
7. For more on these structural features, see Thomas 1984, Stone 1986, Munroe 1996, Heine and Manigat 1988, Bernal, Leslie, and Lamar 2000; Duncan 2003, and Ramphal 2003.
8. For a discussion of various definitions and usages of the term, see Nye and Lynn—Jones 1988, Buzan 1991, McRae and Hubert 2002, and Williams 2003.
9. For a notable recent exposition on realism and application of the theory, see Mearsheimer 2001. Mearsheimer calls his variant “offensive realism.”
10. This definition initially was developed in Griffith 1993.
11. Boulding’s chapter in this volume was originally written in 1958. [Only] is added by this writer.
12. The concept of Multilateral Security Engagement Zones was first outlined in a Study commissioned for the conference **Building Regional Security Cooperation in the Western Hemisphere**, sponsored by the U.S. Army War College, the North-South Center, and the United States Southern Command, and held in Miami, Florida March 2-4, 2003. It subsequently was published as Griffith 2003.

CHAPTER 6

The Economic Partnership Agreement and the Building of a Post-Colonial Economy in the Caribbean

Owen Arthur

AT THE TWELFTH Special Meeting of the Conference of Heads of Government of the Caribbean Community (CARICOM) in Guyana on December 7, 2007, the leaders of the Caribbean formally gave a mandate to the region's negotiators to conclude a new and comprehensive Economic Partnership Agreement with the European Community. A Draft Economic Partnership Agreement (EPA), in large measure, reflecting in its structure and its essential terms and conditions, the mandate agreed to by Heads, was initialled on behalf of the region on December 16, 2007.

The decision made by Heads of Government to give a mandate for the conclusion of a comprehensive Economic Partnership Agreement with the European Community, culminated the most complex and far-reaching process of negotiations, consultations and dialogue undertaken in this region, save and except for that associated with the Federation of the British West Indies.

Everyone involved in the exercise understood that an EPA with the European Union would mark a fundamental break with the past, not just in our relations with Europe, but even more so to the status of the Caribbean economy in the global economic arena.

Everyone also understood that it could come to herald the beginning of a new kind of future for the Caribbean, in which new power relationships and new rules of economic engagement that are strange and testing for the Caribbean, would come to play a defining role in both the

Caribbean's international economic relations and the internal ordering of the Caribbean's economic affairs.

None of the issues that had to be engaged to reach the stage of concluding an EPA were easy, and they all involved economic tradeoffs of quite considerable, and often fearsome proportions.

Some of the decisions had to be made in the context of contemporary international trade rules that have severely limited the scope of manoeuvre of the Caribbean. There were time frames to be met, and economic and financial consequences to be evaluated and faced for not meeting such schedules, that were all of such significance that they could not be ignored or dealt with in a cavalier manner. Decisions, however, had to be made.

Edward Baugh in a poem "View from the George Headley Stand" captures an aspect of the Caribbean personality which might help us appreciate the context within which the EPA is now being debated in Caribbean circles:

*"You see, you see what I tell you, he playing and missing, I tell you!
No, no, you don't read the stroke
He knows what he doing, he leaving the ball alone . . .
that is what I call a indigenous stroke".*

We do have a great passion in the Caribbean for seeing the same thing in entirely different ways. We have an even greater passion for not being sure as to whether we should play and miss or leave the ball alone. In any event, the sum total of playing this indigenous stroke—the combination of playing and missing and leaving the ball alone all at the same time—is that no runs are scored.

Consequently, we have this exciting debate in the public domain concerning the EPA. Should we play and miss? Should we leave the ball alone? Or should we not look to score some runs?

This exposition is intended to share a perspective on the very practical issues that have surfaced in our region concerning the EPA with the European Community. Is it a good deal for the Caribbean, or the best that could have been secured under the circumstances? Does it represent a capitulation to pressures to meet artificial deadlines, and rules not of our making? Will it compromise our ability to create, as we see fit, a CARICOM Single Market and Economy (CSME)? Should we subject what has recently been initialled to a complete review with the intention of renegotiating it? Could an alternative, preferable course of action

have been pursued in effecting a new relationship with the European Union (EU), and is the pursuit of such an alternative course still feasible and open to us? Has too much been made of devising a World Trade Organisation (WTO)—compatible Economic Agreement with Europe, and have we been made guinea pigs on a matter where the rules are not clear and settled? Above all, has the development dimension which was intended to distinguish the EPA from the previous Lomé Agreements been clearly articulated and so embodied in the EPA that it can fulfill the stated objective of making it a major contributor to the sustainable development of CARICOM?

These are not at all frivolous matters. The concerns were very fully and properly aired in a memorandum submitted to the Council for Trade and Economic Development (COTED's) Reflection Group by Havelock Brewster, Norman Girvan and Vaughan Lewis, all Caribbean patriots of high eminence and integrity in the following terms:

"The central point of the statement is that the EPA is a Treaty that is legally binding, of indefinite duration, will be very difficult to amend once it is in force, covers a wide range of subject areas that have hitherto been within the jurisdiction of domestic or regional policy, and which few people in the region know about or understand, notwithstanding the effort made at stakeholder dialogue and consultation. It is therefore desirable that adequate time and effort be put into public explanation and discussion, and a review of the provisions of the agreement before it is cast into stone from the legal point of view."

This lecture has been inspired by the acknowledgement of the fact that the Caribbean leaders, who were unanimously party to the decision of December 7, 2007, to commit the region to a comprehensive EPA with Europe, have a duty to answer the legitimate concerns that have been raised. They have an even higher duty to consistently treat the matter with the same strength and clarity of purpose they exhibited, when the decision had to be made on December 7, 2007. I have, perhaps, a higher duty than most, because I presided over the proceedings as Chairman of Conference.

Firstly, the range of issues surrounding the EPA is so complex and far-reaching that they cannot be adequately covered in one exposition. It is

hoped that the Cave Hill Campus will provide some regional leadership by creating the forum within which the other expositions can be delivered.

This particular public lecture therefore attempts to do so more than to set the broad conceptual framework within which the EPA can be presented, and to deal with some of the issues concerning its structure and essential features properly. A fundamental premise of the presentation is that both the EPA and the Lomé Agreements of 1975-2000 are cooperation agreements intended, in their differing and respective ways, at different points in the evolution of the Caribbean Society, to promote and foster the emergence and entrenchment of post-colonial economic relationships between our region and its principal economic partner.

The building of a post-colonial economic relationship has as its principal focus, the creation of an environment to spur the diversification of the typical Caribbean economy away from its traditional monocrop culture, to end its passive dependence on aid and colonial type protectionist trade arrangements, to end its passive incorporation as a sub-species into the metropolitan economy on which it depended, and to create a basis for its sustainable development by bringing to the fore new mechanisms for domestic development and new modalities for cooperation with its international partners, that can play positive transforming roles in strategic areas, such as human resource development and the creation of dynamic private sector economies.

The structure of both the Lomé Agreements, as well as the EPA, and the extent to which they could be modelled as, and succeed in being instruments for development, were and are constrained by the prevailing geopolitical and other power relations that shape the general relationship between Europe and the Caribbean, and between the Caribbean and its partners in the African, Caribbean and Pacific Group (ACP). In addition, the structure and terms of economic engagement embodied in the EPA, as indeed the four Lomé Conventions, are and have been heavily conditioned by the prevailing international trade rules and laws. They have been influenced too by changing perceptions as to what development constitutes and how it can be brought about.

Dwelling upon these matters helps to bring into sharp focus what realistically are the boundaries of achievement that should be expected of, and set for a Partnership Agreement between the Caribbean and its Partners in Europe, as well as its Partners in the developing world. Firstly, the practical issues concerning the articulation of "the development

dimension” and its place in an Economic Partnership Agreement are addressed.

One of the most massive intellectual tragedies that has occurred since the signing of the Lomé I Convention in 1975 and the initialling of the EPA in 2007, has been the virtual death of Development Economics as a serious scientific discipline. It has been a long time in the Caribbean since we have seen the intellectual equivalence of William Demas’ “The Economics of Development in Small Countries with Special Reference to the Caribbean”, published in 1965. It was an imposing, indigenous Caribbean intellectual contribution to efforts to treat Development as a multi-disciplinary field of scientific enquiry, and to seek to assist the nation-building efforts of newly independent countries by prescribing Development Visions, Models and Strategies.

Throughout the 1960s and into the 1970s, there was a serious, healthy engagement by Caribbean scholars, led by the New World Group, on issues relating to Development. The Lomé Conventions were conceptualised and drew from this intellectual tradition.

Since then, and beginning in the 1980s, approaches to Development have been dominated by the ideology and policy paradigm espoused by the *Washington Consensus*. The imperatives of Development, which should have more to do with economic and social transformation, have been miniaturised to focus on programmes of competitiveness, the application of policies to promote macro-economic stability, and the broadening of the scope for the workings of the market and the private sector.

We have had to face the consequences of the failure to evolve sound concepts of Development in our efforts to forge economic integration in the Caribbean. Indeed, the initiative to create the CSME did not start, nor was it founded on a shared and common Development Vision for a Single Caribbean Economy. As such, it is only recently that the absence of an agreed concept of Development and a shared development vision, has been recognised as a deficiency, and this is now being addressed.

Much has been made of the fact that the EPA stands to be judged on the strength of its “Development Dimension”. The very practical difficulty surrounding this is that the Caribbean and the European Union do not share a Common Development Vision. Sadly, the same can be said of the Caribbean and the other developing countries which constitute the ACP.

Every effort has been made to incorporate mechanisms for development cooperation into every aspect of the EPA. This will help. But

in the prevailing intellectual and ideological climate, it has been virtually impossible to call upon a Grand Design for Development, subscribed to by all, to provide the architecture around which the EPA has been constructed.

It is to be hoped that during the period over which the Cotonou Agreement has effect, the UWI will revitalise itself by becoming one of the world's leading institutions on Development Economics. It would greatly assist the CSME project, the domestic efforts of respective Caribbean societies to transform, and the effort of the Caribbean Societies to fit themselves into the evolving Global Society.

There can also be absolutely no doubt that the geopolitical circumstances and the power relations which existed in 1975 with the founding of Lomé were not only drastically different from those of 2000, but were more propitious and more conducive to the forging of relationships that can address the real needs of the societies of the Caribbean.

In today's world, the war on terrorism, a Europe of twenty-five, a new development focus on Africa, and the changing global economic balance of power consequent upon the end of the Cold War, have marginalised the Caribbean in European circles. Britain's perspectives have also changed. It has re-ordered its global political outlook and the priorities of its foreign policies in a manner that has diminished the significance of the ties of a shared history with the Caribbean.

That the Caribbean is very much on the margins of thinking in Whitehall is borne out in the (United Kingdom's (UK's) Foreign Policy Document of 2003, which placed emphasis on a number of cross-cutting global themes and the strengthening of a number of key relationships. The Caribbean scarcely generated serious mention.

The specific point in all this is that an Economic Partnership Agreement with Europe has been negotiated in a climate within which Europe, in its dealings with the Caribbean, would rather focus on security issues, including the illicit drug trade, tax avoidance, migration and money laundering, rather than on development. The reverse was the case in 1975.

Baroness Young captured it well in an address to the UWI in 1996:

"It follows that whatever happens after the year 2000 will have to be negotiated against a background of a changed world in which many EU Member States question every aspect of EU development

policy, let alone ask why there should be a special relationship with a limited group of nations. The message is clear: the scenario will be bleak for any ACP nation unable to adapt to this new reality. The issues are no longer about morality. This conclusion is now almost certainly the defining truth about future ACP/EU relationships”.

By a similar token, fundamental changes in the economic and geopolitical relations between the Caribbean and its ACP partners have, in a very decisive way, affected the nature of the post-Lomé IV regime that is now being created.

One reads, with a sense of great admiration, the works of Shridath Ramphal, chronicling the way in which an immediate post-Independence spirit of solidarity was drawn upon to put in place the Georgetown Accord, creating the ACP. That spirit of solidarity also led to a shared determination on the part of the ACP to make the first Lomé Convention more than just a regime by which Britain perpetuated the pre-existing Commonwealth Economic Preferences as part of the arrangements pertaining to Britain's accession to the European Community.

Despite their failure to deliver in full, the four Lomé Conventions between the EU and the ACP have been not only the sole effective and meaningful model of cooperation between the North and the South, but more especially so, between countries of the developing world. As such, the position of the Caribbean, in contemplating a post-Lomé relationship, with Europe was to maintain the solidarity of the ACP through one Convention. Speaking on behalf of the Caribbean at the 23rd ACP/EU Council of Ministers' Meeting in 1998, I spoke in these terms:

“There is a clear intention in the draft directives (of the EU) to split the ACP into three or even six parts for the trade negotiations which are to begin in 2000. This is not the regionalisation of which the ACP speaks in the Libreville Declaration. Indeed it is precisely the opposite. The Commission has been repeatedly told of our determination to maintain ACP solidarity and the Integrity of the ACP as a negotiating partner. This should be the fundamental basis for the future negotiations. But it will be jeopardised from the outset were we to agree to the negotiating structures that the EU is now contemplating.

In the Caribbean we are now convinced that the present agreement which now exists between 15 European and 71 ACP countries is worthy of a more enlightened succession in the mutual interest of all our countries concerned”.

The fragmentation of the ACP into 6 regions for the purpose of negotiating separate Economic Partnership Agreements was not a Caribbean initiative. It is, however, the reality with which we have to deal. It is beyond any doubt that its consequences, as they concern the Caribbean, have been profound.

The first is that the Caribbean now faces a fundamental disadvantage as compared to many African countries in negotiating a trade agreement with Europe. This is because soon after signing the Cotonou Agreement with the ACP, the European Union unveiled the Everything But Arms (EBA) Initiatives, under which countries classed as the Least Developed Countries could export virtually everything to Europe duty and quota free on a nonreciprocal basis. This class of countries includes 39 ACP Member States.

These countries therefore do not have to enter EPAs with Europe to lock in their duty free market access to that region. The Caribbean, however, has to do so.

Secondly, the question has been raised as to why, on the eve of the December 2007 deadline, and in the light of the quite palpable difficulties that were being experienced by countries and regions to conclude satisfactory Agreements with the European Union, a Summit of ACP States was not convened to press the case for a change in the deadline, and to urge Europe to seek an extension of the WTO waiver for the trade preferences that were to end in December 2007.

The brutal truth is that there was no political will demonstrated nor expressed for any such Summit. This was the case not just for the Least Developed States, which are beneficiaries of the EBA, but for some middle income developing ACP States which effectively broke ranks and signed an interim Trade Agreement as being in keeping with their best interests.

As we approach the ratification of the EPA, the Caribbean has therefore to adopt a new kind of Development Diplomacy that recognizes the need for us to constantly forge and redefine our Strategic Alliances, based upon the reality that the interests and the values that other countries call upon

to develop their international priorities are now more dynamic and fickle than ever before.

Values such as kith and kin, and solidarity are sadly coming to mean less and less in an intensely competitive global arena. Following is an examination of the impact of changing international trade rules.

One of the core components of the proposed EPA is the new trade regime which is intended to replace the preferential, one-way duty free access to the European market, as was available under the four Lomé Conventions, with a WTO compatible reciprocal trade regime. The issue is being raised concerning why we should agree to be involved in any such exercise, which, on the face of it, appears to expose the Caribbean to a situation of disadvantage which is both acute and new in its international economic relations. A correct and sensible perspective on this matter would be gleaned from an appraisal of the evolution and the transformation of international trade law and rules, as they pertain to the status of developing countries.

Indeed, one of the most disgraceful transformations in the global society between the original General Agreement on Tariffs and Trade (GATT) of 1947, and the coming into existence of the WTO and the Uruguay Round of 1994 has been the transformation of the concept of special and differential treatment for developing countries in international trade law, to their disadvantage.

In the early stages, international trade rules reflected respect for the principle that as between equals, equality; as between unequals, proportionality. Hence, while from the outset, the precepts of reciprocity and nondiscrimination were embedded in international trade law, significant exceptions were carved out for developing countries, for it was understood that the real benefits of free trade accrue to only trading partners that have similar levels of development. A distinction was therefore drawn between free trade and economic development; and the latter was thought to require the use of protectionist measures to enable some countries to reap any benefits from free trade agreements.

Hence, the first GATT review of 1954-1955 embedded in Article XVII the right of developing countries to impose protectionist measures to facilitate the promotion of infant industries. This concept of Special and Differential Treatment for developing countries was subsequently expanded and strengthened by the adoption of Part IV to the legal text of the 1964 GATT.

This addressed several important issues for developing countries. Among them, it recognised an exception to one of the main principles of international trade rules—that of reciprocity. Hence, at Article XXVI(8) it stated that developed countries were not to expect reciprocity from developing countries in their commitment to reduce trade barriers. This waiver of reciprocity was given an even more expanded legal status with the adoption of the Enabling Clause in the Tokyo Round (1973-1979).

The Enabling Clause covered major areas of special and differential treatment. It recognized the granting of trade preferences by developed countries under preferential trade Agreements (such as the Lomé Convention), the granting of exemptions on the use of non-tariff measures by developing countries, and the recognition of the Least Developed Countries as a group deserving specially favourable treatment.

The Uruguay Round (1986-1994) however, not only marked a fundamental turning point in the conception of special and differential treatment for developing countries, but introduced a change to international trade law which simply has to be judged as the most unjust arrangement in the entire history of mankind.

During the Uruguay Round, countries accepted that, independent of their level of development, they should all adhere to the same principles, rules and obligations required by multilateral free trade agreements. The most fundamental change brought about by the Uruguay round was the replacement of the exception to reciprocity previously granted to developing countries with the provision that there are adjustment costs involved in participating in free trade arrangements, but that these should be addressed by the application of “flexibility within reciprocity”. The age of non-reciprocal trade agreements between countries was brought to an end with the conclusion of the Uruguay Round of 1994.

As the age comes to an end, it has to be said that all previous agreements between the Caribbean and Europe, extending one-way duty free access to Caribbean exports to the European market, were not favours conferred by Europe on the Caribbean because of past colonial relationships. They were the legal entitlement of the Caribbean countries under existing Trade Law. The arrangements embodied in the trade aspects of the proposed new EPA must therefore be seen as our having to devise entirely new trade arrangements to meet the contemporary requirements of international trade law. It is to that and other related matters that we now turn.

The Cotonou Agreement and the EPA

In June 2000, the countries of the ACP and the European Union signed the Cotonou Agreement to cover all aspects of their relationship over the next 20 years. It is more than an Economic Agreement. However, in respect of its economic dimension, the Cotonou Agreement provides for the negotiation of separate Economic Partnership Agreements between the EU and the six regions that make up the ACP. These new EPAs are not to be limited to cover largely the trade in goods, as was the primary focus of previous Lomé Conventions, but they will include agreements on the trade in services and to establish terms of engagement between the two parties in relation to subjects such as Government procurement, investment, ecommerce and the other disciplines that now attract attention in bilateral and multilateral trade and economic agreements. It has, however, been the trade in goods component of the proposed EPA that has been the focus of much of the attention of the negotiations and much of the attendant controversy.

To be specific, the pre-existing Lomé Conventions which set out the terms under which goods traded between the two sets of countries prior to 1989 are held to be inconsistent with the Most Favoured Nation (MFN) clause in Article I, paragraph 1 of GATT.

According to this provision, member countries cannot selectively discriminate against any other member country of the GATT in relation to its trade laws. Each contracting party must give all parties to the GATT, equal access to its market. Under the previous LOMÉ conventions, ACP countries were provided with access to the European market that Europe did not provide to many other developing countries. This became subject to successful challenge in the WTO.

The pre-existing LOMÉ arrangements are also held to be at variance with the provision of the GATT, in so far as they provided for non-reciprocal relations under which ACP countries were not obliged to confer on EU goods the same access their goods enjoyed in Europe.

Subsequent to the last LOMÉ Convention in 1989, the ACP States and Europe, as States that participated in the global trade agreements establishing the WTO in 1994, agreed to the principle that countries should not discriminate against each other, except in a few exceptional instances. It was this obligation to uphold and apply the principle of non-discrimination that required the ACP States and the EU to make provision to replace the Lomé preferential trade arrangements with new

WTO compatible trade rules. Until the pre-existing preferences could be terminated by negotiation, the trade relationship inherited from the Lomé Convention had to secure a special exemption by way of a WTO waiver. The waiver was secured, and it was set to expire on December 31, 2007.

It was, however, clear from the outset that the possibility of having that waiver extended beyond that date would be virtually impossible, in the light of the numerous successful challenges mounted by non-ACP countries to the European Union's banana and sugar protocols.

The negotiations of an EPA between the Caribbean and the EU therefore started and were pervaded by a built-in schedule for the discontinuation of the Lomé preferences, and their replacement by new WTO trade arrangements, beginning in 2008. The benefit for the Caribbean is that by replacing their non-reciprocal preferential trade arrangements with others that are consistent with WTO rules, the Caribbean countries would prevent other countries from successfully challenging any privileged access they come to enjoy in the European market under the new EPA.

The date of December 21, 2007, for the conclusion of that part of the new EPA pertaining to the trade in goods between Europe and the Caribbean, was not an inconsequential deadline. The full extent of the consequences that could have ensued for failure to meet it, will be addressed later.

A WTO Compatible EPA

It is important to point out that the concept on making the EPA WTO-consistent, and the associated deadline, pertain only to the arrangements governing the trade in goods. Other disciplines and subjects included as part of the EPA were not the object of any similar time scheduling, raising issues as to why the Caribbean chose not to follow the lead of some ACP countries and conclude an Interim Agreement on the trade in goods first, to be followed by the conclusion of negotiations on other subjects at a later date. This will be addressed later. The essential question is: What does WTO compatibility in respect of the EPA mean and entail?

WTO compatibility, as it pertains to the EPA, essentially requires that a programme and process of trade liberalization (the removal of duties and other trade barriers) be devised and made to accord with WTO rules on non-discrimination. However, while non-discrimination is one of the pillars on which the WTO is built, exceptions are allowed under Article

XXIV of the GATT to accommodate Regional Free Trade Agreements, such as constitute the intended trade relations between Europe and its various EPA partners.

Under these rules, the two parties must exchange schedules for the liberalization of their goods and markets. In addition, the Free Trade Area thus created, must not raise the level of protection, or make access to the markets of other countries not participating in the Regional Free Trade Area more difficult. The parties to the Regional Free Trade Area have also to accept the obligation to liberalise “substantially all trade” among themselves, and within a reasonable time. Although there is no specific definition as to what these concepts entail, the practice in the negotiation of Regional Free Trade Agreements has been to aim at liberalising at least 90% of the total trade of the Parties concerned. In respect of the liberalisation of trade in services, the GATT provides, at Article V, for the liberalisation of “substantially all sectors”.

The negotiation of such trade liberalisation programmes for goods and services, that at one and the same time met WTO requirements, while also promoting the developmental and macro requirements of Caribbean States, was the central matter faced by Caribbean Societies throughout the extended period of negotiations. This made the negotiations especially strenuous, because there is no necessary or natural coincidence between a programme’s capacity to meet WTO rules and development needs at one and the same time. Hence, a number of core principles were used to guide the region in arriving at decisions on this matter.

Firstly, “liberalising” substantially all trade was taken to mean that there would be some goods and services which could be shielded from having to face competition from European suppliers by having them designated as sensitive goods and excluded entirely from the liberalisation programme.

Secondly, it was determined that any programme of trade liberalisation had to take account of the fact that import duties and other similar duties and taxes are an important source of revenue for most Caribbean countries, and hence could only be phased out over an extended period of time, and with an eye to the impact on the Treasury.

Thirdly, the Member States of CARIFORUM and Europe are at different levels of development. Hence while we had to respect the obligation to agree on a programme of liberalisation to make our trade arrangements both nondiscriminatory and reciprocal, as a practical matter,

Caribbean States would undertake to carry out less liberalisation on every subject and to phase in such liberalisation over a longer period than their European counterparts.

Fourthly, it was accepted as a principle that as far as practicable, any programme of liberalisation should build upon and enhance the Caribbean's own programme of economic and trade liberalisation, as embodied in the arrangements for the CSME. In this respect, on every relevant subject, the Caribbean would commit to carry out less liberalisation under its EPA with Europe than is provided for in the Revised Treaty of Chaguaramas.

Fifthly, it was decided that the special provisions in that Revised Treaty relating to our own LDC's, especially as set out at Article 164, would have explicitly to be respected in the structure of an EPA with Europe.

Sixthly, we determined that in every instance where CARICOM has not yet devised or started to implement regional regimes of its own, such as Government procurement and the other matters referenced in Article 239 of the Revised Treaty of Chaguaramas, the Region would be highly guarded in the extent of the liberalisation it would agree to undertake.

Seventhly, it was recognized that any bilateral free trade arrangement to which the Caribbean is a party, can only add value to the development effort of the region if it provides us with market access benefits that go beyond our trading partners' comparable commitments in a similar field under WTO multilateral agreements. This was a consideration that assumed great significance in guiding our negotiations in areas such as services and agriculture, which have only recently been brought under the auspices of WTO multilateral negotiations, and for which Europe's multilateral commitments have been relatively limited.

Eighthly, in support of the principle followed in our effort to have special and differential treatment for Small States under the proposed FTAA explicitly built into the text of the 9 various subjects that the Agreement was intended to cover, it was decided that the development dimensions of the EPA would be built into the provisions pertaining to each subject covered (e.g., Agriculture) and would not be an adjunct or afterthought to the Agreement itself.

Ninthly, it was determined that the EPA should be so designed as to facilitate the securing of future benefits by our region in our multilateral trade negotiations under the WTO, and hence, truly serve as an instrument by which the respective economies of the Caribbean could better insert themselves into the global economy.

It goes without saying that the negotiation of an Economic Partnership Agreement in accordance with the core principles just referenced would be an extraordinary difficult and at times, a contentious and controversial exercise. It is, however, fair to say that the structure and provisions of the draft EPA largely respect these core principles, and it is a comprehensive agreement that, in large measure, protects and enhances the vital economic interests of the Caribbean.

Obviously, it cannot properly be said that the Caribbean secured each and everything that it would have wished to achieve. But the improvements in the proposed terms of engagement with the European Union, that the EPA can set in train, on balance, should provide a significant stimulus for the development and post-colonial transformation of the Caribbean Society. Information on the specific features of the EPA and the benefits the Caribbean stands to gain are set on information profiles published by the Caribbean Regional Negotiating Machinery, and should be required reading. Mention is made here of the most significant elements, evaluating them in the context of the core principles we set to guide the negotiations.

Firstly, the scope and the phasing of the programme of trade liberalisation in respect of both goods and services have been designed to confer special and advantageous terms on the Caribbean Forum (CARIFORUM) as compared to those now to be enjoyed by Europe. The Caribbean has locked in with immediate effect, duty-free and quota-free access for all of its goods in the European market, save for two, where two year transition arrangements have been made.

While all of Europe's imports from the Caribbean will be liberalised, CARIFORUM will liberalise 86.9% of the value of its imports, with 82.7% in the first 15 years. The programme provides for either exclusions and/or long phase-in periods of up to 25 years for sensitive Caribbean products, most of which are in the agricultural sector. While the Caribbean will be required to liberalise 82.7% of its EU imports in 15 years and 61.1% in the first 10 years, it has to be recognised that at least 51% of EU imports already enjoy duty free access to the Caribbean. Hence only an additional 8.3% of EU exports to the Caribbean will enjoy duty free access during the first 10 years.

Similarly, there is a three-year moratorium on the general implementation of the Agreement, a ten-year moratorium on the phasing out of revenue-sensitive items, and the region succeeded in securing a

seven-year grace period for the phasing out of other duties and charges. As part of the transitional arrangement for the two goods not granted immediate free access to the EU market, the Caribbean has also gained 60,000 tonnes in additional sugar quota, with CARICOM's quota increase amounting to 30,000 tonnes; and the rice quota which is now duty paid, will be duty free and will be increased from the present 145,000 tonnes to 250,000 tonnes in 2009, after which it will be phased out.

The European Union has also agreed to eliminate export subsidies on all agricultural products that CARIFORUM liberalizes. This is a matter of some significance, given the contentious role of export subsidies in multilateral trade negotiations. It will also ensure that our farmers do not face unfair competition from subsidised European production.

The area in which, on the face of it, the greatest benefits stand to accrue to the Caribbean is the liberalisation of services. As regards services, Europe has agreed to liberalize 94% of a list of 120 sectors, while the respective figures for CARIFORUM's Less Developed Countries (LDCs) and More Developed Countries (MDCs) are 65% and 75%, respectively.

In the case of the temporary movement of national persons, the Agreement has been drafted to grant market access for Caribbean Contractual Services suppliers to enter the EU market in 29 sectors, and has liberalised 11 sectors for entry by Caribbean Professionals. That said, there is much that must be done to create the conditions for these benefits on paper to become real benefits out in the field.

However, the developmental significance of the programme of liberalization proposed is that, in the economic sphere, the Caribbean has chosen to be its chief area of emphasis as it seeks to transform (services); the European Union has committed itself to providing the Caribbean with more extensive market access than it has committed to under the WTO or any of its bilateral agreements. The proposed EPA can be therefore used in a manner that goes beyond that of any previous economic instrument to which the region has been party, to help the Caribbean fulfill its objective to rest more of its development efforts on the export of high quality services.

In respect of safeguarding the integrity of our own CSME, the EPA has exempted from tariff liberalisation all of the items currently on the Revised Treaty of Chaguaramas' Article 164 list of products that have been put there for the benefit of our LDCs. The Agreement can be re-cast to allow any future Article 164 products to attract similar treatment.

In addition, in the areas in which CARICOM does not yet have regional regimes, such as Government procurement, the mandate given was that the EPA should commit the Caribbean only to accepting rules of transparency, without any market access commitments. Any legal review must ensure that our effective commitments do not go beyond transparency.

With regard to the Development Dimension, the Agreement contains a Development Chapter which sets out the broad developmental objectives to be sought by the EPA. Thereafter, the developmental priorities in respect of each sector are fully set out under the respective subject chapters. We must now manage implementation to make these commitments fully come into operation. This could be especially valuable in relation to the chapter on agriculture, where the development cooperation and assistance proposed for the regional agricultural sector, if fully implemented, would drastically improve the economic and financial circumstances of our region's agricultural sector.

The EPA also makes provision for improvements in the rules of origin for areas such as textiles, and sets out rules on investment that should confer greater transparency and predictability to investors on both sides. It has maintained special niches and reservations for small and medium enterprises in some sectors. It also contains obligations that should ensure that investors safeguard the environment, maintain high labour, occupational health and safety standards, and it prescribes anti-corruption provisions that can only be of value.

The draft EPA is very much in the nature of a consensus that was negotiated with the need to strike compromises—with all of the strengths and weaknesses that entail. Some of its provisions amount to works in progress which can only be given full effect by concerted additional effort. Pride of place in this regard is the significant follow-up work that has to be undertaken to put in place the meetings between professional bodies and the negotiation of mutual recognition agreements, no later than three years after entry into force of the EPA, to allow the region to take advantage of the Agreement on Services which contains the greatest potential benefit that CARICOM stands to derive from the Agreement.

Another area of concern relates to the provisions for development finance. Accessing pledged EU funds has been the chief defect in the implementation of the Lomé Conventions. Indeed, there are large undisbursed balances pledged to the Caribbean going back to Lomé I.

There is nothing in the Agreement to suggest that the European Union will wean itself away from the practices that have prevented intended recipients from easily accessing its financial resources. In addition, in the presentation to Heads at Montego Bay, there was also nothing to stir confidence that the region stands to benefit from the injection by Europe of substantial, net, new financial resources to the region.

In addition, the commitments in relation to development cooperation would, as is the case of those in our own CSME to benefit our LDC's, require the creation of a new Regional Development Agency to oversee their implementation. The institutional arrangements for the implementation of the EPA do not go that far, but should be made to do so. The EPA should be used to open a new chapter in the Caribbean's development diplomacy.

The chief benefit that Europe stands to gain from the EPA is the protection of its market share in the Caribbean. This is implied in the commitment that the Caribbean will confer on Europe any benefits beyond those agreed to in our EPA that we, in the future, grant to any developed country or any major trading and developing State whose proportion of world trade exceeds 1%. Such a MFN requirement in respect of other developed countries is standard.

However, the provision that we should grant the EU any benefits, beyond those in our EPA, which we confer in subsequent agreements with major trading but developing countries such as China, Brazil or India, is a concession to Europe from which we ought to exact a commensurate undertaking from Europe, to assist us in negotiations at the global level. To be precise, a country's proportion of world trade has not hitherto been accepted as a basis for granting special and differential treatment in multilateral trade agreements. Yet, it has been the basis and logic of the argument advanced by the Caribbean in its request for SDT.

Our EPA with Europe therefore breaks new ground by accepting that country's proportion of world trade as a valid consideration in devising trade agreements. Our proportion of world trade (less than 0.01%), rather than our small size *per se*, should be accentuated as the basis of our claim for SDT.

In return for granting the concession that will protect Europe's market share in the Caribbean, we therefore ought to ask Europe to support our claim for special and differential treatment in multilateral trade negotiations, taking into account our proportion of world trade.

It was earlier said that two specific issues about which there are concerns in the public domain would be addressed. The first is whether the deadline of December 31 should have been allowed to pass without at least concluding a WTO—compatible trade in goods Agreement. The weight of evidence suggests that it would have exposed the Caribbean to the real prospects of having our exports enter Europe, in many instances, duty paid under the GSP with devastating consequences.

In addition, the fact that other countries such as Mauritius and Botswana, whose circumstances are similar to those of the Caribbean, were prepared to, and did sign Interim Trade Agreements removed any prospect that Europe would agree to continue to extend to us preferential arrangements by way of a request for a WTO waiver for the LOMÉ preferences.

The second issue concerns whether we should have signed only an Interim Trade Agreement for goods, leaving the rest of the EPA to be negotiated after December 2007. Again, there was hardly any advantage to be gained by the Caribbean in following this route. The programme of trade liberalisation pertaining to goods that has been agreed in the EPA largely locks in pre-existing benefits that CARIFORUM enjoyed under Lomé. However, it opens new market access conditions for Europe which it never enjoyed before. No significant net gains therefore, could be envisioned for the Caribbean from such an Interim Agreement only.

More to the point, great benefits to the Caribbean from the EPA will come from the implementation of the agreement on services, wherein Europe has committed itself to giving us greater market access than it has ever done in any bilateral or multilateral agreement. This major advantage was conferred because Europe did, in fact, wish to have the example to show that regions of unequal circumstances could negotiate a comprehensive agreement of the character of our EPA, within a set time frame. A comprehensive EPA, rather than an EPA agreed to in parts and in phases, best meets the needs of the Caribbean.

Enough has been said to suggest that the EPA is not a perfect instrument, but it is good enough to assist our aims in building a post-colonial economy by greatly facilitating our repositioning away from primary commodity producers and the exporter of a limited range of rudimentary services. It also provides the benchmarks that can now be used in negotiating modern, mature economic relationships, first, with Canada and also with the USA. In so doing, it can set the general stage for the Caribbean to

secure new terms of economic engagement, going way beyond the terms set out in our traditional trade in goods regimes, to provide new market access arrangements and new mechanisms for cooperation to support the development of new sectors in a manner required to modernise and transform our economies.

The ratification of the EPA and its subsequent implementation are now matters very much at our discretion. We can choose now, like the batsman in Edward Baugh's poem, to play our indigenous stroke of playing and missing and leaving alone—all in one motion. Or, we can seek to stir the creative imagination for which the Caribbean is renowned, see the EPA as a new way of doing business for new times, and get on with the business of scoring some runs.

CHAPTER 7

CARICOM in Multilateral Trade Negotiations

Emalene Marcus-Burnett

Introduction

'Globalisation is both an opportunity and a threat . . .' Chunzheng Wang, 2001¹

TRADE IS IMPORTANT to all countries, but is especially so for the Caribbean Community (CARICOM region, which has higher trade openness ratios when compared to other groupings.² Jessen and Vignoles (2004), have calculated CARICOM's overall trade openness ratio at 97%, compared to 39% for the Andean Community and 26% for the Common Market of the South (MERCOSUR).³ Given this high degree of openness, trade policy is an indispensable element in national growth strategies; making successful involvement in bilateral, hemispheric and multilateral negotiations of critical national importance.

This chapter will examine the approaches taken by CARICOM countries during the Uruguay and Doha Rounds of negotiations, to ascertain the relative successes and limitations, as well as to elucidate on strategic options moving forward. The region's use of diplomacy—which is arguably a key instrument that enables small states to manoeuvre in a sometimes hostile world—will also be examined. This chapter focuses on trade negotiations at the multilateral level, given its all-encompassing nature; the inherent disadvantages facing small states in such negotiations; and the need to find creative approaches to meander through what can sometimes be difficult processes.

After a brief overview of the contextual framework of the Uruguay and Doha Rounds, an examination will be made of CARICOM's participation in these negotiations, approaches adopted and the successes and challenges therein. The final section will elaborate on the way forward, taking into account the changing dynamics in multilateral negotiations. The chapter does not delve into the specifics of the current and proposed agreements covering the sectors of importance to the region, since these have been examined elsewhere.

I. The Contextual Framework

"We are not a closed organisation. Just the opposite. We are an organisation whose fundamental objective is greater international openness and cooperation . . ." Renato Ruggiero, 1999⁴

It is necessary to set the contextual framework of the multilateral negotiating environment into which CARICOM countries entered. Officially launched in Punta del Este, Uruguay, on 20 September 1986, the Uruguay Round of negotiations was the eighth and last round of negotiations conducted under the auspices of the General Agreement on Tariffs and Trade (GATT). At the launch of the Uruguay Round (UR) negotiations, the GATT had 92 Contracting Parties, which included all CARICOM countries except Antigua and Barbuda, the Bahamas, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines. As former British colonies, however, a de facto application of the GATT was maintained for these countries, pending ratification of the GATT. All except The Bahamas became eventual signatories.⁵

The UR represented the first real foray of CARICOM countries into multilateral trade negotiations. Although the Tokyo Round (1973-1979) is recognised as the first Round involving a significant number of developing countries, their active participation at that time was minimal.⁶ Das (2003), indicates that the exclusive negotiating approach which existed in the previous seven GATT Rounds persisted in the UR negotiations, with little involvement of developing countries. As such, although more than 80% of the participating countries in the UR were developing and emerging economies,⁷ their ability to dictate the pace and outcome of the negotiations was arguably at variance with their numerical strength.

The UR was also the first round of negotiations which envisaged a ‘Single Undertaking’⁸ encompassing all the 15 negotiating areas specified in the Punta del Este Ministerial Declaration.⁹ Thus, in addition to comprehending the mechanics of the negotiations, and understanding the ‘exclusive club’ manner in which the negotiations were conducted, CARICOM delegations involved in the UR would have had to struggle with the totality of issues under the Single Undertaking.

Further, CARICOM countries entered the UR negotiations against the backdrop of economic recession and prescriptions by International Financial Institutions (IFIs) that promoted, among other things, more liberal trade regimes, autonomous liberalisation and decreased governmental involvement in many sectors. This helped shape the approaches to, and willingness of CARICOM countries to accept the outcomes of the UR. Thus, for example, Jamaica undertook autonomous liberalisation in some manufacturing products which went beyond its negotiated multilateral commitments. Similarly, although it was not mandatory, CARICOM developing Member States—with the exception of Suriname—bound almost all of their non-agricultural tariff lines.

The Consultative Group of Eighteen was central to the preparatory process for, and the content of the final set of issues included in the Uruguay Round.¹⁰ Despite the presence of nine developing and emerging countries in this Group, it was generally felt that developed countries exerted undue and disproportionate influence. According to Stewart (1993), it was only at a GATT session in 1985, prior to the official launch of the UR, that the decision was taken to enlarge the membership of the Consultative Group to 22 full members, with Jamaica being one of the countries elevated to full Membership.¹¹ Prior to this time, Jamaica was one of the nine alternate Members, and the only CARICOM country on the Consultative Group. However, alternate Members had only limited opportunity to actively engage in the Group’s discussions. Indeed, by the time of the enlargement of the Consultative Group, the range of issues for negotiation under the UR was already largely agreed amongst the original 18 Members of the Group and there was little chance for new Members to modify the scope in specific areas.

Almost fifteen years after the launch of the UR, the first Round of negotiations under the auspices of the World Trade Organisation (WTO) was launched in 2001. Labelled a ‘Development Round’, many developing countries—CARICOM included—were keen to see the issue

of development embodied throughout the negotiations and welcomed the opportunity to correct some of the deficiencies of the UR. The lack of full implementation of commitments by developed countries was chief amongst these deficiencies. These aspirations, together with the interests of developed countries in areas such as investment, trade facilitation and manufactured goods, mean that in some respects, the Doha negotiations work programme is more extensive than that of the Uruguay Round. Some analysts, for example, Das (2003), maintain that, in its final elements, the Doha Work Programme, like that of the Uruguay Round, is weighted heavily in favour of the interests of the major developed countries.

Developing countries—including those of the region—are more active in this negotiating round. At present, there are over 150 countries participating in the Doha negotiations and, unlike the GATT, which was viewed as a ‘Rich Man’s Club’, developing countries have realised that it is only through effective participation that their concerns can be adequately addressed.¹² Issue-focused groupings have also increased in number.¹³ Further complexity is added as there is no clear North-South divide in all areas, thus making it difficult to capitalise on the political strength and support for developing countries emanating from North-South differences. The relationship between developed and developing countries has changed and the relationship among developing countries themselves has also evolved. Previously, it was only developed countries that were the targets of developing country demands. Now, developing countries with exporting interests are seeking concessions from both developed and developing countries, thereby giving rise to a South-South divide. The current difference among developing countries on the proposed agriculture Special Safeguard Mechanism for Developing Countries is a case in point.

Concomitant with the increased participation of developing countries is the increased complexity of the negotiations and increased coverage of rules governing trade in goods and services. Unlike the GATT Rounds which addressed largely border measures, the current negotiations are delving more and more into domestic policy, encroaching on, and dictating the parameters for the policy options that can be used by countries. CARICOM countries must not only know, understand, articulate and defend current interests in areas such as intellectual property, but must also understand the direction of national development plans, in these areas. Of course, this requires that CARICOM countries have clear national

and regional development strategies to articulate and defend. This has not always been the case, and so the region finds itself constantly playing ‘catch up’ with the rest of the world.

In summary, the environment within which CARICOM countries are negotiating is more complex, challenging, and offers little opportunity for ‘free riders’. Having been initiated into truly multilateral negotiations under the Uruguay Round, CARICOM and other developing countries must now use this multilateral negotiating and implementation experience to maximum effect.¹⁴

II. CARICOM Participation in Multilateral Negotiations

“It is our best advantage that we are at the table, especially to bring priority issues on the table again and again.” Dame Billie Miller, 2003¹⁵

Among CARICOM countries, Barbados, Jamaica and Trinidad and Tobago were the most active in the UR negotiations, with the latter two being relatively more involved in the negotiations process, likely as a result of having permanent resident representation based in Geneva. Indeed, for some time, these were the only two CARICOM countries with established Permanent Missions based in Geneva.¹⁶ Whilst no direct correlation between the establishment of a permanent presence and a country’s ability to articulate its concerns and interests has been empirically established, a permanent presence in the headquarters of the negotiations, particularly in the case of countries with weak and limited bargaining power, is undoubtedly a positive strategic move.

Today, four CARICOM countries have permanent missions based in Geneva—Barbados, Jamaica, Trinidad and Tobago and Haiti. In addition, six members of the Organisation of Eastern Caribbean States (OECS) are jointly represented by the OECS Technical Mission in Geneva.¹⁷ CARICOM representation is bolstered by the presence of the Caribbean Regional Negotiating Machinery (CRNM) in Geneva, although the CRNM, as an institution, is not accredited to the WTO. There is also the expectation that at least one other CARICOM country will establish a permanent presence in Geneva in the near future.

CARICOM participation in the UR must be viewed against the lack of active and effective participation by developing countries in general. Although intermittent references were made to the Customs Union efforts and obligations, as a grouping, CARICOM was not active in the negotiations. At the individual level, there was limited participation from the majority of CARICOM countries. For example, the primary recorded proposal to which Belize and Saint Lucia were parties during the decisive phase of the negotiations, related to the participation of developing countries in the negotiations, and the extension of the deadline for non-GATT Contracting Parties to indicate an interest in participating in the UR negotiations.¹⁸

Conversely, the two CARICOM countries with established permanent presence in Geneva sought to be active in the negotiations. Jamaica submitted proposals on tariff negotiations and tropical products.¹⁹ Jamaica was also an active member of the negotiating group examining the functioning of the GATT system, submitting several proposals aimed at the rationalisation of the GATT surveillance mechanisms and the improvement in GATT systems.²⁰ Jamaica also took active part in the dispute settlement discussions and was an observer to the negotiating groups on subsidies and countervailing measures, government procurement, dairy and import licensing. Trinidad and Tobago, albeit less active than Jamaica, submitted a proposal to the negotiating group on tariffs and was an observer to the discussions on technical barriers, government procurement, subsidies and countervailing measures, bovine meat, dairy, customs valuation, import licensing, civil aircraft and anti-dumping measures.²¹

Of the remaining CARICOM countries, Haiti was an observer to the discussions on dairy and Barbados submitted proposals on tariff negotiations and services.

During the UR negotiations, Jamaica was active in the committees to which it was party, and sought to have senior level representation at, and active participation in, key meetings. Indeed, Jamaica was also the only CARICOM country listed as making an intervention at the meeting of the Trade Negotiations Committee at which the Final Act of the Uruguay Round Negotiations was adopted.²² Such consistent participation and demonstration of interest in the negotiations process has resulted in Jamaica being invited to Green Room meetings and, until recently, being the principal CARICOM country privy to these types of small group discussions. A clear link can be drawn between Jamaica's continued

participation through interventions and submission of proposals, and its invitation to certain meetings, with such invitations being recognition of, if not reward for, Jamaica's consistent advocacy.

Participation by Senior Officials is an important element of any negotiation. Participation, as used here, means not only attendance at meetings, ideally at a level that would add weight to the country's demands, but also the articulation of concerns at all available opportunities. Attendance at meetings during which there is little or no participation in the discussion is an ineffective negotiating strategy.

Senior Officials from major delegations—including the USA, EC, Brazil and India—regularly attend 'normal' negotiating meetings to keep abreast of the issues. In contrast, the participation of Senior Officials from CARICOM is usually restricted to high level meetings and rarely extends to 'normal' negotiating meetings. Whilst this may partially be a reflection of the confidence reposed in their negotiating teams in Geneva; the negotiating briefs submitted thereto; and the financial burden of overseas travel, there are intangible benefits to be derived from the participation of Senior Officials.

The visibility of Senior Officials, particularly Chief Negotiators and others with decision-making powers, conveys signals about the importance of the issue and the significance attached to the negotiations under discussion. Such participation helps to 'build the visibility' of the country and signals the importance of its requested flexibilities and needs being taken into account. Such visibility also redounds to the country's benefits in other areas. As a whole, the region is yet to fully take such non-tangibles into account when assessing the benefits of participation at certain negotiating meetings.

The region has, however, actively participated in Ministerial meetings. The launch of the Doha negotiations in 2001 was attended by Ministers from a number of CARICOM countries, including Antigua and Barbuda, Grenada, Guyana, Saint Lucia, St. Vincent and the Grenadines, and Suriname. Interestingly, Ministerial representation was not recorded for Barbados, Jamaica and Trinidad and Tobago. This may be attributable to the risks and uncertainty following the terrorist attacks of 11th September 2001. The follow up Ministerial Conferences (Cancun, 2003 and Hong Kong, 2005), continued to be well attended, with Dame Billie Miller then Minister of Foreign Affairs and Foreign Trade of Barbados, being appointed as one of the three vice chairpersons for the Hong Kong

Ministerial meeting. Senior Members of the CARICOM Secretariat and the Caribbean Regional Negotiating Machinery (CRNM) have also attended Ministerial meetings, although these institutions were themselves not listed among the observer organisations.

While participation in Ministerial level meetings is important, the ability to change negotiating texts at such large meetings is dubious. For example, the Trade Negotiations Committee (TNC) of December 1993, at which only Jamaica among CARICOM Members spoke, approved the Uruguay Round agreement. The Ministerial meeting at Marrakech—which was attended by the majority of Ministers from the region—essentially formalised what was already agreed. More coordinated participation and an examination of the balance between, and relative merits of participation at regular and Ministerial meetings need to be pursued in the future. The region needs to genuinely assess how its increased representation can be translated into effective participation and seek to minimise duplication of effort where possible. This, of course, requires a common objective, a truly regional policy and a concerted effort to pursue regional benefits.

III. Approaches Adopted—Successes and Limitations

“In the process of globalisation, we are like riding on a bicycle. If you don’t move on, you fall.” Chau Tak Hay, 2001²³

CARICOM approaches during the UR focused primarily on defensive interests, with relatively few offensive interests.²⁴ In addition to the call for Special and Differential treatment in all areas, attempts were made to ensure that the liberalisation of tropical products did not unduly affect preference receiving products. Services liberalisation in developed countries emerged as the major area of offensive interest to the region. At present, CARICOM’s interests have not changed. The overwhelming focus in the Doha negotiations remains on defensive interests and maintaining policy space.

The region’s major gain from the Uruguay Round was special and differential treatment in all areas of the negotiations. These included lower tariff reduction in goods and the requirement that, in other areas, special consideration be given to the interests of developing countries. However, such successes can be largely attributed to the inbuilt mandate

of the GATT to provide enhanced special and differential treatment to developing countries. In addition, the efforts of large developing countries such as Brazil and Argentina were focused on extracting concessions from developed countries, which helped smaller countries such as those of the CARICOM region to gain as 'free riders' from these negotiations. In future negotiations, the divergences among the interests of developing countries, as well as increasing demands from developed countries, will provide less opportunity for 'free riders'.

While Das (2003), asserts that developing countries derive their strength from their political and economic weight, there is insufficient evidence that numerical strength has redounded to the benefit of developing countries. For example, despite the opposition from some developing countries to the inclusion of services, this area nonetheless emerged as a central part of the GATT negotiations.²⁵ Similarly, despite the initial opposition from developing countries to the inclusion of all four of the Singapore issues, at least one of the issues—Trade Facilitation—was eventually included in the current Doha work programme.²⁶

Despite these setbacks, coordination, particularly in the case of small economies with limited individual bargaining power, remains the best option for securing favourable outcomes. Previous CARICOM approaches which focused on national interests must now yield to regional and coalition-based approaches.²⁷ Fortuitously, given the similarity amongst economies in the region, the national objectives pursued by those active in the UR negotiations redounded to the benefit of other CARICOM countries.

Within the Doha negotiations, there is greater recognition of the commonality of interests and as a result, a more concerted effort to adopt a regional approach. However, thus far, positive results have been realised only within a wider context, namely through the African, Caribbean and Pacific (ACP) region and the group of Small, Vulnerable Economies (SVEs). These groupings have provided the collective strength and bargaining power which individual delegations, and the region, lack. ACP and SVEs approaches have generally sought to build on the requests/modalities being sought by/provided to developing countries in general. This promotes the efficient use of scarce negotiating and political capital, as it is not necessary to elaborate on the basic approach and methodology used, only the additional flexibility sought. In addition, this approach of 'developing countries plus' as it relates to flexibilities for the region does

not undermine any negotiated 'delicate balance' in the market access and flexibilities applicable to the larger players.

A strategy practised by some developing countries is to remain silent during meetings and not to intervene on those areas that may be of interest to other developing countries, but in which there is no perceived national interest. During negotiating meetings, it is not uncommon for small states to refrain from making interventions on those areas that are not seen to be of direct national relevance—such has been the case, for example, on the issues of cotton and the general reduction formulae applicable to developing countries in the negotiations on non-agriculture market access. Such a tactic can yield both positive and negative results. On the positive side, this approach usually 'buys' goodwill from some of the major players. On the negative side, continued silence undermines, to some extent, developing country solidarity which may affect the willingness of other developing countries to extend support in areas of concern to the region and build some resentment to those perceived as 'free riders'. The silent approach is not restricted to the interests of developing countries, in general, as it has been employed during the discussions on areas perceived to be of interest to only a sub-set of CARICOM countries.

As an approach, forging and maintaining group solidarity needs to be refined. Oftentimes, attempts are made to destabilise the unity of a group through isolation of one or a few Members. For example, in the Non-Agricultural Market Access (NAMA) negotiations on SVEs, Fiji is the only SVE with a relatively high level of unbound tariff lines (35% compared to a less than 5% average for the rest of the group). Efforts were made to isolate Fiji through, *inter alia*, bilateral discussions with that delegation alone. Under the same issue, attempts were also made to isolate countries by offering country-specific solutions or assistance in other areas. The end result, were such efforts to have succeeded, would have been the weakening of the group's overall position and possible group solution. In contrast, major developed countries approached on this issue, all provided the same response on overall numbers, despite the fact that the market access benefits accruing from higher tariffs varied across the developed countries concerned. This is consistent with the observations of Das (2003), who concludes that developed countries almost always coordinate amongst themselves when preparing a proposal or a response to an issue.²⁸

An examination of the tactics employed by other countries and groupings can also be instructive. Such expositions are instructive in understanding the approaches used by countries, to guard against them and, where necessary, to emulate the positive elements in pursuit of desired objectives. Using the example of intellectual property, Das (2003), writes that, faced with opposition from developing countries, the tactic of one major developed country was to conclude bilateral negotiations with a number of developing countries, the effect of which was to whittle away and eventually diminish opposition to the inclusion of IPR standards and protection.²⁹ In the current Doha negotiations, a major country bloc is using similar tactics on investment and competition policy, which are not currently covered by the WTO and were, indeed, dropped from the Doha work programme in 2004. Nonetheless, disciplines in these areas are being pursued in bilateral treaties with developing countries, including those of the CARIFORUM region.

One of the major limitations in the past and current multilateral negotiations is the lack of clear objectives for the negotiations. Countries need to start with a clear identification of their objective in the negotiations, and to maintain focus on that objective throughout the negotiations process. Today, developed, and increasingly large developing countries, are renowned for undertaking intense technical work in the preparation of proposals, supporting arguments, counterarguments and lobbying. CARICOM countries need to work towards this end.

CARICOM countries need to clearly define their objectives through, *inter alia*, improving the mechanisms for industry/government consultations, conducting analytical studies, strategic assessments and establishing the mechanisms for stakeholders to routinely provide inputs into the negotiations' processes. CARICOM countries are arguably in their infancy in this regard. Mechanisms are established yet they do not function effectively. Stakeholders are sometimes ill-equipped to provide the necessary feedback and analytical studies may be untimely, or alternatively, do not pose or answer the right questions. Instead, arguments in the various negotiating groups under the current Doha negotiations have focused on considerations on equity and fairness—e.g., the need for policy space, the hierarchy of contributions, the smallness of the countries involved and their miniscule impact on world trade. In addition to this inward looking strategy, national and regional objectives need to examine

the outward looking strategies, taking into account the existing and potential gains emanating from CARICOM commitments.

Under the UR, CARICOM efforts at active participation were at times stymied. For example, by March 1990, the Negotiating Group on Tariffs had received proposals from 44 participants, 27 of which were from developed countries. Jamaica and Barbados were among the developing countries submitting proposals, but neither of their proposals was amongst those that were reviewed and assessed on the basis of documentation prepared by the Secretariat.³⁰ On non-tariff measures, among CARICOM countries, requests for the removal of non-tariff barriers were submitted to Barbados, Jamaica and Trinidad and Tobago. However, no CARICOM country made any offensive request regarding the removal of non-tariff barriers.³¹

Despite continued moves towards regionalism and the full implementation of the Revised Treaty of Chaguaramas, the region's negotiating efforts remain fragmented in the WTO. There is no official recognition of CARICOM as a grouping. CARICOM region-wide efforts during the Doha negotiations consisted of some proposals during the early stages of the negotiations. Such regional efforts eventually waned and are today non-existent. The region's interests are now subsumed within the Small Economies and ACP groupings which, although yielding some success, to date, cannot facilitate enhanced regional integration.

The environment within which trade diplomacy is conducted has evolved. The trade negotiation agenda has moved from a predominant focus on border measures such as tariffs, to focus on more complex issues such as intellectual property, environment and biodiversity. This has led to changes in natural alliances and could, in the future lead to the creation of more issue-focused groupings. Within such an environment, it is harder for CARICOM countries to maintain a cohesive approach.

IV. The Role of Personality

Personality has the power to open many doors . . . '32

In the multilateral trade negotiating environment of Geneva, the general approaches to participating in the negotiations include attending formal and informal negotiating sessions, scrutinising negotiating documents and releases, and forming contacts at various levels. For small states with

limited resources and an inability to wield significant political weight, this last strategy, with an emphasis on personal relations, is proving to be an increasingly important diplomatic tool.

All Members of the World Trade Organisation (WTO) have access to the negotiating texts that have been issued and the general synopses of meetings. It is individual personalities and approaches that help gather the bits of information of relevance to, and which may affect the eventual outcome in, a specific area. When countries have little influence, early access to informal information/approaches is important to enable affected countries to assess possible implications and, as necessary, make the case for special exemption. This is the case since once a negotiating text is issued, even where it is not yet formally agreed, it is sometimes an insurmountable challenge for small states, by themselves, to negotiate amendments to modalities that are viewed as achieving a 'fine balance'.³³

Personality helps in information gathering, alliance building and swaying delegations in situations where the outcome may be critically important only to the small state(s) concerned. In these situations, the strength of economic argument and justifications in favour of a particular flexibility, arguably hold less sway than that of personal relationships and the overall perception of the country concerned. This is perhaps one of the reasons for the relative success of the SVEs group under the overall leadership of Barbados.

As the region progresses, a systematic approach must be taken to ensure that the most 'appropriate' personalities are assigned to Geneva, encompassing not only diplomatic skills, but technical competence, practical experience in sectors of importance to the country and, most importantly, the ability to adopt an effective 'people centred' approach.

V. Future Positioning of CARICOM on the Global Landscape

*'What worked well in the GATT—diplomacy based negotiations—does not seem to be working well in the WTO'*³⁴

Petersmann (1986), notes that the actions of public officials, and hence the formulation of trade policy, are often influenced by a variety of factors including insufficient information, wrong assessments or the pursuit of political rather than economic objectives.³⁵ Concurrently, the

increased participation of countries and non state actors, increasing media coverage, the increasing range and complexity of issues and the use of informal processes have made trade policy formulation more difficult. Ever expanding bilateral, hemispheric and multilateral disciplines, as well as the blurring of the lines between domestic policy and international obligations, necessitate a re-thinking of past approaches and a focus on *strategic* trade policy in moving forward. As the coverage of the WTO increases and encroaches on domestic sovereignty, the general approach to special and differential treatment provisions for developing countries adopted in the UR, and continued in Doha, will become insufficient in fully addressing the needs of the CARICOM region.

The individualistic approach taken in the past, apart from being costly, is losing its effectiveness and relevance for smaller delegations. Increasingly within the current Doha negotiations, consultations have focused on issue-specific discussions and participation of groupings, with group coordinators being invited to consultations and meetings. The WTO Director General, for example, has often referred to his 'concentric circle' approach, which has seen Guyana being invited to small group meetings in its capacity as CARICOM WTO focal point, Jamaica as ACP coordinator and Barbados as SVEs coordinator, rather than representatives of their respective countries. As such, and taking into account, among others, considerations of cost and efficient use of limited resources, greater focus needs to be placed on the regional mechanisms. This also requires that CARICOM's place in the multilateral trading arena be cemented through, *inter alia*, formal recognition of CARICOM in the WTO as a supranational institution.³⁶

For small developing countries, the interaction with other players and the building of strategic alliances with like-minded countries will be increasingly important. Existing alliances have yielded results. However, the increasing complexities of the negotiations and increasing nuances in interests mean that new issues-based alliances must be cultivated. In this regard, there must be a two-pronged approach encompassing traditional alliances—such as the ACP—for macro—political support and advocacy in certain areas, complemented by alliances that focus on specific issues of importance to the region.

Those with practical negotiating experience must be encouraged to document their experiences, as such institutional memory and viewpoints need to be preserved in a form that can benefit upcoming negotiators,

as well as inform the region's strategies in moving forward. Greater collaboration between academia and individuals and institutions with practical experience needs to be forged. Among the programmes that should be explored are the development of region-wide courses on diplomacy and negotiation training that supplement those currently offered through the University of the West Indies. The emphasis here would be on the promulgation of region-specific successes and approaches.

Academia and intellectual institutions also need to play a greater role in, and assume greater responsibility for, the outcomes in multilateral negotiations. There is a greater need for national and region-wide *ex ante* assessments and quantitative analyses which can be used to inform and direct the region's options and choices during the negotiations. Credible and timely *ex ante* simulations and possible options need to be systematically generated to assist the region in multilateral negotiations. Such assessments need to look at both existing and potential areas of interest to the region. In addition, there is a need to examine the criteria against which policies are evaluated and to extend the relevant criteria beyond simply increases in GDP. Income distribution and consumer welfare are some of the measurements that need to be factored into assessments of possible gains from further multilateral disciplines.

There is also need for greater strategic thinking in multilateral negotiations. The Uruguay and Doha Rounds, thus far, have seen the adoption of a reactionary approach in which the region generally reacts to proposals from developed and developing countries. Moving forward, there needs to be a more proactive approach, focusing on the areas of importance to the region and its offensive interests. This also requires a re-thinking away from the existing focus on current market access, preferences and the export of traditional products to a more strategic focus, examining the emerging areas and the potential for competitive positioning in these areas. In addition, there is need for a holistic approach that takes into account the entire regime surrounding a particular product or service—encompassing the institutional framework, the intellectual property framework, the investment framework and others, rather than the piecemeal approach that has, thus far, yielded limited results.

Economics and politics explain the rationale behind negotiating agreements. However, the implementation and interpretation of these agreements, which would have practical implications for firms and the domestic trading environment, are facilitated through law. As such, the

legal profession must be incorporated into negotiating processes at the earliest possible opportunity. The current situation of an insufficient numbers of lawyers in the Ministries of Foreign Affairs and Foreign Trade across the region needs to be remedied.

As a corollary, greater CARICOM representation is needed in the secretariats of multilateral organisations. While limited human capital may preclude indefinite release of Trade staff, a professional training programme should be explored, with a view to systematically exposing young professionals to the WTO and other multilateral negotiating organisations.

Effective marrying of foreign affairs, foreign trade and national commercial interests needs to be pursued. While a number of countries do have external trade committees and national sub-committees on trade, these need to function more effectively. Strange (1992), notes that macroeconomic management and industrial policies may be as important, if not more so, than conventional foreign policies.³⁷ The institutional arrangements in the region need to take account of the fact that traditional diplomacy is yielding lower and lower returns when compared to the efforts invested. Business and firm diplomacy have risen in importance and elements thereof must be incorporated into negotiating structures.

There is the need for greater dialogue with, and involvement of civil society in the negotiations process. Civil society must no longer be seen as adversaries in the negotiating process. Some CARICOM countries have begun the process of systematic inclusion of civil society and non-governmental organisations, but these arrangements are currently too ad hoc, with only sporadic involvement of groupings and insufficient involvement at an early stage of the negotiations.

There is also need for greater synergies and efforts at the regional level. The CARICOM Secretariat, the principal coordinating body for regional matters, needs to be more integrally involved in what is taking place in Geneva. Furthermore, negotiating efforts need to be buttressed by implementation efforts at the regional end. For example, as a result of the advocacy of the group of Small, Vulnerable Economies, on 10 October 2006, the WTO General Council affirmed certain regional approaches used by Small Economies, for example, the designation of a single enquiry point or the use of regional bodies to deliver technical assistance. To date, this decision has not been used by CARICOM countries, which can be

seen as devaluing the efforts of CARICOM negotiators to secure this flexibility.

The region's participation in multilateral trade negotiations over the past twenty years—from Uruguay to Doha—has moved from strength to strength. A combination of skill and luck has resulted in relatively successful flexibilities being secured under both negotiations. However, the increasing trade aggressiveness of developing and emerging economies, coupled with the traditional approaches by developed countries, signal that less munificence will be extended to the region. Therefore, CARICOM countries will have to continually adopt creative approaches in the pursuit of development. In preparation for such, the region needs to engage in some introspection, focusing on where we are, from whence we have come, and where we need to go in the short, medium and long terms, before delving further into new multilateral negotiations.

ENDNOTES

1. “Feature Address by Vice Chairman of State Development Planning Commission of the People’s Republic of China, Chunzheng Wang at the Credit Suisse Winconference”, Interlaken, Switzerland, July 5, 2001. Available at http://www.wto.org/trade_resources/quotes/mts/system.htm (Last accessed May 4, 2009).
2. Trade openness, or trade dependency, is a measure of the relative importance of total trade (imports plus exports) to a country’s total output as measured by its Gross Domestic Product (GDP). The higher the calculated value (which is often expressed in percentage terms), the more open the economy.
3. Anneke Jessen and Christopher Vignoles. “Barbados: Trade and Integration as a Strategy for Growth”, Occasional Paper 28, December 2004 (INTAL-ITD, Institute for the Integration of Latin America and the Caribbean), footnote 1 page 2. Available at <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=789602>. (Last accessed April 18, 2009).
4. “Statement by Former Director General of the WTO, Renato Ruggiero at the WTO High Level Symposium on Trade and Environment”, Geneva, Switzerland, March 15, 1999. Available at http://www.wto.org/trade_resources/quotes/mts/system.htm. (Last accessed May 4, 2009).
5. GATT document, Reference NUR006, dated July 8, 1987, and GATT document GATT/1393 dated September 1, 1986. Sourced from the WTO Library, 154 Rue de Lausanne, Geneva, on April 10, 2009.
6. Amrita Narlikar. “Developing Countries and the WTO” in Trade Politics. Second Edition. Routledge. Page 134.
7. At the end of the Uruguay Round negotiations, over 123 countries were participating, with over 100 of them being developing countries. Available at: http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact5_e.htm. (Last accessed April 16, 2009).
8. ‘Single Undertaking’ entails that countries party to the negotiations must accept modalities in all negotiating areas, i.e. all topics were to be part of a single package. The Punta del Este Ministerial declaration mandated that the negotiations, their conclusion and entry into force were to be treated as a single process, obliging Members to be party to all the multilateral agreements. This was the first time in GATT history

that such an approach was taken for both developed and developing countries.

9. The 15 negotiating areas were Tariffs, Non tariff barriers, Natural resource products, Textiles and clothing, Agriculture, Tropical products, GATT Articles, Tokyo Round codes, Anti-dumping, Subsidies, Intellectual property, Investment measures, Dispute settlement, the GATT system and Services.
10. Robert A. Weaver and Delphine A. Abellard. "Functioning of the GATT System" in *The GATT Uruguay Round. A Negotiating History (1986-1992) Volume II: Commentary*. Terrence P. Stewart (ed.). Kluwer. Pages 1908-1909.
The Consultative Group was convened under the direction of the GATT Director General. Initial members included Argentina, Australia, Brazil, Canada, Egypt, EC (as one), India, Japan, Malaysia, Nigeria, the Nordic Countries (as one), Pakistan, Peru, Poland, Thailand, Switzerland, USA and Zaire. Jamaica was among the 9 alternative members.
11. Ibid. Footnote 97, page 1909.
12. Amrita Narlikar. "WTO Decision Making and Developing Countries." Working Paper No. 11. Trade Related Agenda, Development and Equity (T.R.A.D.E.) South Centre. November 2001. Page 4.
13. Groupings such as the Small, Vulnerable Economies, the Cotton 4, the Friends of Fish, the Friends of Development and the NAMA 11 only emerged during the current Doha Round negotiations.
14. Whilst some CARICOM Members were GATT Contracting Parties prior to the Uruguay Round, because developing countries were largely exempted from undertaking any commitments and could opt out of commitments in certain areas, participation was minimal. It should be recalled that the Uruguay Round was the first in which there was a single undertaking, that is, all areas must be taken as a package, thus requiring greater concessions from developing countries across sensitive areas.
15. "Regional Views on WTO Negotiations Placed in Sharper Focus", Georgetown, Guyana: CARICOM Press release 161/2003, December 2, 2003. Available at http://www.CARICOM.org/jsp/pressreleases/pres161_03.htm. (Last accessed May 4, 2009).
16. Both the Permanent Mission of Jamaica at Geneva and the Permanent Mission of Trinidad and Tobago at Geneva were established in 1965,

- with the former preceding the latter by some months. Barbados eventually established permanent representation in Geneva in 1998.
17. Individual OECS delegations, such as Saint Lucia and Dominica do, however, maintain Ambassadors accredited to the WTO. These Ambassadors are usually based in Brussels, or London, rather than Geneva.
 18. Participation of developing countries in the new Round of Negotiations. Communication from Commonwealth Countries. General Agreement on Tariffs and Trade, Document Reference L/6048, dated September 18, 1986. Accessed from WTO Library, 154 Rue de Lausanne, Geneva, Switzerland.
 19. GATT Document references MTN.GNG/NG1/W/45, MTN.GNG/NG2/W/74, MTN.GNG/NG3/W/41 and MTN.GNG/NG6/W/48 dated September 14, 1990, Document No. UR-90-0531, GATT Secretariat.
 20. Communication from Jamaica to the negotiating group on the Functioning of the GATT System, GATT Documents reference, MTN.GNG/NG14/W/11 dated July 8, 1987, MTN.GNG/NG14/W/22 dated May 16, 1988, MTN.GNG/NG14/W/27 dated September 26, 1988, and MTN.GNG/NG14/W/29 dated October 18, 1988.
 21. GNG/NG1/W/51 dated October 17, 1990, Document No. UR-90-0606, GATT Secretariat.
 22. MTN.TNC/40/ST/27 dated December 21, 1993, GATT Secretariat.
 23. Remarks by Hong Kong's Secretary for Commerce and Industry, Chau Tak Hay. Dow Jones International News Service. October 8, 2001. http://www.wto.org/trade_resources/quotes/mts/system.htm. (Last accessed May 4, 2009).
 24. 'Defensive' and 'Offensive' are used here to describe, respectively, strategies with inward and outward focus. The former seeks to safeguard domestic industries and domestic markets, whilst the latter seeks new markets and is generally pursued where sectors/industries are competitive.
 25. Among the so called G10 opposing the inclusion of services in the Uruguay negotiations were Argentina, Brazil, India and Nigeria.
 26. The four Singapore issues were Trade and Investment; Trade and Competition Policy; Transparency in Government Procurement and Trade Facilitation. The first three areas were finally dropped from possible inclusion in the Doha negotiations only by WTO General Council decision of August 1, 2004.

27. This assertion is based on the fact that during the UR, proposals were submitted in national capacities, with mention of CARICOM usually in the context of the need for multilateral commitments to take into account regional efforts and obligations.
28. Bhagirath Lal Das. "The WTO and the Multilateral Trading System Past Present and Future" Third World Network, 2003. Pages 147-148.
29. Ibid, pages 27-29.
30. GATT Document references MTN.GNG/NG1/W/45 and MTN.GNG/NG2/W/74 dated September 14, 1990, Document No. UR-90-0531, GATT Secretariat. Paragraphs 1 and 2.
31. Ibid, Annex of proposals.
32. Quotation accessed on May 6, 2009 at: (Last accessed May 6, 2009) http://www.en.thinkexist.com/quotation/personality_has_the_power_to_open_many_doorsbut/198527.html.
33. 'Fine balance' refers to the resulting understanding achieved from discussions/negotiations amongst the larger players—from both developed and developing countries—on a particular area.
34. Razeem Sally. "The WTO in Perspective" in Trade Politics. Second Edition. 2004. Routledge. Page 117.
35. Petersmann, 1986. "Trade Policy as a Constitutional Problem. On the 'Domestic Policy Functions' of International Trade Rules" in The World Trading System. Critical Perspectives on the World Economy. Volume I Historical and Conceptual Foundation, 1998. Page 125.
36. According to the *Paperback Oxford English Dictionary*. Oxford University Press, 2006, supranational means having power or influence that goes beyond national boundaries or governments. Of course, CARICOM needs to be recognised and treated as a supranational body by Member States first and foremost, before the region should seek such recognition in the WTO.
37. Susan Strange. "States, Firms and Diplomacy" in The World Trading System. Critical Perspectives on the World Economy. Volume I Historical and Conceptual Foundations, 1998. Page 152.

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CHAPTER 8

Reflection on the CARIFORUM-EC Economic Partnership Agreement: Implications for CARICOM¹

Clive Thomas

Introduction

This chapter offers, basically from a Caribbean Community (CARICOM) perspective, a strategic appraisal of the external trade policy changes encapsulated in the Caribbean Forum (CARIFORUM)-Economic Commission (EC) Economic Partnership Agreement (EPA). This has been recognised as the first “full and comprehensive” EPA among the six that are being negotiated by the European Commission, and the African-Caribbean-Pacific (ACP) group of countries. At this point, the EPA is both a *legal* agreement and an *instrument* designed to promote specified development objectives. Ultimately, its strengths, weaknesses, the opportunities it will create and the threats it will face, will unfold during its implementation. How this is actualized will be a principal determinant of its success in attaining those objectives.

The first Section contrasts key forecast long-run benefits of the EPA with front-loaded implementation costs that are already occurring in the Region. Section II assesses why this is the case. Section III comments on the European Union (EU) assistance commitments in the Agreement, while Section IV assesses the consultations process in CARICOM during the negotiations and draws attention to some important issues of economic governance. The final Section (V) considers a number of contextual and related issues important for the future of the Region under the EPA.

Forecast Long-Run Benefits and Front-Loaded Costs

Long-run benefits

Without even the limited assurance of:

- 1) Any supporting long-term quantitative economic and trade assessment, or the customary computable general equilibrium multi-sector, multi-country, model projections of the likely effects of trade policy changes.
- 2) Any of the standard social impact assessment studies.
- 3) Quantitative estimations by the EU of the difference in the margins of preference on offer at the World Trade Organisation (WTO) and those on offer to the CARIFORUM-EC EPA.
- 4) Revenue or other estimations of the likely impact on CARIFORUM States in a situation where subsequent trade negotiations take place with the Region's primary trading partner.

It has nevertheless been confidently asserted (speculated) that, with the EU's offer of substantial market access for CARIFORUM's goods and services in the Agreement and the expectation of foreign direct investment (FDI) flows to the Region that with built-in *reciprocity*, after full liberalisation kicks-in (in about two-and-a-half decades), the agreed to development and trade-related measures in the EPA would have secured for CARIFORUM:

- 1) Substantial trade-creation following the dismantling of barriers to trade.
- 2) Deep-rooted development reforms.
- 3) A sustainable path for regional integration and development.
- 4) An endogenous capacity to contain, if not eradicate, poverty and other deep-seated social and economic ills besetting the Region.
- 5) An economic regime in which trade will be routinely at the service of development.
- 6) Such other economic reforms that would demonstrate to the world the earnestness of the Region in meeting its EPA objectives, thereby ensuring that it becomes a substantial net private capital-importer and also recipient of official resource inflows.

This modernisation is crucially dependent on the coherence of policies in CARIFORUM, as well as EU's development assistance and the provision of assured access to EU markets for goods and services as the EPA intends.

We are also assured that despite:

- 1) the absence of a CARIFORUM Customs Union area;
- 2) substantial liberalisation of *trade-in-goods* (56% of EU imports in 5 years, 61.1% in 10 years and 82.7% in 15 years, 83.7% in 20 years and 86.7% in 25 years);
- 3) *trade-in-services* (based on the W120 list of services, immediate sectoral coverage of 50-62%, and tariff-line coverage of 75% for CARICOM developed countries and 65% for lesser developed countries, with 80% for the Dominican Republic);
- 4) the removal of export duties (within 3 years);
- 5) the removal of "other duties and charges" (within 10 years);
- 6) the existence of trade-related provisions (Singapore issues) in the EPA; and
- 7) the EU's "denunciation" of the Sugar Protocol, a substantial foreign exchange earner, that there are adequate safeguards and protections from economic disaster. These protections take the form, principally, of:
 - a) Improved rules-of-origin for CARIFORUM exports;
 - b) A 3 year moratorium and phase-in periods for meeting CARIFORUM's obligations;
 - c) Safeguard mechanisms, such as the designation of sensitive industries/sectors, and "zero for zero treatment" of agricultural subsidies; and
 - d) Not explicitly linking market access opportunities for the EU to agreements seeking to build institutional capacity of the region in trade-related areas (Singapore issues), for example, government procurement.

A list of proposed reviews, safeguards, exclusions, and sensitive items, (with long-term phase-in periods of up to 25 years) is included in the EPA, as well as transitional arrangements for rice and sugar, the only two products not immediately assured of duty-free and quota free

entry to the EU market. Assurances are repeatedly given that the EU is not seeking market access opportunities in the trade-related areas as its main goal. Its concerns are primarily to build regional institutional capacity and skills.

In addition to immediate duty-free and quota free access to the EC market and improved rules of origin, aid is also offered to support the process through the 10th EDF and aid-for-trade. However, as we shall see, no *incremental* aid is clearly associated with the EPA.

Taking the above at its face value for the time being, what has not been identified (and this requires little forecasting/speculation) are the significant front-loaded costs already being attached to the EPA in CARICOM. Some of these costs are listed below. As can be seen, they are simultaneously economic, political, diplomatic and geostrategic. Consider the following examples of front-loaded costs:

Front-loaded costs

Eight (8) of these costs are indicated below. Space prevents a full analysis of each of these, but based on the observations made in this sub-Section, readers should not find it too difficult to envision the fuller-range of considerations involved.

Sugar Protocol (SP)

Reduced to five main sugar producers at the time of the signing of the EPA, CARICOM's sugar exports to the EU still remain a considerable foreign exchange earner, source of employment and provider of rural livelihood. The Sugar Protocol (SP) was a mainstay of this achievement. The SP is usually referred to as a "preference" arrangement between the EU and the ACP group of countries. This is not correct. It was an indefinite commercial Treaty agreed to in 1975 between the EU and the ACP for the commercial supply *on penalty*, of definite annual quantities by eligible Member States, of sugar (a total quota of 1.34 million tonnes for the ACP) at agreed negotiated prices. The CARICOM region was allotted its own quota within the overall quota, with prices negotiated annually. Befitting its commercial nature, the SP was a bankable guarantee, which regional cane sugar producers used to finance ongoing production. The SP provided its guaranteed supplies of sugar to the EU at agreed prices, at a time when the world faced acute primary product shortages and an explosion of many commodity prices, including sugar.

Legally, neither the EU nor the ACP could have unilaterally abrogated the Treaty (SP). CARICOM, however, agreed to Europe's "denunciation" of it in 2007, so as to facilitate the establishment of the EPA and simultaneously, Europe's reform of its overall internal sugar production and marketing arrangements. This reform included a price fall of 36 percent over the period 2006/2010, with later adjustments over the period 2013/15. Based on the Region's quota (443,000 tonnes), the estimated annual financial cost of the full 36 percent price cut is approximately US 100 million dollars. For Guyana, the largest quota producer, the amount is US\$40 million (equivalent to G\$8 billion, annually).

The EPA provides for CARICOM's sugar quota up to 2009, to increase by 30,000 tonnes, or about 7 percent (as a Member of CARIFORUM, the Dominican Republic's quota is placed at 30,000 tonnes). Total sugar revenue earned from the SP, if this quota were to be filled, will substantially decline as this compares very unfavourably with the 36 percent price reduction. As a matter of detail, provision is made for the intra-regional reallocation of any quota shortfalls among regional producers. However, after the 2009 delivery period, there will be no fixed quota. Unlimited access will be provided at the EU price then in force, which will in all probability be lower. As mentioned, a further round of price adjustments in the EC is also due over the 2013-2015 period.

Interestingly, as part of its domestic sugar production and marketing reforms to which the EPA is accommodating, the EC is paying producers of sugar in its French Overseas Territories, 2 billion Euros for the period 2007-2013, to cover an output of about 280,000 tonnes (*see Thomas, Clive and Haraksingh, Kusha, 2006*).

Special Preferential Sugar (SPS)

The SPS was introduced in 1995 to meet the EU's sugar needs following the expansion of refinery capacity consequent to the entry of Portugal and Spain to the EU. The erosion of this quota began as early as 2001, after the granting of Everything But Arms (EBA) preferences by the EU to LDCs. The original ACP quota was 325,000 tonnes and this had fallen to less than half that amount. CARICOM's share of the quota was originally set at 38 percent of the total and this, too, has fallen by half. As the Region's largest sugar producer, Guyana's share averaged 5-6 percent of its exports of sugar to the EU. With the EPA and the accompanying EC sugar reform programme, the SPS quota has been terminated.

The African Caribbean Pacific (ACP) Group

The ACP was established in 1975 as a tri-continental political grouping under the Georgetown Agreement. Its main objective was to promote solidarity and unified action across a wide array of small, vulnerable and poor states. As a consequence, it forged common positions on several global development issues, particularly in regard to the responsibilities of Organisation for Economic Cooperation and Development (OECD) countries and the international financing institutions. The ACP operated with a Secretariat to facilitate the work of its political bodies such as its Council of ACP Ministers.

The CARIFORUM-EC EPA indicates that after all the EPAs are in place, much of these activities will be located within the six separate regional EPAs where there are substantial organizational and institutional provisions (*see Part V of the CARIFORUM-EC-EPA-Institutional Provisions*). This would obviously reduce the political, economic and geostrategic weight of the ACP. Indeed, in some quarters, its further continuation might be in question. When asked about this, the current Secretary-General responded as follows:

“Could EPAs eventually be a substitute for the ACP-EU Partnership-Agreement? Do EPAs signal the forthcoming disappearance of the ACP as a group? Can the ACP Group foster its relevance?”

The Secretary General’s first response was:

“This is for the two partners to decide.” (Kaputin, Sir John, 2008)

It seems very likely that the future role of the ACP could be confined to routine and bureaucratic matters emanating from the several EPA operations such as reporting, information gathering, dissemination and promoting cross-EPAs dialogue. At this stage of negotiations at the WTO and other major inter-governmental fora, this could well turn out to be a significant loss. If the ACP is reduced in any significant way, this would reduce organised voices in support of the poor, marginalised and vulnerable economies in the global trading regime. Given its origins in CARICOM, this would also be a great disservice to past diplomatic efforts (*See Section 4*).

Small Island Developing States (SIDS)

SIDS is a major political achievement for small, poor, vulnerable economies. Like the ACP, it was originally hosted in CARICOM (Barbados in 1995). SIDS and its related global Alliance of Small Island States (AOSIS) have since been recognised within the United Nations system as a formal grouping. SIDS also has standing as a grouping at the WTO. The Barbados Plan of Action (1995) was extended at the Mauritius Summit (2005), as testament to the hard work of many SIDS countries at the United Nations, led by CARICOM, in consort with the G77 Group of Non-Aligned Countries and China. In the WTO, SIDS urges that small, poor, vulnerable economies should be recognised as *intrinsically disadvantaged* in the global trading regime. It is, however, not yet recognised as a “category” of developing countries with all that implies. There is little doubt that signing on to an EPA, before the Doha Development Round and the many Singapore and other development issues are resolved at the WTO, is a major diplomatic setback.

Sacrificing multilateralism for expedient bilateralism

As we shall see more fully later in the text, the net trade policy effect of the CARIFORUM-EC EPA is to prioritize bilateral modalities for trade negotiations with developed countries over international multilateral negotiations at the WTO, at a time when the Doha Round is still incomplete. The recent “kick-start” to the WTO negotiations with the submission of texts by the respective Chairs of the Agriculture and Non-Agricultural Market Access (NAMA) bodies, might well indicate that there has been poor timing in reaching this Agreement. Indeed, as we shall argue, bilateral negotiations with other developed countries are likely to continue firstly, because the USA is the Region’s primary trade partner. Secondly, with the Dominican Republic (DR)-CAFTA-USA Free Trade Area already in place, bilateral negotiations with the USA are now almost certain. Thirdly, Canada has already publicly signalled its intentions to negotiate a RTA with CARICOM/CARIFORUM.

CARICOM Integration

The CARICOM integration movement itself has already been prejudiced in several ways by the EPA, both in its *trade* and *development dimensions*. A few examples of these are briefly indicated below:

- 1) Without a prior Dominican Republic (DR)-CARICOM agreement on a customs union area, trade in services and trade-related measures, the Region has put the “cart before the horse”. With the EPA in place, subsequent agreements can only now be framed within it. Some argue, mistakenly that with a 3-year phase-in period before starting implementation of the EPA, there is time to work on a DR-CARICOM agreement. Surely, the reality is that the shape and character of any such agreement are already locked into the EPA, to which the two Parties are now legally bound.
- 2) Similarly, without any treaty-defined operational framework agreement for services and trade-related issues in CARICOM, the Region is exposed to having these indirectly imposed through the modalities of the EPA. Both from a development and integration perspective, this is very poor sequencing. Logically, such actions cannot be treated as benign or the by-product of an EU effort to develop the Region’s capacity in services. The commitments made under the General Agreement on Trade in Services (GATS) in the EPA are far-reaching, legal, strict, specific, time bound and, most importantly, subject to the disciplines of the Dispute Avoidance and Settlement provisions of the EPA (see Part III of the EPA and Chapters 4 and 5 of Part II, Title IV).
- 3) The earlier referred to suggestion of a recent “kick-start” to the WTO Doha Development Round of negotiations is based on key players, including the United States of America (USA), expressing ‘cautious optimism’. It is reasonable to expect that benchmarks of WTO-compatibility in areas other than trade in goods would be best established multilaterally at the WTO and certainly not as the product of North-South bilateral negotiations with the EU and, as is likely later, the USA and Canada. Moreover, because in the EPA individual CARICOM states have bilateral trade liberalisation schedules with the EU, the CARICOM Common External Tariff (CET) regime no longer applies over the phase-in periods to 2033. It is further the case that the EPA agreement does not make it pellucidly clear that in event of any conflict between the EPA and the Revised Treaty of Chaguaramas, the latter prevails.
- 4) As we shall see later, the institutional arrangements in the EPA also undermine economic governance in CARICOM (see Part

III). One example of this is that EPA institutions legally embody levels of supra-national authority that Members of CARICOM have been loath to cede to its own bodies in pursuit of regional integration.

Developing Countries' Coalitions at the WTO

During the ongoing negotiations at the WTO, CARICOM has helped to forge several coalitions among developing countries. These are now diplomatically undermined with the signing of the EPA. Indeed, the position is that while the EU promotes bilateral trade arrangements exclusively, as part of its wider global multilateral project (Global Europe) at the WTO, CARICOM has reversed this by promoting expedient bilateralism at the cost of multilateralism (See Part III). This point is related to the already observed impact on SIDS and the ACP, but its effect is felt in other fora, for example, the G77. The 14 CARICOM countries in the WTO, while insignificant in global economic and trade terms, are not numerically inconsequential as part of negotiating blocs of developing countries.

Sacrificing the search for a Cotonou plus agreement

The original intention to transform the Cotonou Agreement into a WTO-compatible trade arrangement by January 1, 2008, was constrained by Europe's seemingly unchallenged conviction (accepted by regional negotiators) that Europe knows best what CARICOM's development priorities, needs and capacities are. There is wide legal consensus that there was no legal compunction for trade in services and trade-related measures to be included in the EPAs in order to meet the WTO-waiver deadline. As Wamkele Mene points out:

"The prevailing legal opinion has always been that there is no WTO requirement to conclude an EPA with disciplines on new generation issues in order for it to meet the test set forth in Article XXIV of GATT. Indeed, the Commission itself has not refuted this legal interpretation. As such, South Africa could not accept the notion that unless the EPA includes new generation issues, it is not 'full and comprehensive' and therefore will not be notifiable under Article XXIV of the GATT, as the Commission claims.² (Wamkele, Mene, TNI, January 2008)"

The prime concern for us is that the original Cotonou Agreement embraced 1) non-reciprocity, recognizing that trade relations between the EU and the Region did not exist on a level playing field; and 2) an element of “indemnification” for colonial excesses (such as slavery, indenture and the rapacious plunder of local treasure and natural resources). Arising out of the latter, provision was made for relatively substantial amounts of development assistance. Under the EPA there are a plethora of best-endeavour, good faith clauses, but when it comes to specific identifiable sums of finance to support cooperation, there is none. (See Part II).

For convenience, the two Schedules below list, 1) the immediate “casualties” of the EPA; and 2) the unresolved WTO-issues on which agreement was reached in the CARIFORUM-EC, EPA.

Schedule 1: Casualties of the EPA

- | <i>No.</i> | <i>Item</i> |
|------------|---|
| 1. | African-Caribbean Pacific (ACP) Group of Countries established 1975 |
| 2. | The Sugar Protocol (est. 1975) |
| 3. | Special Preferential Sugar (est. 1995/1996) |
| 4. | Small Island Developing States (SIDS) |
| 5. | Original
Cotonou plus
Goal |
| 6. | *Coalition around <i>unresolved</i> WTO issues (Singapore, separately listed, Schedule 2) |
| 7. | Multilateralism |
| 8. | CARICOM as an autonomous, development-oriented open integration process creating the basis for effective integration into the global market |

*See Schedule 2

Source: Thomas, C.Y., (2008)

Schedule 2: Unresolved WTO Issues in the EPA

<i>No.</i>	<i>Item</i>
1.	Trade in Services (GATS, Article 5)
2.	Investment (Trade-related)
3.	Intellectual Property Rights
4.	E-Commerce
5.	Competition Policy
6.	Technical Barriers to Trade (TBTs)
7.	Sanitary and Phyto-sanitary Measures (SPS)
8.	Current and Capital Payment
9.	Environment
10.	Social Factors (as Trade conditionalities) (e.g., crime control, financing of terrorism, money laundering)
11.	Government Procurement
12.	Special and Differential Treatment (and Preferences) (mainly SIDS)
13.	Safeguard Mechanisms (including sensitive products)
14.	Subsidies (Agriculture)

Source: Thomas C.Y. (2008)

Why Has This Occurred?

Design and Architectural Flaws

How did these casualties of the EPA come about? I believe the answer lies in *three* principal situations. Firstly, the empirical evidence does not support several theoretical propositions built in to the provisions and omissions of the EPA (without necessarily implying support for any particular counter-proposition). Secondly, several of the supposedly “certain” evaluations, assessments and interpretations on which the EPA is based are in strong dispute, lacking strong consensus among trade policy and developmental analysts and scholars. Thirdly, several fundamental design and architectural flaws are embedded in the EPA including those to be found in its negotiating modalities. In recent writings, I have referred to these as the *contentious planks* on which the EPA rests. These are listed below and briefly introduced.

Schedule 3: Contentious Planks

1. Reciprocity—trade liberalisation—WTO-plus arrangements and “WTO-compatibility” in the context of the incomplete 1) status of regional integration, 2) Doha round and asymmetrical development capacities.
2. Perceived wisdom: Preferences as uniformly harmful.
3. The Doha (Development) round and Special and Differential Treatment (SDT) for small states.
4. Responsibility, accountability and functional autonomy (the EU Trade Commission and the Caribbean Regional Negotiating Machinery (CRNM)).
5. Shaping reality: The “Global Europe” project and the role of EPAs.
6. One size fits all: negotiating for a complex Region.
7. The EU carve-out and carve-up. Legal construct (CARICOM) and negotiating abstraction (CARIFORUM).
8. “Interim” (two-step) EPAs.
9. The “WTO waiver deadline: 31/12/07”.
10. Development aid, and “aid-for-trade” adjustment measures vs. compensating EU. access and entry to CARIFORUM markets.
11. The Sugar Protocol as a special case.
12. Promoting CARICOM integration with the EPA as baggage.
13. Negotiating other external trade agreements with developed countries.
14. Coping with the world economy then and now, post-WTO and EPA.

Source: Thomas, C.Y. (2008)

The first of these is the EPA's emphasis on reciprocity and trade liberalisation between asymmetrical regions, while the regional integration framework has not been completed for WTO-plus (Singapore) issues and the Doha (Development) Round is still incomplete. The theoretical premise underpinning this position that trade always promotes growth is not supported by adequate empirical data. The second is the firm view that preferences have been, and will remain invariably dysfunctional, inefficient and backward-looking. In the absence of a single marginal analysis of the value of preferences to the Region, based on counterfactual

or with-without cost-benefit measures, this claim is contestable and remains unsubstantiated (see Clive Thomas, 2005 and 2008). A partial study of the Sugar Protocol in Guyana arrives at very different conclusions (*see Weatherhead, 2004*), as well as US reviews of its previous preferences-granting regimes. Indeed, positive reviews of its experiences have helped to foster the United States' Africa Growth Opportunity Act 2000, as well as very recent indications of commitment to further support along the lines of the original preferences-granting Caribbean Basin Initiative (*See Report of the US International Trade Commission, 2008*).

The third contentious plank is the still unresolved issue at the WTO of Special and Differential Treatment (SDT) for small, vulnerable and relatively poor countries. The case has been argued at the WTO and elsewhere, as we saw in Section 1.1, that these economies are *intrinsically disadvantaged* and therefore, SDT should be embodied *substantially* in the rules, procedures and obligations of the WTO, and not remain perfunctory and mainly as best endeavour obligations, as is the case presently. While the matter remains unresolved at the WTO, it appears in the EPA as definitely settled. Indeed, the SDT provisions of the EPA are not qualitatively improved from those at the WTO.

The contentious planks relating to design and architecture flaws of the negotiating modalities of the EPA, undermined the search for a “partnership of equals”. These include:

- The *relative autonomy*, which both the EU Trade Commission and the Caribbean Negotiating Machinery (CRNM) have been able to exercise over the negotiating process despite their protestations that stakeholder consultations drove the process (*plank 4*);
- The seldom discussed *Global Europe* project advanced by the EU as the guiding force behind the formation of the six ACP-EPAs (*plank 5*); and the negotiating asymmetry inherent in the failure of CARIFORUM States to project a clear CARIFORUM objective preference function or *Project Caribbean*. Although made up of generally small and vulnerable countries, the Region is heterogeneous in resource structures, development capacities, levels of living, and geo-strategic interests and this therefore makes a “one-size-fits-all” negotiating mandate difficult to accomplish to everyone’s “reasonable satisfaction” (*plank 6*);

- The further complication is that CARIFORUM is a negotiating abstraction carved out of various European ex-colonial territories in the Caribbean. CARICOM, however, was established by the Treaty of Chaguaramas (1973) and now comprises independent English-speaking Caribbean states as well as Haiti and Suriname. A full CARICOM-Dominican Republic framework for the matters covered in the EPAs has not been the subject of prior agreement (*plank 7*).

The eighth contentious plank on which the EPA rests is the EU-imposed sub-divisions of the ACP political grouping into six separate negotiating EPAs. This created practical scope for “divide and rule” tactics to be used. In point of fact, several observers believe the EU did resort to this tactic, especially when it invoked the spectre of impending Generalised System of Preference (GSP) duties on non-LDCs as the December 31, 2007 deadline approached. Ninth, legally, the WTO waiver deadline of December 31, 2007, did not require more than a trade in goods agreement to establish compatibility and thus extend the Cotonou Agreement, if it were mutually agreed for the countries to pursue this route.

The “aid for trade” proposal and its relation to the EPAs is the tenth contentious plank. It is, to say the least, unclear whether this is a financially appropriate and viable inclusion of additional finance for the purposes of meeting adjustment and development costs occasioned by trade liberalisation under the EPA. The Eleventh is a very special case. The Treaty establishing the Sugar Protocol has been “mutually” treated as a preference arrangement, which it is not. ACP governments and sugar producers were clearly pressured by the EU to permit the “denunciation” of the Treaty. Twelfth, concretizing an autonomous-driven regional integration process has been pre-empted by the EPA.

Finally, how will CARICOM handle impending external trade negotiations with the USA considering that the USA, is the Region’s primary trading partner? (13) and a political economy assessment of the role of “leadership, vision, political will, and peoples involvement” in something as profound and far reaching in its consequences for the Region (14).

Several of these contentious planks are discussed further in this study. However, central to all is the observation of Timothy Kondo (2007) that the draft EPA, which formed the basis of negotiations for his region and

the EU, was prepared by the EU itself. Marc Maes (2007) reiterated this more generally when he said:

“The texts that the Commission has tabled have reflected the Commission’s approach to global trade. They do not reflect the interests and needs of ACP countries.”

Critiques of the Process

This study does not seek to deny or even contest the right of the EC to pursue in its own deliberate judgement, its interests when designing the EPAs. However, within Europe, its tactics and *modus operandi* have come under severe criticism and censure from Europeans. At the time of Britain’s Presidency of the EU and the appointment of Peter Mandelson as EC Trade Commissioner, the Select Committee on International Development of the United Kingdom Parliament reviewed the ongoing EPA negotiations for which purpose it interviewed key officials, including those at DFID and DTI. In its Sixth Report, it expressed four concerns of enormous significance to our present review of the EPA.

Firstly, it condemned the negotiations for being non-transparent and conducted away from effective public scrutiny in parallel to the Doha Round of negotiations. Thus the Report laments:

“The lack of public scrutiny over the negotiation process between one of the world’s more powerful economic actors, the EU, and 79 of the world’s poorest economies, the African, Caribbean and Pacific group of states (ACP). Outside of a small trade circle, very little notice is being taken of these negotiations which are running parallel to the WTO’s Doha ‘development’ round.”

Secondly, the Committee noted that it was unfair to the ACP for the EU to push an agreement through without *special and differential treatment* and pressed for the developing status of the ACP countries to be guaranteed. Thus the Report states:

“The negotiations will fundamentally alter the trade relationship between the EU and the ACP. In particular, the ACP group, which used to be the most preferred trading partner of the EU, will be moving from non-reciprocal preferential access to reciprocal trading

arrangements with the EU. Because of slow progress at the WTO, the EU cannot guarantee to offer the ACP states consideration of their development status in these new Partnership Agreements. Without special and differential treatment, the agreements will not be fair."

Thirdly, the Committee advised of potential conflict with regional integration efforts in the ACP states. It advised that ACP positions at the WTO were being subverted by the piece-meal, region-by-region mode of negotiations, which the EU had foisted on the process:

"Any agreement offered to the ACP must have a developmental component; should not conflict with regional integration processes; should not demand liberalisation in sectors where the EU has not itself liberalised; and should not seek to put onto the agenda in regional negotiations, issues which the ACP group has previously rejected as the all ACP level."

Finally, the Committee was appalled by reports of the cynical, manipulative way the EU was handling the negotiations, comparing it to a game of poker, where the winner takes all. It denounced the abuse of the unequal power relation in the process:

"That the EU is approaching the negotiations with the ACP as if they were playing a game of poker. The Commission is refusing to lay its cards on the table and to dispel the ACP's fear that it stands to lose more than it will gain . . . The ACP is negotiating under considerable duress and the EU approach emphasises the unequal nature of the negotiation process."

Of further note, on the eve of the official launch of the EPA negotiations, the *Cotonou Monitoring Group* requested a review of the ACP guidelines and the EU negotiating mandates, and in its report an early indication of what the Select Committee subsequently noted can be found. The review stated:

"Despite its over-riding policy emphasis on poverty eradication and sustainable development, for the EU the ACP-EU negotiations

are primarily about one thing, namely, achieving the 'progressive and reciprocal liberalisation of trade in goods and services, in accordance with WTO rules, not taking into account the level of development of the ACP countries and the economic, social and environmental constraints they are facing'. The emphasis is very much on 'removing progressively barriers to trade'. This is the overwhelming focus of the EU negotiating directives."

The review went on to observe that the EU negotiating directives virtually assumed *a priori* that reciprocity was accepted as the goal of the ACP since there was really no provision for effective alternative trade arrangements, even though these were listed as an option under the terms of the Cotonou Agreement.

Lessons Not Learned

Crucial lessons could have been drawn from the experiences of the precursors to the EPA (the Lomé Conventions and the Cotonou Agreement). Had these been adequately embraced into the framing of the EPA, there might have been greater acceptance and much less controversy. While it can be said that the EC mismanaged the overall negotiating process, it was nevertheless able to get away with much of this because of the asymmetric negotiating capacities across the six EPAs. This circumstance gave the EC room to balance the simultaneous pursuit of its mercantilist self-interest in the EPAs (especially vis-à-vis other developed regions and emerging economies like Brazil, China and India), while simultaneously promoting its multilateral vision as enshrined in the Global Europe project, and the claim of the EPAs being a "partnership among equals", (See Part III).

However, the experience of previous economic arrangements between the EU and CARICOM reveals some disturbing occurrences. The first is that while the EPA was originally envisaged as the *successor arrangement for trade* in the Cotonou Agreement (2000-2020), which provided for renegotiation of its trade aspects after eight (8) years in order to meet the WTO-waiver deadline, three features were initially expected to remain embedded in the Cotonou Agreement. Firstly there was the *moral* recognition that the funding arrangements of Cotonou were partial indemnification for Europe's brutal colonial exploitation of the ACP countries. Secondly, owing to the vast disparities in economic, technological and financial capacities of the two areas in the negotiations,

these could not be expected to depend *principally* on market-based trade liberalisation modalities *and simultaneously* produce mutual gains for the Parties. To secure mutual gains, the previous arrangements had embraced *non-reciprocity* and this was expected to continue. Thirdly, the Cotonou Agreement *politically affirmed and promoted the ACP* as a major grouping of developing countries, including a large number of small vulnerable ones in the global community.

The second disturbing occurrence to be drawn from past experiences is that no sooner had the “ink dried” on the Cotonou Agreement in 2000, than a year later, the EC announced the “Everything But Arms Agreement” (EBA). The EBA offered, *in principle*, to the Least Developed Countries (LDCs), *non-reciprocal duty-free access* to the EC market for all exported goods except arms. As it became evident however, this was a morally suspect concession, portrayed by the EU as “generosity” on its part. When the EBA was put under scrutiny it was seen to be making offers largely at the expense of non-LDC exports from ACP countries to the EC! We have already noted the effects of this on Special Preferential Sugar (SPS). This development produced a huge outcry and loud condemnation of EU duplicity in the CARICOM region.

A third disturbing occurrence is that concurrent with the EPA negotiations, the EU was deeply involved in shaping the WTO and promoting a European vision of its evolution. On several issues this met stern opposition from developing and emerging economies at the WTO. CARICOM countries were, of course, deeply involved in the WTO negotiations, negotiating in supposed solidarity with other developing countries, especially SIDS. Whether we like it or not, the EPA contradicts several positions taken by SIDS during the Doha Round of negotiations.

A fourth disturbing occurrence is that the Caribbean Regional Negotiating Machinery (CRNM) was established to handle external trade negotiations and negotiated the EPA on behalf of CARICOM. It was surprisingly established independent of the CARICOM Secretariat, which is the Region’s main institutional focus in the area of trade policy reform within the Region. Finally, *two* key economic lessons must be drawn from past experiences. These refer to two *intractable problems*. One is that legal access to overseas markets for CARICOM’s exports (except perhaps the traditional ones) is far removed from effective determination of sales in these markets. This reflects the weak development capacity of the area, and still remains an intractable problem. The second is that ensuring available

EU resources/aid to fight poverty and develop regional economies *translate* into effective development results is also an intractable problem, which speaks to Europe's continuing inability to effectively manage and disburse aid.

Repackaging Aid

Cotonou Funding

The success of the EPA requires more than improved market access, trade liberalization and strengthened rules for regulating trade and trade-related relations. This is indeed a truism, given the circumstances of the global economy and the drivers of change in global markets. The EC itself has recognized this in its official publications (See EC, 2007) and has tried to infuse it, unsuccessfully we shall argue, into the CARIFORUM-EC EPA. As we noted earlier in Section 5, the development dimension of the EPA substantially hinges on the provision of development assistance to boost CARIFORUM's institutional, infrastructural, regulatory and productive capacities at the national and regional levels, so as to reduce its supply side constraints, overcome structural weaknesses and promote a sustainable expansion in exports both to the EU and the Rest of the World. The question that arises is: how likely is the development assistance to be forthcoming in a timely and effective manner?

The EC, in its approach to financial assistance for ACP countries, appears to be torn by two contradictory tendencies. On the one hand, there is a realisation that its past colonial excesses are in no small measure responsible for much of the development predicaments which many poor countries and regions face around the world. This has no doubt inspired in large measure, its Cotonou funding. On the other hand, the EU sees the need to pursue its economic self-interest vigorously at the global level, while seizing whatever mercantilist options arise. In the process, the EU has earned a suspect reputation as a provider of development assistance. While undoubtedly quicker than other developed economies to promise new envelopes of aid funding and to promote new delivery mechanisms, its actual track record in effective aid delivery is poor. This, as we pointed out, is one of the sad lessons of both the Lomé Conventions and the Cotonou Agreement. Regional governments, private sector and civil society groups all view EU aid to CARICOM as burdened by two defects, namely, an overly bureaucratic, cumbersome and protracted delivery mechanism;

and seemingly benefiting principally those European consultancy firms which have mastered the craft of negotiating the EU's serpentine aid bureaucracy.

The problem that causes the greatest concern is that signing on to the EPA is not legally tied to any specific EPA financing. Indeed, no specific incremental funds attached to the EPA are provided or, for that matter, promised. What is promised is that with the funds *already committed* by the EC to the European Development Fund (EDF) arising from the Cotonou Agreement, and its companion Aid-for-Trade proposals, laid at the WTO in 2005, the EU will make a best endeavour effort to support the financing of the development dimension of the EPA. The details are that, under the 10th EDF, the EU is pledging overall 23 billion Euros to the 79 ACP countries over a seven year period. This averages 3.3 billion Euros annually and most importantly, it is pledged under the Cotonou Agreement, not the EPA. Of this amount, 165 million Euros are promised to the Region, of which 132 million Euros go toward CARIFORUM and the remainder (33 million Euros) go towards the EPA. From the sum of 132 million Euros, 85 percent go to the areas of the regional indicative programme and the remaining 15 percent goes to non-focal areas such as social issues and vulnerabilities. Overall, the EU will also make a best endeavour effort to steer 60 percent of the 10th EDF, which came into force on July 1, 2008, (1.3 billion Euros) to the EPAs.

Many readers may find it hard to believe that given the way EU assistance to the EPAs is being advertised, there is no incremental funding attached to the EPA. In a published interview, Louis Michel, the then EU Development Commissioner made this clear. When asked: "Will there be additional financing beyond the EDF to accompany EPA's?" EU Development Commissioner Louis Michel replied as follows:

"This is a question I am often asked. I have to say that as far as the EDF and the Commission are concerned, there will be no further financing." (Trade Negotiations Insight, February 2008, p.4).

In the same Interview, the EU Development Commissioner further pointed out:

*"We must emphasise that the countries that have not signed an EPA have not been **penalised**. They will benefit from the same financing*

within the EDF framework. This financing is allocated on the basis of development criteria which are independent of the position they take in relation to the EPA.” (My emphasis, ibid, p.4)

Some details on the EDF will be useful at this stage. Firstly, the EDF is the established source of financing that came into effect with the first Lomé Convention. This funding has been provided on a “voluntary” basis by EU members in the sense that it falls outside the normal EU budgetary process. Secondly, this funding was provided on a 5-year cycle through the four Lomé Conventions and up to the Cotonou Agreement. Thirdly, each 5-year cycle had originally commenced on the date of signing of the agreement between the EC and ACP, but with the Cotonou Agreement (2000), the date of ratification or its legal entry into force by EU members became the starting date. Harrison (2008), who has written on the EDF process, points out, that the shift in the starting date to ratification by EU Parliaments produced delays, with the result that the 9th EDF “has nominally run from 2002 to 2008”.

There were, however, more significant changes to the practice of making available EU funding to the ACP. Prompted no doubt by long delays between aid commitment and delivery (as Harrison points out there were cases of delays for as long as 17 years), the EC shifted to a “use it or lose it” modality for dispensing funds through the EDF. Starting with the Lomé Convention, funds committed to an ACP country or region could not be “de-committed”:

“Under the Cotonou Agreement this approach changed, with the EU setting an end date by which NIP/RIP funds needed to be legally committed . . . If by this date the funds had not been legally committed, then they could be de-committed.” (Harrison, 2008)

The procedure would be to retire the funds to the general reserve from where they “could be used at the discretion of the EC, subject to approval by the joint ACP-EU Council of Ministers”, (*ibid*, 2008).

Harrison’s concern is twofold. Firstly, it shows that changing EU practice in making funds available has cost the ACP region to lose potential resources through slippages in the EDF financing cycle. Secondly, given the EU’s global commitments to provide aid to developing countries, there has been a considerable shortfall between publicly declared intent

and actual commitments. Basing the expectation of EU's financing on its commitment at the G8 Gleneagles Summit (0.39 percent, 0.56 percent, 0.70 percent of Gross National Income by 2006, 2010, and 2015, respectively), the EU's aid allocation directed to EDF funding should show a far more substantial increase, based on the EDF share of the EU's development financing.

The significance of the above discussion is to draw attention to the fact that based on the EU's track-record, statements of good intent could hardly be enough in such crucial areas of the EPA as its development financing obligations, its certainty and its modes of delivery.

Aid for Trade

A similar tendentious situation exists with regard to the EU's celebrated ***Aid for Trade proposal***. That proposal was put to the WTO in 2005. What the CARIFORUM-EC EPA provides are only best endeavour, good faith statements about linking this previously and separately promised Aid for Trade to the EPA. Like the EDF, no additional specific financing is committed to the proposal in the text of the Agreement. Moreover, the EU Aid-for-Trade proposal is clearly not EPA-inspired in its origin. It is indisputably WTO-inspired and was first made at the time of the Hong Kong Ministerial (2005). It remains at the WTO as part of the EU's efforts to kick-start the Doha Round of Negotiations. Indeed, it is not linked directly to the successful conclusion of that Doha Round. As Barbara Specht (2007) observes:

"The Aid for Trade [proposal] is thus not a substitute for the successful conclusion of the Doha Development Agenda, nor is it linked to the successful conclusion of the EPAs." (Specht, Barbara, 2007).

On October 15, 2007, the Council of the EU agreed to the Aid for Trade proposal to which the EC and Member States were to be committed. The details of the Proposal are that the EU is offering 2 billion Euros per year beginning in 2010. Half of this amount would be supplied by the European Commission from ***already*** available funding (another re-packaging) and the other half would come from Member States. Currently, the European Commission provides 840 million Euros and the Member States, 300 million Euros for Aid for Trade. The hope is that

Member States would increase to 600 million Euros by 2009, reaching the one billion Euros target by 2010.

As pointed out, the provision of this funding is not dependent on the successful conclusion of the Doha Round of negotiations. The financial commitments are expected to be attained by 2010 and refer only to *trade-related assistance* where the EU has taken the lead among the G8 countries. No effective financial promises have been made concerning the wider *aid for trade agenda*.

This basic reservation apart, there are other concerns over the provision of EU assistance. One is the absence of specific, legally binding, time-bound provisions for the *delivery* of assistance through *clearly specified delivery* mechanisms. This vagueness of the EU development assistance is accompanied with a liberal dose of laudable objectives and good faith/best endeavour provisions. This, however, heightens the contrast to the specific, time-bound, legal provisions of the trade dimension of the EPA, which impacts CARIFORUM severely. Further, the aid for trade proposal appears to be more a demand-driven modality than a supply-directed one. In other circumstances this would be fine, except that attached to the proposal are numerous caveats, which provide the EU with lots of opt-out opportunities, if it so desired.

The most disconcerting aspect of the EU's repackaging of aid envelopes is that the development dimension of the EPA can only be made secure if the EU's commitments are legal, time-bound, specific and subject to the legal provisions of the Dispute Avoidance and Settlement provisions in the EPA. The main objectives of the Aid-for-Trade proposal have been stated as:

- Promoting the more effective use of trade in promoting growth and employment, reducing poverty and meeting the development objectives of the EPA;
- Improving access to global markets by addressing supply capacity and trade-related infrastructure;
- Assisting with the implementation of trade reform and its required adjustments;
- Assisting regional integration;
- Assisting liberalisation and adjustment into the global trading system.

In the strategy for achieving these objectives, emphasis is placed on 1) the volume of resources, 2) its quality, 3) its implementation, and 4) monitoring and reporting.

Five categories of Aid for Trade were identified in the original WTO proposal, with the first two combined as the trade-related assistance which is emphasised in the EPA. These are:

- 1) Trade policy and trade regulation (for multilateral trade negotiations and legislative implementation).
- 2) Trade development (including the business climate/support services/institutions).
- 3) Trade-related infrastructure.
- 4) Productive E-capacities.
- 5) Trade-related adjustment.

Consultations, Economic Governance and Global Europe

The Consultation Process

It has been widely advertised by the Caribbean Regional Negotiating Machinery (CRNM) and the EC Negotiating Body that highly successful stakeholder consultations took place during the negotiations. Details of the many regional Meetings give the impression that once the CRNM, as the negotiating entity for CARICOM, agreed to proposals at the bargaining table, then *ipso facto*, it could be assumed that regional stakeholders' ownership was assured. This is a very contentious assumption, since the content, form and other modalities of the consultations were flawed.

The CRNM claims:

“The process of negotiations of the EPA began years ago and involved a wide range of stakeholders. These stakeholders included State representatives, the private sector and non-state actors [. . .] Several fora were established to formulate regional negotiating positions. National positions which were formulated through national consultations, as well as the positions of regional sectoral interests and regional NGOs, were systematically harmonised and refined into coherent regional negotiating positions. This

coordination activity took place through a series of meetings which were open to officials from all Member States, the regional secretariats, regional private sector and the NGO community. This forum of the Technical Working Group (TWG) convened at least 29 meetings since the official launch of the EPA negotiations in 2004. Of that total, 11 were devoted to market access issues in goods. Consultations on services were also considerable as 8 TWGs were convened. Through these processes, the ensuing dialogue and exchange of positions through proposals and research papers would have engendered continuous consensus building.” (CRNM Website)

There was however, a large gap between the CRNM’s rather formulaic description of the consultation process and the reality of those consultations. One finds that just as there were marked negotiating asymmetries between the EU Negotiating Body and CRNM, similar asymmetries existed between the CRNM and CARICOM Member States, including the various national and regional private sector bodies.

During the process, several weaknesses emerged, the most important being that the *scope* of the consultations was limited to two options. One was the EPA and the other was, failing that, the EU’s resort to the General System of Preferences (GSP) duties in order to satisfy the requirements of the WTO-waiver to 31/12/07. The choice for those who challenged the EPA concept was reduced therefore, to the lesser of two evils. No effort was made to explore outside the EPA box for non-EPA, non-GSP options, within the evolving framework of the Doha Development Round. As it turned out, it was left to think-tanks in Europe and the USA to explore these options and make public their findings.

A fuller analysis of this is taken up in Section V. The point being made here is that the methodology of CRNM’s consultations was flawed by its own deliberate avoidance of consideration of options other than the two on offer by the EU. The Region, therefore, was largely reactive to EU positions. Realising this, the EU was insistent that it had no “Plan B” in the event of the WTO-waiver deadline being breached. In the absence of counterproposals from CARIFORUM (or for that matter, other ACP-EPA groupings) other options were effectively foreclosed and the only ones that remained were those of an EPA or the imposition of GSP duties on non-LDCs, leaving LDCs to resort to EBA status, if they desired.

A second weakness was that participation at the regional Meetings was low and from all reports, the level of stakeholders' understanding of the EPA was also low. Sacha Silva, the Commonwealth Secretariat/IDB Advisor to the Region on the Market Access Offer describes the situation as follows:

"The second goal was to conduct country-by-country consultations across the public and civil society sectors[. . .]in many countries, turnout was low and understanding of the EPA limited among the various stakeholders, even after two rounds of country consultations which were eventually conducted." (Sacha Silva, Trade Negotiations Insight, February 2008, p.9)

A third weakness was that Member States' technical capacity to contribute was very unevenly distributed. It is reported that in some smaller states there was not even a single full-time person assigned to this task!

A fourth weakness was that available human resources were over-stretched. An unfortunate ritual of "musical chairs" therefore took place as the same person was asked to perform multiple roles at varying levels of authority not only at varying times during the process, but at times, even during the same Meeting!

Fifthly, as the negotiating process unfolded, it became evident that a "one-size-fits-all" approach was unfeasible. The uneven negotiating capacities of Member States were not due to lack of interest or commitment but indeed, reflected a more fundamental variation in their size, development levels and, long-run resources, structural transformation and development goals. Thus, for example, relatively resource-rich commodity-exporting economies like those of Belize, Guyana, Jamaica, Suriname and Trinidad and Tobago have strategic economic interests dissimilar to the more service-intensive economies like Antigua and Barbuda and Barbados. Indeed, even within the former grouping, energy-rich exporting Trinidad and Tobago has a different commodity outlook than, say, Belize and Guyana to whom, for example, the Sugar Protocol is most crucial. Such variations are exceptionally difficult to harmonise in one negotiating body, especially when operating on a unanimity principle. This situation added to the complexity of the task and to the emergence of the *relative autonomy* of the CRNM.

It seemed also as if the CRNM and the EU were impatient when these *structural weaknesses* slowed the process. If the goal were a satisfactory EPA and not pre-established deadlines, then these structural weaknesses, which stemmed from genuine regional unevenness of the countries negotiating, might have been better accommodated. The process was instead more “deadline-driven” than “goal-driven”, so that lagging states ended up in a situation where *de facto*, they were forced to surrender their negotiating authority to the CRNM. Meanwhile, unwisely, the CRNM was in haste to sign the “first full comprehensive EPA”.

There were also other considerations. One, in particular, was the *relative autonomy* referred to above. It is almost a natural law that large organisations created by the state and dedicated to operate in areas of complex and technical matters develop relative autonomy in relation to the State. Where many States are involved as the originating body, this phenomenon manifests itself more strongly. Experience has also shown that adept leadership can expand the “degrees of freedom” for relatively autonomous action by large organisations in relation to their State sponsors. Thus, the EU Trade Commission has played a significant autonomous role in shaping the views of Member States about the evolution of the global economy and Europe’s role in this, the so-called *Global Europe* project. The CRNM, although far less so, has also been able to expand its authority over the negotiating process because of relative autonomy. The CRNM was definitely aided by having to deal with several states with limited capacities to cope with a process heavily driven by timelines.

The EU has touted the EPAs as a breakthrough in economic partnership arrangements between rich and poor countries, with the objective of putting trade at the service of development. As the WTO-waiver deadline became imminent in the last quarter of 2007, the EU put enormous pressure on the six negotiating regions to conclude EPAs. As we now know, only one full EPA was achieved and the remainder are Interim EPAs. In the circumstances, the CARIFORUM-EU EPA clearly helped the EU to “save face”. The all-ACP response to EU pressure was fierce. Thus, the ACP Council of Ministers at its 86th Session on December 13, 2007, declared that it:

“Deplores [d] the enormous pressure that has been brought to bear on the ACP States by the European Commission to initial the interim trade arrangements, contrary to the spirit of the ACP-EU

partnership.” (ACP Council of Ministers, Declaration, December 13, 2007).

Finally, there is an obvious contradiction in the CRNM responding to regional critics by claiming, on the one hand, that EU pressure was intense, and that, given the deadline date of 31/12/07 and the threat of the imposition of GSP duties, there was no alternative for the Region, and *simultaneously* claiming that the Agreement is eminently satisfactory. The Region cannot at one and the same time claim full partnership status and ownership of the Agreement and on the other, that it took action, defensively! A similar contradiction arises on the part of the EU. For the sake of convenience, simplicity, and speed it was easier for the EU to treat CRNM *acceptance* of proposals as signifying full stakeholder *ownership* of the details behind these proposals. There was no incentive to challenge this, given the pressure of deadlines the process faced. In this regard, and in retrospect, the EU clearly exercised poor judgement.

EPA Fall Out: Governance in CARICOM

The decision to create a specialized agency (CRNM) to pilot the negotiations with the EC was made as part of a broader remit to have that agency deal with all issues related to external trade negotiations. This was necessary at the time, given the fiasco attending the preceding WTO negotiations, where there was no effective CARICOM coordination. The revealed weakness of that decision is its failure to locate the CRNM properly within the governance framework arrangements of CARICOM and, in particular, to specify unambiguously, its relations with the CARICOM Secretariat. That failure resulted in a “dual-headed” arrangement which has, over the years, systemically hampered the integration of external trade negotiations and the promotion of the Caribbean Single Market and Economy. While there is clearly an organic relation between the two, the “dual-headed” arrangement unintendedly militates against it. This contradiction has not produced, so far, discernible public conflicts between the two bodies. But if unambiguous priority is to be given to the regional integration process, then the CRNM must necessarily be reporting directly to the CARICOM Secretariat, which has not been the case thus far.

As a consequence, the just concluded EPA has included in its administrative and organisational arrangements, which give EPA institutions a greater degree of “sovereignty” over the domestic economic

affairs of CARICOM than does the Treaty of Chaguaramas, which established the Secretariat and organs of CARICOM. Since EPA bodies are jointly controlled by the EC and CARIFORUM Member States, this is clearly unacceptable. In addition, there is the vexatious issue of funding. Both the CARICOM Secretariat and the CRNM are largely externally funded. It is anomalous that the Region's political leaders would advocate CARICOM as their topmost priority and yet do not feel compelled to ask their constituents to fund the process! Apart, however, from this general concern, there is a more specific concern, which arises from the fact that the Region has the CRNM routinely requesting funding for its negotiations from the very countries with which it is negotiating.

It would appear that no spoken or written directives have been given by the EC to the CRNM or CARIFORUM States, but clearly, there is a conflict of interest on the part of both Parties to the Agreement as the arrangements were *not* arm's length. How much this may have led to self-imposed restrictions on the scope of CRNM actions will never be known. Once again, the fault of this situation does not lie entirely at the door of the CRNM, but speaks volumes about the quality of economic governance which generally prevails in the Region.

Next Steps

After initialling the EPA in December 2007, the legal steps required by CARIFORUM to put the EPA into operation were 1) formal Ministerial signature by March 15, 2008 and, 2) putting in place the administrative and legal instruments in order to make the EPA operational by April 15, 2008. However, at the CARICOM Heads of Government Summit (March 7-8, 2008), it was decided to reschedule the formal signing to June. Later, this was shifted several times and finally, on October 16, 2008, 13 CARICOM Member States signed at an official ceremony in Barbados. Later, Guyana signed on October 20 in Brussels. Haiti is yet to sign. The events surrounding these occurrences will be discussed in the next (final) section. It should be noted that, the initial reasons given for the postponement were technical and related to the completion of the legal text and its translation into other CARICOM languages. However, it later emerged that some CARICOM Governments were having second thoughts on the EPA in its present form (particularly Guyana), which occasioned the delays until October.

It is not much referred to, but the EU also had two steps to take to move from initialling to the formal signing of the Agreement: 1) A Council decision to authorise the signature of the initialled Agreement; and, 2) Assent of the European Parliament. After that, the Parties to the EPA had to *notify* the WTO.

The institutional framework for the next steps, including provisions, bodies and scope of operations are *legally* specified in the text of the EPA (Part V), Institutional Provisions Articles 227-232. At the apex is a ***Joint CARIFORUM-EC Council***. This is the highest organ and has overall responsibility for actualising the EPA in all its aspects, including supervision, monitoring, trouble-shooting and reviewing the EPA. This Council is at Ministerial level and will comprise representatives of Signatory CARIFORUM States and Members of the Council of the European Commission (EC) and the EC itself.

Chairmanship of the Joint Council alternates and the Council reports to the Council of Ministers under Article 15 of the Cotonou Agreement. The Joint Council has powers to make binding decisions on matters where CARIFORUM agrees to act collectively. These decisions are adopted by the Council. Recommendations can also be made to it. For matters not agreed to for collective decision, these require the agreement of individual CARIFORUM States for adoption. The Council is scheduled to meet at regular intervals of at least two (2) years. As a general rule, all major issues arising within the framework of the EPA can be addressed by the EPA *including* any other bilateral, multilateral or international questions of common interest and affecting the trade between the Parties to the Agreement. In this and other regards, the Council seemingly has more authority over the Region's external trade than CARICOM organs.

There is also a CARIFORUM-EC ***Trade and Development Committee*** comprising senior officials of the Parties to the Agreement. This body services the Council and assists it in the execution of its responsibilities. It is thus responsible for ensuring that disputes are resolved and that the opportunities afforded by the agreement for trade, investment and business ventures are effectively utilised. In this regard, it has responsibilities for securing both the development and trade objectives of the EPA.

The Chairmanship of the Committee alternates similar to the Joint Council. This Committee can establish Special Committees, as needed. It is also required to meet regularly, at least once a year in alternating locations of the European Union or a Signatory CARIFORUM State. Finally, this

body has the responsibility to pursue development cooperation and other related functions in regard to development as part of its remit to ensure the proper application of the provisions of the Agreement and overseeing the elaboration of the Agreement.

There are also two other non-specialist Committees, namely, the CARIFORUM-EC Parliamentary Committee and a CARIFORUM-EC Consultative Committee. The former comprises representatives of the various Parliaments that are Party to the Agreement and the latter, organizations of civil society. The CARIFORUM-EC Parliamentary Committee meets to exchange views and cooperates with the Joint Parliamentary Committee under Article 17 of the Cotonou Agreement. Like the other Committees, the Chair alternates. This Committee has to be informed of the decisions and recommendations of the Joint Committee and in turn, it may make recommendations to the Joint Council and the Trade and Development Committees.

The Consultation Committee is expected “to promote dialogue and cooperation between representatives of organisations of civil society, including the academic community, and social and economic partners”. In this regard, it functions to assist the Joint Council, which body selects the Members of the Consultative Committee. The Consultative Committee may make recommendations to the higher two bodies: the Joint Council and the Trade and Development Committee.

The Global Europe Project

The EU has promulgated a ***Global Europe*** project, which it says defines and motivates its actions in the global economy. From this vantage point the moral duplicity, intellectual dishonesty and contradictions inherent to several of the EU's actions previously reviewed in this study are best understood.

“Projectionism” and the Global Europe Project

In recent years, the EU's ***Global Europe*** project has been mainly articulated through the writings and commentaries of Peter Mandelson, the former EC Trade Commissioner. On the occasion of the Alcuin Lecture at Cambridge University (February 8, 2008), the theses behind this Project were further elaborated as indispensable actions that the EU must pursue in order to secure what he terms the sustenance of the “openness boom”. It is argued that the “rising tide of global prosperity” rests on this boom. It is

further urged by Mandelson that such a vision should inform indefinitely *all* of Europe's future external trade and development agendas.

In essence, the Global Europe project assesses that the two decades-long "openness boom" is here to stay. It concedes to its critics that the "openness boom" faces two fundamental long-run challenges. Firstly, "environmental damage", and secondly, "risky political consequences". It is nevertheless, advanced that the EU's role is to resolutely promote continued global openness. Disengagement from this pursuit, or an inward-looking Europe, would be calamitous at this stage. Moreover, the project urges that in the face of the political challenges posed by the huge gains which states like Russia and China are receiving from the boom, graver political risks would follow if the EU turned inwards.

Mandelson proposes that a coherent EU response should be rooted in the notion of "projectionism", not protectionism. By this is meant enhancing Europe's capacity to *project* its interests and values onto the world as steering modalities, even as globalisation continues to advance rapidly in the 21st Century. In the lecture, the former EC Trade Commissioner asserts:

"Politics in Europe and a conception of the European Union that equips us to shape the openness boom, not abandon it and, in doing so, project our values and our interests in a changing world." (Mandelson, Peter. The Alcuin Lecture, Cambridge, University, February, 2008, p.2).

He then goes on to point out more bluntly:

*"Asia may have pressed on the accelerator, but **we have kept a steady hand on the wheel** . . . The EU as a whole has prospered from the openness boom."* (my emphasis. Ibid, p.3).

As a consequence, the EC pursues its global trade agenda *multilaterally* through the WTO. *Bilateral* agendas, such as the EPAs [and what it terms as "autonomous measures" on its Website, such as the Generalised System of Preference (GSP) and the Everything But Arms Agreement (EBA)] are designed to serve, not substitute, for this global agenda.

Two crucial considerations flow from this analysis. One is, it must be conceded that the EC is entitled to promote its national interests based

on its world view. It is CARICOM's responsibility to establish a clear distinction as to where the EC's autonomous philanthropy begins and *real—politik* ends. CARICOM cannot assume an invariant dispassionate objective EC in situations where its national interests and those of the EC's diverge. Indeed, the EC has never hidden its deep intent in the EPA negotiations, no matter what its negotiators might have said to the contrary.

To quote again:

"The Economic Partnership Agreement (EPAs) are not an end in themselves, but are intended to act as a stepping stone to the gradual integration of the ACP countries into the world economy."

(European Commission Website,
External Trade, Trade Issues).

The second consideration is that there has not been the similar provision of a coherent and sustained elaboration (for the benefit of CARICOM citizens and others) of a ***Project Caribbean*** with which to steer the Region's negotiations. Implicit, however, to every major action along the way, especially regional efforts to construct the CSME, is the vision of promoting an open regionalism, which builds CARICOM as a platform for sustainable engagement in the wider global economy. Given the uneven and asymmetric distribution of power, development levels and capacities globally, engagement in the international economy has to be sequenced and firmly rooted in the priorities of the Region. An "as is" and "where is" engagement in the present global economy poses risks for all countries. But while none of these is likely to produce catastrophic results for the EU; they could very well do so for CARICOM, considering that it comprises small, vulnerable and relatively poor states. It is this perspective that has guided the analysis of this study.

Little wonder that the EC Trade Commissioner has confidently asserted that even with the Doha Development Round incomplete, "The WTO ***already*** (my emphasis) governs the multilateral trading system with striking effectiveness". Can CARICOM/CARIFORUM say the same?

The Way Forward

From Initialling to Signing the CARIFORUM-EC EPA

While the CARIFORUM-EC, EPA will only become fully operational after another two and a half decades, it can be safely said now that the opening act of the ACP-EC, EPAs saga came to a tawdry conclusion with two developments specifically in relation to the CARIFORUM-EC EPA. One of these is legal and formal. On October 15, 2008, thirteen CARICOM Member States that in December 2007 had the EPA initialled through the CRNM on their behalf, each formally signed it at a ceremony in Barbados. For different reasons, Guyana and Haiti did not sign at the ceremony, although at the time it was expected that they would do so later. Guyana subsequently signed on October 20 in Brussels. As stated by the Guyana Government, this was done in order to beat the deadline date of October 31 set by the EC before it levied tariffs on Guyana's exports to the European Union under the GSP rates offered generally to all developing countries. Haiti is in a different situation. It has been given until 2010 to sign the Agreement. This was reported as being partly due to the dislocating effects of the multiple hurricanes it suffered from in 2008. However, Haiti is classed as a least developed country (LDC) and under the existing EC Everything But Arms Initiative, it is allowed to continue to export to the European Union duty-free, whether it signs the EPA or not.

After heated debates, the Guyana Government had held a National Consultation on the CARIFORUM-EC EPA, in order to arrive at the country's response to the EPA and to provide guidance to the Authorities (*September 5, 2008*). At the Consultation, there emerged a solid consensus in favour of the Government signing on only to those parts of the EPA that dealt with "trade in goods". As stated by several participants in that Consultation, this approach was designed to prevent the European Commission (EC) from claiming that there was a breach of the WTO waiver deadline within which the trade in goods arrangements under the Cotonou Agreement were to have been rectified. Technically, this deadline would have expired on December 31, 2007, if no alternative were in place. However, a WTO Member would have had to activate a complaint of the breach for it to come to formal notice of that body. Knowledgeable persons do not believe that such a complaint would be likely, because there is abundant evidence that the EPA is the subject of active ongoing deliberations between the EC and ACP countries. As a

general rule, countries never bring complaints when active negotiations are still taking place.

Despite adopting this position to give legal coverage to Guyana's opposition, the EC "let it be known" (some would say, threatened) that it would impose GSP tariffs on any CARIFORUM Member State's exports to Europe, if that Member State did not formally sign on the EPA (previously initialled on December 16, 2007 last by the CRNM), by October 31, 2008.

The Guyana Government held a National Consultation, which preceded the pre-planned Heads of Government of CARICOM meeting in Barbados on September 10, 2008. The positions taken at the Guyana National Consultation were reported to the Summit. However, this gathering did not support Guyana's opposition. Some of the reasons given for not doing so sounded extremely naïve, reflecting a disturbing misunderstanding of the EPA and what it represented. Thus, one of the most widely circulated reasons in the media for rejecting Guyana's position is that other CARICOM Heads had claimed that having signed on to the WTO Agreement, the Region cannot reasonably reject the EPA, based as it is on the WTO! Of course, nothing could be further from the truth. The argument is that precisely because the Region has signed on to the WTO Agreement and that agreement has not yet advanced negotiations on many of the topics "negotiated" in the EPA, that caution is being urged. Without the conclusion of WTO negotiations, there are no satisfactory benchmarks or yardsticks with which to guide the Region's bilateral negotiations with the EU.

As far as the EPA goes, the Region is legally bound to WTO arrangements through the requirement to reach a settlement on "trade in goods". It is for this reason it is argued that the Region should have signed on only to the "trade-in-goods" provisions of the EPA and negotiate further on the other contentious areas, such as services and trade-related matters.

An even more naïve argument circulating in the regional media, which was attributed to the Heads of Government's rejection of Guyana's position, is that many countries argued that their economies are services economies so that a "trade in goods" agreement is not relevant to them! It is the argument of this study that it is precisely because their economies are mainly services economies that they should restrict themselves to signing only to the technically required trade in goods portions of the Agreement

and pursue further deliberations on the portions of the EPA which deal with services. They could indeed have profitably used the extra time, since the services provisions in the EPA are very weak.

At this stage, it is instructive to note one important detail about the “trade in goods” commitment. Evidence is there that originally, the EC had intended to propose to the ACP countries that if they liberalised about two-thirds of their markets to European firms, this would satisfy the WTO waiver requirement that “substantially all trade” is liberalised in the EC and ACP States negotiating EPAs. This was later raised to 80-90 percent, no doubt after Europe found the going on this requirement in the negotiations easier than they had originally anticipated!

As the debate raged in the CARICOM Region, it became clearer each day that the length of the overall EPA text, and its highly technical nature (embracing as it does complex legal, economic and trade terminology), militated against efforts to make it the subject of intelligent democratic public dialogue and discourse. The sobering truth, which has emerged is that most laypersons have found the EPA text exceedingly difficult, if not impossible, to follow and comprehend in a meaningful way, in order to be able to assess its implications. This EPA experience allows us to generate some broader propositions on public dialogue. Firstly, the sheer length, technicality and complexity of the Agreement undermine its efficacy as a subject for broad-based democratic discourse and dialogue among a population not trained in its areas of specialization. It is impossible to have broad-based informed public exchanges on any subject for which vital details are not in the possession of those who are not directly engaged in the exchanges. It is for this reason that the claim was previously advanced that no matter how important they are, when matters are overly technical and/or complex, this undermines their utility as the subject for democratic dialogue.

It also demonstrates that because there is a considerable time gap between signing the EPA and its full implementation and impact, political leaders can take the soft option of practising “*moral hazard*”. This occurs because decisions they take now will have consequences many years later when they may not be around or certainly not in power. If the costs of today’s bad decisions will be borne by future generations, “why worry”? This sort of “*moral hazard*” has been frequently exhibited among CARICOM States. It shows up in all manner of decisions, but particularly those related to the environment and national disasters. Whenever disaster

is imminent and its likely costs to the society and economy are obvious, political leaders are usually readily prepared to act. However, they just as often hesitate to secure insurance and use resources to anticipate what is not immediately apparent. In such situations they believe they are saving on expenses today by not taking corrective action. But, given the regular cycles of natural disasters, when they do occur, as they must, they bring immense costs to the country.

The evidence suggests that CARICOM Governments have not only practised moral hazard, some, indeed, have done worse. As Robert Buddan reminds us in a column in the online Jamaica Gleaner of July 13, 2008, captioned “Mendicancy Revisited”, the Jamaican Government, when it came to power in late 2007, took the opposite position to the one it later took on the EPA. In a maiden speech given by Minister Kenneth Baugh at the United Nations General Assembly, he lustily condemned the European Union’s approach in the final stages of the EPA negotiations. He then expressed support for the principle of Special and Differential Treatment for CARICOM-type economies, which was being advocated by Jamaica in the DOHA Development Round of the WTO. Indeed, in that speech he had labelled the European Union’s approach to the EPA negotiations as inequitable and in violation of the principle of global partnership. At about the same time, Prime Minister Golding of Jamaica, in a speech reported by Robert Buddan, was making statements similar to Baugh’s and specifically bemoaning the pace and pre-set deadlines promulgated by the European Union in the EPA negotiations. Additionally, he had highlighted the threat to the Region’s agriculture posed by the European Union’s enormous subsidies.

The second of the two decisive consequences pursuant to the signing of the EPA by CARICOM Member States is that in the circumstances surrounding it in the Region, the myth being perpetrated by the EC that since Cotonou and through the EPAs, it has been promoting a new North-South trade model, a “partnership of equals” has been finally put to rest, once and for all.

In its consistent opposition to the EPA, the Guyana Government pressed at the last minute for a Joint Declaration to accompany its signing. In the end, this was agreed but it provides little more than fig-leaf cover for the many defects in the Agreement. The Joint Declaration calls for two things, namely, 1) a five-yearly review of the operations of the EPA, and 2) a commitment to give earnest consideration to the priority of promoting

the CSME. This latter declaration is in lieu of Guyana's request for the legal insertion of the requirement that if the legal provisions of the EPA text and the Treaty of Chaguaramas, establishing CARICOM conflicted, the latter would take precedence.

In the individual chapters of the EPA, there are several provisions for sectoral reviews with a "view to further liberalisation". The reviews called for by the Joint Declaration, however, seem more explicitly directed at assessing the costs and implications of implementing the Agreement. However, this is not ruled out sectorally in the existing provisions of the EPA.

As both the EC and regional supporters of the EPA boast, the fact is, despite the delays and the debates after its initialling, not a single word in the signed Agreement has been changed. The reality is that the pressure/coercive tactics of the EC during the negotiations and its studied recalcitrance in the face of numerous entreaties to do better for the poor countries of the ACP were matched in the Region by its remarkably successful co-option (not without some intended and unintended connivance) of the Caribbean Regional Negotiating Machinery (CRNM). Many observers feel that the CRNM has not been discomfited by the widespread accusation that it was acting as a "lobbyist" for the EC.

History will show that the craven irresponsibility and rank opportunism displayed by several CARICOM political leaders have created the perfect backdrop to these occurrences. As pointed out above, the practice of moral hazard has become endemic to the Region. Indeed, one may ask: how can it be otherwise? Lacking vision and an independent understanding of the dynamic processes at work globally, regionally and nationally, several political leaders have become easy prey to the EC and CRNM's offerings of 18th and 19th century economic beliefs masquerading as modernity. The failure to consider the redistribution aspects of the CARIFORUM-EC EPA is staggering.

To be fair, the EC ought not to be the main target of criticism for what has transpired. The EC has a binding duty and obligation to protect and promote the commercial interests of its Members, collectively and separately. It has done this brilliantly with the EPA. My criticism is directed solely at its sophistry and pretension when it claims that it has been pursuing exclusively, in an altruistic manner, the needs and priorities of CARICOM and CARIFORUM.

Do Not Forget

The Region should never forget that the CRNM was created as a regional inter-governmental organization to promote its external trade relations. Since these relations derive from the Member States' needs, priorities and capacities collectively, the process of regional integration must in all circumstances take precedence. This is a logical imperative, which the CRNM seems not to have fully accepted and which, through neglect, the political leadership of CARICOM has allowed to persist. Thus, instead of responding to stakeholders' concerns over the EPA with an open frame of mind in a self-critical way, the CRNM has allowed its political function as lobbyist for the EC to take hold. Every disagreement has been put down as "misperception" or simply cast aside as "coming from persons who are against trade liberalisation". While one would have expected the EC to resort to such political ploys and distractions, being an outside agency negotiating with the Region, one cannot accept that an agency directly responsible for pursuing the Region's external trade negotiations should be engaged in such foolishness.

Since its publication, and in most of the published and unpublished papers on the CARIFORUM-EC EPA, not once has there been an author who based his/her argument on being against trade liberalization. All critiques have accepted the inexorable global drive in this direction and place the effort of CARICOM to create an open regionalism, as a needed platform for global engagement. The EPA is a mercantilist instrument that promotes EC interests and creates regimes for the distribution of its benefits primarily to the EU. The collateral damage that mercantilist agreements generate as income and trade redistribution occurs, eventually becomes the source of their undermining.

In conclusion, it must be noted that Guyana has been very shabbily treated by CARICOM'S political leadership. Time will show that the EPA, even before it was formally signed on to, drove a major wedge into the political, economic and social fabric of CARICOM. The long-term transformational significance of Guyana for a self-respecting and sustainable CARICOM region should not be underestimated simply because its economic and political performances in recent decades do not compare with the best in CARICOM. There can be no meaningful self sustaining CARICOM Region if Guyana and all its resources are not at its strategic heart.

After signature, the full EPA officially entered into force pending ratification by Member States, by October 31, 2008. Between signature and ratification it had been provisionally applied.

Leaders Proclaim: The Signing of the EPA as “The Dawn of a New Era”

With the signing of the CARIFORUM-EC EPA on October 15, 2008, by 13 CARICOM Member States, the EC now boasts in international development circles that the Agreement is not only a genuine “partnership of equals” but that it is the “first genuinely comprehensive north-south trade and development agreement in the global economy” (ICTSD, Editorial, *Trade Negotiations Insight* (TNI), Vol. 7 Number 8, 2008). Concurrently, on the occasion of the formal signing of this agreement, the then Minister of Foreign Affairs, Foreign Trade and International Business of Barbados spoke on behalf of CARICOM Member States. This speech has been widely circulated and also reprinted in TNI Volume 7 Number 8, November 2008, with the title: “The Dawn of a New Era: Caribbean Signs EPA with EU. By reputation, the speech has been lauded as a masterly exposition in support of the Agreement and an eloquent rebuttal of regional critics of the EPA. It is certainly well-written, but unintentionally reveals some of the key flaws of the Agreement and thus calls into question the decision by CARICOM’s political leadership to proceed with its signing in the present form. Let us review the central propositions in this speech.

Speaking on behalf of his colleagues, the Minister made it very clear that ultimately:

“Our signature of the EPA agreement on October 15, represents a fundamental signal to the rest of the world that Caribbean countries are maturely and decidedly breaking with a long loved past that has now passed.”

(my emphasis) (Sinckler, 2008)

Myself and to the best of my knowledge, other critical analysts of the EPA have never sought to represent the Region as having “a long loved past” with Europe. If anything, our position is to the contrary. If in the past the Region had secured some advantages in regard to its economic

relations with Europe, this was never put forward, as the Minister seems to be doing as “a past” that was loved, “enjoyed and longed for to continue”. Europe’s relations with the Caribbean have always embodied fierce inequalities just as, indeed, the present EPA does. To suggest otherwise is an alarmingly provocative misreading of both Caribbean historical experiences and the analytical perspective of critics of the EPA. After all, the legacies of Caribbean-European relations are too entangled with episodes of colonial excesses, human bondage, and other brutal forms of economic exploitation to be considered in an endearing manner as “a long loved past”. It is remarkable that such a misleading characterisation could be foisted on the several serious constructive critics of the EPA in the Caribbean and elsewhere.

The Minister also based his case on the need to be pragmatic and practical, rather than theoretical and ideal. As he puts it:

“Clearly there are those who . . . will always say we have not got enough and to keep on negotiating until you get all you want. But surely they too understand that this is impractical and the reality of the agenda set for us does not allow us that luxury.” (my emphasis) (ibid, 2008).

This statement, perhaps not intentionally, confirms what critics have been pointing out: the EPA agenda has been set *for* the Region and not *by* the Region. This is a very important acknowledgement, which no doubt led to the further acknowledgement that “with the signature of the EPA the Region embraces an uncertain future”. As the Minister puts it, this means that the task before the Region:

“Is to set in motion a CARIFORUM—wide process at both regional and national levels to create effective mechanisms and structures . . . to take advantage of the opportunities which this EPA presents.” (ibid, 2008).

In support of this he goes further, to indicate that Barbados had established an EPA Coordination and Implementation Unit, along with several other CARICOM Member States. Remarkably, he then describes the purpose of those bodies to be:

“Charged with the responsibility of studying the entire agreement and devising strategies and programmes to enhance the capacity of Ministries and private sectors to implement, engage and exploit this agreement.” (my emphasis) (ibid, 2008).

This statement certainly raises several concerns. If at this level of Government it is admitted that there is still a need *to study the entire Agreement*, it is distressing. It is reasonable to ask: How can an indefinite trade Agreement not yet studied in its entirety be signed on to by responsible Authorities? This is another remarkable, if again unintended, admission of the correctness of many of the criticisms directed at the CARIFORUM—EC EPA attendant to its negotiation.

Development Support

Underscoring the imprecision and lack of specific time-bound commitments to provide development support in the Agreement, the Minister is reduced to urging the EU to honour its best endeavour commitments on this score. The speech emphasises that:

“The timely delivery of necessary financial support will be vital if the EPA is to achieve the objectives which both sides set out in their negotiating mandates.” (ibid, 2008)

It is evident from the statement above why the Minister, very early in his speech, had referred to the “uncertainty which the Region has embraced with the signature of the EPA” In fact, it must have been somewhat embarrassing for the spokesperson for CARICOM, on such an occasion to have to urge:

“Our EU partner must be reminded of their commitment to provide development support to buttress regional integration, facilitate the implementation of the EPA commitments, and improve supply capacity and competitiveness.” (ibid, 2008)

From the standpoint of critics of the EPA, it is against everything that the Region should stand for that the Minister would have to use such an occasion to plead that the EU’s Aid for Trade (Aft) facility be used as a source of “additional funding for the implementation of a CARIFORUM

EPA”. As I have been at pains to point out in this study, the Aft is not an EPA-specific proposal. Indeed, it was formally laid at the WTO by the EC, in an effort to mobilize developing countries’ support at the Hong Kong Ministerial. In making this plea on the occasion of the signing of the CARIFORUM-EC EPA the Minister, as spokesperson for CARICOM, has explicitly acknowledged the wisdom in the many criticisms of the AFT and the EPAs, as being vague, imprecise, non-specific, and not legally time-bound.

While proclaiming that the CARIFORUM-EC EPA contains a “declaration that the region will benefit from an equitable share of [the EU’s AFT resources],” the Minister goes on to admit:

It must be pointed out that to date, the modalities governing access to the AFT resources of EU Member States have not yet been properly elaborated despite the fact that these were to have been in place since the end of last year . . . Failure to satisfactorily do so or to meet those commitments to their fullest extent will not only compromise the implementation of this agreement and permanently damage our future relation. (ibid, 2008)

There is, when all is said and done, the faintest trace of a threat to EU-CARICOM relations. Alas, this is too late!

The aim of these critiques of the CARIFORUM-EC EPA has been to secure improvements to its arrangements. I sincerely believe that those who have been publicly associated with critiques of the EPA process share the same position. In that spirit, it is anticipated that this examination of the proclamation of the “dawn of a new era” would encourage CARICOM leaders to distance themselves from such embarrassing excesses, especially on the auspicious occasion of the formal signing of the EPA text.

When all is said and done the CARIFORUM-EC EPA was formally signed (October 2008), even as the private housing market bubble had burst in the United States, leading to a gargantuan credit crunch, financial crisis, and recession worldwide. Indeed, the data show that the US was in a formal recession since the ending of 2007. The spread of these occurrences from the US to the rest of the world, and to Europe, in particular, was breathtaking in its speed, scope, depth and complexity. From this standpoint, the signing of the EPA could not have been worse timed.

The ramifications of these effects on CARICOM Member States will be formidable, since their main markets for goods and services are in disarray, remittances from its diaspora are declining, portfolio losses to CARICOM firms and wealthy individuals will be considerable and investment flows to the Region, including official development assistance, are in jeopardy! There are, of course, many other negative outcomes, but enough has been indicated here to show that the EPA has come into effect in a most discouraging economic environment for all parties concerned.

Operationalizing the EPA: Major Impediments (Drawbacks)

Section 4.1 introduced Schedule (1), listing 14 major contentious areas in the design of the EPA, and it suggests that these could be grouped around three conceptual/methodological/architectural weaknesses in the design of the Agreement, namely:

- 1) The lack of empirical evidence in support of several theoretical propositions embedded in the provisions of the EPA as well as in determining those areas of consideration deliberately excluded from the EPA. These include: 1) the fairly cavalier treatment of ***reciprocity*** in the context of very asymmetrical Parties to the Agreement; 2) the limited treatment of ***special and differential treatment***; and 3) its implicit support for early ***preference-erosion***. It also accounts for the weak treatment of concrete financial assistance and the presentation of this as an issue that properly falls outside a traditional trade agreement.
- 2) Many of the evaluations, assessments and interpretations of the Caribbean development dilemma, which infuse the Agreement, are either in strong dispute over their interpretations or lack consensus among regional experts. A case in point is the diagnosis and linked aims and objectives of the “development dimension” as presented in the Agreement and therefore the type of development cooperation the EPA provides.
- 3) Fundamental flaws in the design and architecture of the Agreement (including its negotiating modalities) and the assumption of regional stakeholder involvement during the process of negotiations. There is, as well, the proclaimed goal to make the Agreement a “partnership of equals”.

All these areas of contention are found in the legal text which frames the Agreement. The analysis that has followed to this point has also revealed that in the operationalising of the Agreement there are serious impediments and contradictions to be overcome. These can be grouped into six (6) categories and it would be useful at this stage to recap these. Firstly, lacking any economic trade policy assessments, social impact assessments, calculation of the margins of preferences between the EU offers at the WTO and in the EPA, or assessment of the implications of giving MFN treatment to the USA and Canada, the Region's trade policy will continue to evolve in the dark, with potentially catastrophic consequences. The EU is a very secondary trading partner of CARICOM. It has accounted for less than one-eighth of the Region's export trade and below that for its foreign direct investment inflows. There has been clearly no calculated portrayal of alternative options for the Region as it goes forward, even though those that were indicated above as missing, if available, would not by themselves provide conclusive results. They are necessary, if not sufficient, calculations that need to be made.

The second category of drawbacks/impediments includes those posed by poor sequencing. Thus, the Agreement clearly pre-empts and/or will likely terminally complicate the regional integration process if, as expected, that is to be driven by the formation of the Caribbean Single Market and Economy as the platform of open regionalism for the engagement of CARICOM States in the global economy. Lacking a CARICOM—Dominican Republic customs union similarly pre-empts/fatally complicates the consolidation of CARIFORUM which, as we saw, is an EC construction, formalised by the EPA process. It also creates serious issues for the Region's trade relations with its primary trading partner (the United States), which has displayed a different approach to trade and financial relations with our mainly small, vulnerable, poor economies. Similarly, by engaging in any of the Singapore issues, the Agreement severely compromises the Region's relations with its various coalition partners in the WTO negotiations who rely on the small vulnerable economies (SVEs), (SIDs, Africa Group and the ACP as well). The multilateral route to trade liberalisation had hitherto been advanced by the Region as the best strategy moving forward, given its smallness and vulnerability.

The third group of drawbacks/impediments flows from the treatment of the Region's development problems and, consequently, the nature

of the development cooperation agenda. As was seen in Section 5, the fundamental development issues confronting the Region stem from: 1) its vulnerability; 2) small size; 3) diseconomies of scale in the provision of key public services, basic services and infrastructure; and 4) its susceptibility to exogenous shocks whether economic/man-made (social/political)/natural. From this, a number of operationalising impediments flow, such as the disjuncture between market accesses offers to the Region (as in Cotonou) and capability of enterprises to effectively enter those markets. It is for this reason that we also believe that the failure of the EPA to lock in definitive time-lines and benchmarks, as operating modalities for development cooperation and assistance, is grave. It is not satisfactory to argue that other trade agreements are not specific in areas of financing, since other trade agreements do not aspire to be a “partnership of equals”. Along with these considerations there are others: the issue of MFN operation, the use of National Treatment as a development tool, the separation from the basic Cotonou approach, despite assertions to its countries.

Fourthly, altogether, the safeguard provisions of the Agreement are not as solid as they should be, given the asymmetry between the Parties to the Agreement, the excessive subsidisation of European agricultural exports, and potential EC non-tariff barriers to trade emerging as operationalising constraints during the Agreement.

Fifthly, there is the question of economic governance. The non arm's length relation between the CRNM and the EC must be conclusively terminated. It would be poor economic governance if this is allowed to continue, particularly when organisations of the EPA (the Joint CARIFORUM-EC Council and the Joint Council on Trade and Development) seemingly have more authority over the trade policies of CARICOM than the established bodies of CARICOM itself. Finally, the Agreement makes little earnest effort to accommodate or to contain preference erosion in the Region's traditional agricultural sector. Despite mammoth EU agricultural subsidisation of its own agriculture and its persistence in the face of global pressures at the WTO, the EU expects the Region's traditional agriculture to adjust to open market situations in the next few years.

The Schedule below summarizes these observations:

Category	Drawbacks/Impediments
1. Accompanying Assessments	<ul style="list-style-type: none"> • No trade policy assessment • No social impact assessment • No calculations of EU margin of offers at the WTO vs. EPA • No quantitative assessment of implications for trade with our primary trading partner (USA)
2. Sequencing: No revealed Coherence	<ul style="list-style-type: none"> • Pre-empts/complicates CSME-driven open regionalism • Pre-empts/complicates CARICOM-DR, regional trade agreement • Pre-empts/complicates CARICOM-USA (and Canada relations) • Added complication of CAFTA-USA FTA • Pre-empts/complicates Doha Round partnerships and negotiations (Singapore issues, SVEs, SIDs, G33, etc.)
3. Misspecification of Development Problem and Development Cooperation	<ul style="list-style-type: none"> • No frontal engagement with issues of 1) vulnerability, 2) small size, 3) susceptibility to economic/man-made/natural shocks, 4) dis-economies in key public services, basic services and infrastructure • No lock-in of definitive timelines/benchmarks for assistance (cooperation) • The disjuncture between improved market access offers an effective enterprise entry into markets • There is <i>no</i> EPA specific financing • National Treatment as a development tool • Despite assurances to the contrary, discontinuity with Cotonou • MFN and South-South relations
4. Safeguard Mechanisms	<ul style="list-style-type: none"> • Safeguards weak when compared to WTO positions on SSM etc. • Misspecification as to why safeguards (SSM)! • Underestimates EU subsidies and non-tariff barriers to trade in goods and services.
5. Economic Governance	<ul style="list-style-type: none"> • Continuing non-arm's length relations between CRNM and the EC. • Overriding Authorities of EPA organs over CARICOM organs. • Reversal of some CARICOM institutional advances • No clear legal expression of primacy of the Treaty of Chaguaramas over the EPA
6. Erosion of Traditional Agriculture	<ul style="list-style-type: none"> • Inadequate provisions • No commercial buy-out of Sugar Protocol and falling EU price • Preference erosion for bananas

Conclusion

In conclusion, the question is posed: given the many defects of the Agreement, which few should be considered the gravest? Because the EPA is both a documented agreement that warrants immediate analysis and a ***long-run instrument*** through which policies, programmes and activities are to be implemented, the final verdict must await its actualisation. However, among the deficiencies, four are likely to become ***progressively*** burdensome.

Regional Integration

Firstly, the EPA is likely to progressively hamper CARICOM's efforts at promoting open regionalism, utilizing the Region's markets and resources as the platform for liberalisation and its progressive engagement in the global economy. To start with, as was pointed out, CARIFORUM is an EC-inspired abstraction given legal form in the EPA. This construct is not a CARICOM initiative and indeed, prior to the EPA, there was not even a CARICOM-Dominican Republic customs union area. Additionally, CARICOM has not yet created within its integration framework regimes for services, investment, intellectual property, public procurement, competition and other trade-related areas. The construction of an EPA with agreements on these matters not yet already in place, constrains CARICOM's capacity to direct their outcomes. The Region has, in effect, put the cart before the horse. This weakness will become progressively grave, and will be, in all likelihood, aggravated by the consideration that organizational structures of the EPA have more sway over CARICOM affairs than CARICOM's own Secretariat, organs and other bodies.

Financing and the Development Dimension

Secondly, the most insecure aspect of the EPA is its ***development dimension***. This rests largely on the definite provision of EU development assistance to boost CARICOM/CARIFORUM's institutional, infrastructural and regulatory capacity at the national and regional levels, in a manner designed to promote a sustainable expansion of the Region's exports to the EU and the rest of the world. However, as has been revealed, no additional funding is provided through the EPA. Promised EC assistance through the 10th EDF and the Aid for Trade proposal is not contingent on signing an EPA. Furthermore, the EPA lacks specific, legally binding, time-related provisions for the delivery of assistance through clearly specified

mechanisms that are subject to its disputes resolution procedures. This is in sharp contrast to the detailed trade and trade-related commitments made by CARIFORUM/CARICOM. As time progresses, the implementation and adaptation costs of the EPA will rise, putting a heavy premium on external support.

Global Europe

Thirdly, the Global Europe project as documented by the then EC Trade Commissioner, reveals the grand designs behind the EPAs. In the cases of Government Procurement and the Most Favoured Nation (MFN) provisions of the EPA, the Global Europe project explicitly targets Government Procurement as the last major frontier for EU firms to penetrate in the developing world and the MFN principle is an undisguised counter to what the EC calls “competitive new players”. These are defined as countries or regions with a market share of at least 1% or 1.5%, of world trade, respectively. Several emerging economies from the South are captured (or are soon to be captured) by this definition.

The absence of a parallel CARICOM Project further exposes the Region to being continuously reactive to the EC’s and other similar external demands from developed countries, post-EPA. The Region’s Authorities lack an intellectual base to guide their actions. This does not have to be a unified view of CARICOM’s development that is shared by each and every citizen. Such an outcome would be ideal. What is required is that the Authorities leading the integration/external trade negotiation process should, like their EC counterpart and its Global Europe Project, articulate a strategic vision within which their decisions and policy recommendations are framed so as to encourage creative dialogue. The absence of this will be to the progressive detriment of the Region.

Political Economy

The final issue is that, ultimately, the political economy of the EPA is rooted in the EU and other developed states seeking to find a way around the impasse created by the stalled Doha Development Round. It should be remembered that the EC Trade Commissioner has stated that the “WTO already governs the multilateral trading system with striking effectiveness”. CARICOM is in no position to claim the same. The EU therefore sees the EPAs as a circuitous, but necessary, route towards establishing hegemony of the WTO “as is”. On this important matter, CARICOM and the

CRNM have given no direction and indeed, one can expect that after the EPA will come further bilateral deals with the USA and Canada! After that, however, the scope for CARICOM to pursue open regionalism and contribute to a multilateral approach to global trade reform will be effectively zero.

The Region is locked in to an EPA development path, unless the other five Interim EPAs still being negotiated can provide space for new options. So far, this does not seem likely, as Europe and its allies in the ACP are not disposed to consider any option but theirs. Furthermore, the present constellation of economic, social and political power among the Parties to the “partnership” makes slim the prospects for other options.

NOTES

1. This Paper is substantially revised from an earlier version entitled: *CARICOM Perspectives on the CARIFORUM-EC EPA* (mimeo). It forms part of a larger work: *A First Look at the Political Economy of North-South Regional Trade Agreements: The Case of the CARIFORUM-EC Economic Partnership Agreement*.
2. Of note, Wamkele Mene wrote on behalf of South Africa's entire Negotiating Team. The position he represents has been indeed affirmed by the coming into existence of five (5) Interim or Two-step EPAs and only one comprehensive EPA (CARIFORUM-EC EPA).

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CHAPTER 9

The Implementation Plan for the CARICOM 'Regional Framework for Achieving Development Resilient to Climate Change'

Caribbean Community Climate Change Centre

Executive Summary

1. Context

THIS IS THE Caribbean Community (CARICOM) Implementation Plan for the 'Regional Framework for Achieving Development Resilient to Climate Change' (the Regional Framework) which defines the region's strategic approach for coping with climate change.

CARICOM countries have considerable cause for concern as the threats posed by a changing climate to their development prospects are severe and both mitigation and adaptation will require a significant and sustained investment of resources that the Member States will be unable to provide on their own.

"It is absolutely necessary that all our countries identify and implement, in the shortest possible timeframe, a series of measures designed to minimise and mitigate the effects of global warming on our countries and populations . . ."

*Chair CARICOM 2009,
Hon. Dean Oliver Barrow,
Prime Minister of Belize*

Building climate resilient low carbon economies requires a transformational change by governments, regional organisations, Non-Governmental

Organisations (NGOs), the private sector and civil society supported by an unprecedented level of financial and technical assistance from the developed world.

This concern is reflected in the *Liliendaal Declaration* which the CARICOM Heads of Government endorsed at their meeting in Guyana in July 2009 (*Annex 1*). The *Liliendaal Declaration* defines the national and international position of the CARICOM member states and makes a number of declarations which can only be delivered by transformational change, including for example:

Economic Costs:

An economic analysis of the costs of a changing climate in just three categories—increased hurricane damages, loss of tourism revenue, and infrastructure damages—projected that the Caribbean’s annual cost of inaction could total \$10.7 billion annually by 2025, \$22 billion by 2050 and \$46 billion by 2100. These costs represent 5%, 10% and 22% respectively, of the current Caribbean economy (2004 GDP).

The net effect of costs on this scale is equivalent to causing a perpetual economic recession in each of the CARICOM member states.

1. Long-term stabilization of atmospheric greenhouse gas concentrations at levels which will ensure that global average surface temperature increases will be limited to **well below** 1.5° C of pre-industrial levels; that global greenhouse gas emissions should peak by 2015; global CO₂ reductions of at least 45 percent by 2020 and reducing greenhouse gas emissions by more than 95% of 1990 CO₂ levels by 2050.
2. Adaptation and capacity building must be prioritized and a formal and well financed framework established within and outside the United Nations Framework Convention on Climate Change (UNFCCC) to address the immediate and urgent, as well as long term, adaptation needs of vulnerable countries, particularly the Small Island Developing States (SIDS) and the Less Developed Countries (LDCs).
3. The need for financial support to SIDS to enhance their capacities to respond to the challenges brought on by climate change and to access the technologies that will be required to undertake needed

mitigation actions and to adapt to the adverse impacts of climate change.

In the Declaration, the Heads of Government expressed grave concern that the region's efforts to promote sustainable development and achieve the Millennium Development Goals (MDGs) are under severe threat from the devastating effects of climate change and sea level rise. Of particular note is the increasing intensity of extreme weather events, resulting in severe damage to the region's socio-economic resource base. The *Declaration* emphasized that dangerous climate change is already occurring in all Small Islands and Low-lying Coastal Developing States regions including the Caribbean, requiring urgent, ambitious and decisive action by CARICOM states and by the international community.

2. The Regional Framework

At the same meeting in Guyana in July 2009, the Heads of Government also approved the '*Regional Framework for Achieving Development Resilient to Climate Change*' (the Regional Framework) which defines CARICOM's strategic approach for coping with climate change. The Regional Framework is guided by five strategic elements and some twenty goals designed to significantly increase the resilience of the CARICOM member states' social, economic and environmental systems. The strategic elements are as follows:

1. Mainstreaming climate change adaptation strategies into the sustainable development agendas of CARICOM states.
2. Promote the implementation of specific adaptation measures to address key vulnerabilities in the region.
3. Promote actions to reduce greenhouse gas emissions through fossil fuel reduction and conservation, and switching to renewable and cleaner energy sources.
4. Encouraging action to reduce the vulnerability of natural and human systems in CARICOM countries to the impacts of a changing climate.
5. Promoting action to derive social, economic, and environmental benefits through the prudent management of standing forests in CARICOM countries.

The Regional Framework provides a roadmap for action by member states and regional organisations over the period 2009-2015, while building on the groundwork laid by the Caribbean Community Climate Change Centre (CCCCC) and its precursor programmes and projects in climate change adaptation¹. It also builds upon the extensive work undertaken by governments, regional organisations, NGOs and academic institutions in recent years (and in many cases funded by the international development community) assessing the impacts of a changing climate.

The Heads of Government also asked the CCCCC to prepare an Implementation Plan (IP) to take forward and deliver the strategic elements and goals identified in the Regional Framework.

3. The Implementation Plan

The Implementation Plan acknowledges that a transformational change in mindset, institutional arrangements, operating systems, collaborative approaches and integrated planning mechanisms are essential to deliver the strategic elements and goals of the regional framework.

The Plan:

- Seeks to guide the identification and prioritisation of actions by regional and national stakeholders under each strategic element and goal area of the Regional Framework through the use of risk management approaches to decision making.
- Considers responsibilities and functional co-operation between regional organisations and national governments.
- Recognises that there are existing significant resource and capacity challenges that hold back the region's sustainable development and growth and proposes building on a process known as the 'three-ones' to assist in resource mobilisation and co-ordination of actions.
- Proposes a monitoring and evaluation (M&E) framework

The Implementation Plan is intended to be a 'live process' and will be subject to review and modification in response to *inter alia* :

Business as usual given the scale of the costs of climate change and the catastrophic impact on our economies, society and environment is not an option. Business as usual will mean that the economies of the Caribbean are in permanent recession.

This requires leadership at all levels throughout political and the wider community working in partnership with stakeholders to deliver change . . . now.

- Enhanced knowledge and understanding of climate science and the direct and indirect impacts (supported by quantitative evidence where possible).
- The development and access to funding mechanisms.
- Changes in financial, technical and human resource capacity.
- Prevailing economic conditions in the Caribbean.
- Success or otherwise of actions taken.
- Results from the M&E framework.
- International negotiations on emissions control and climate change financing.

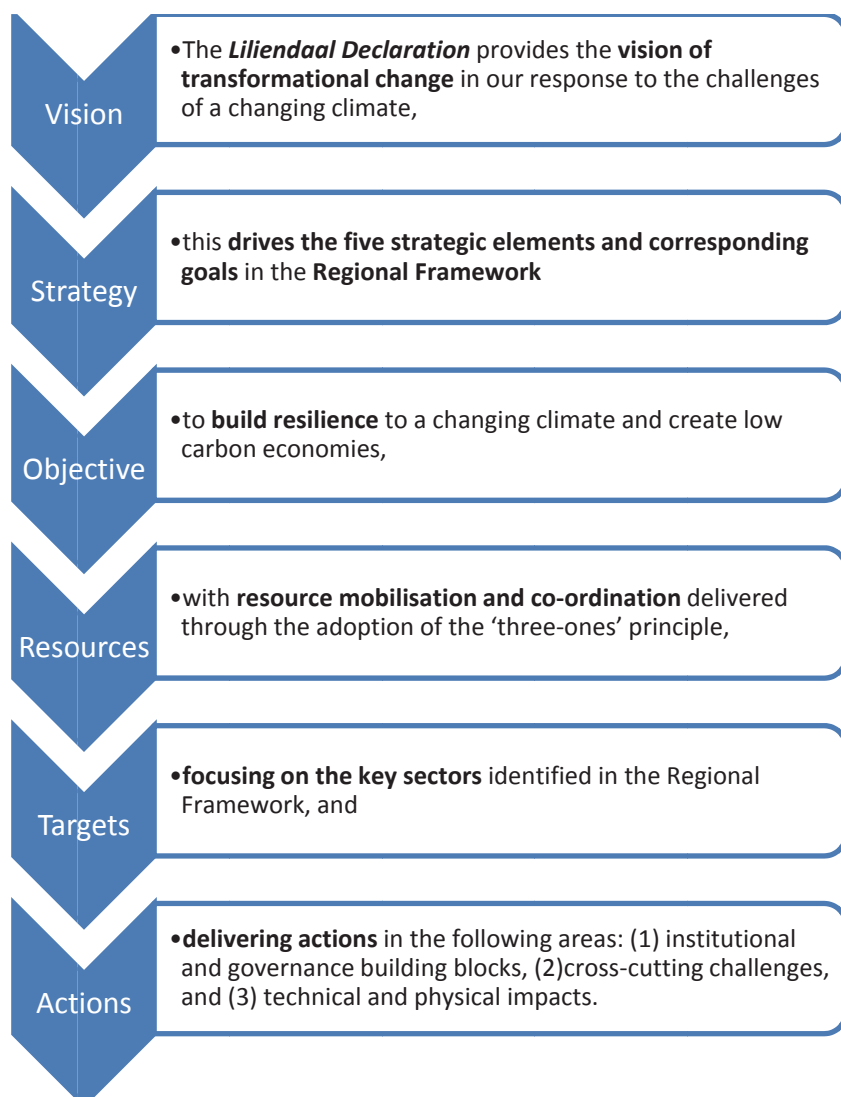
A biannual review of both the Regional Framework and the Implementation Plan is proposed to ensure that they continue to provide the right focus for the required transformational changes. The CCCCC has a co-ordinating and delivery role in this regard and will maintain a continuous dialogue with key stakeholders to ensure that the Regional Framework and the Implementation Plan accurately reflect the Caribbean's transformational needs. This on-going dialogue will ensure that the Regional Framework and the Implementation Plan remain 'live' documents.

The Implementation Plan was prepared following an extensive programme of in-country discussions with politicians, government officials, regional agencies, NGOs, the private sector, donors and development banks. For the most part, these discussions have been on a one-to-one basis or in small groups, followed by further engagement and

focused on identifying those actions stakeholders believed were required to be undertaken within the next two to five years. Meetings have been held with over 140 stakeholders during the in-country discussions.

An overview of the Implementation Plan is provided in figures 1 and 2. The process follows these steps:

Figure 1: Implementation Plan high level overview



3.1 Three-ones approach to resource mobilisation

The transformational changes required by the *Liliendaal Declaration* and necessary to deliver the strategic elements and goals in the Regional Framework also require corresponding changes in the process of policy setting and decision-making in all organisations. Implementation through the specific actions identified in this report, and through wider regional and national sustainable development and growth strategies, policies and actions, requires a process which can:

The ‘Three-ones’ approach: an example of the Caribbean working in partnership; mobilising resources to deliver results.

The ‘three ones’ model has been successfully used by the Pan Caribbean Partnership (PANCAP) to deliver transformational change with limited resources. Over the 10 year period of the programme not only has PANCAP been declared an international best practice example by the United Nations it has also contributed greatly to the management of HIV/AIDS across the Caribbean.

- *It has mobilised over US\$75 million.*
- *Contributed to international strengthening.*
- *Delivered a 28% reduction in the spread of HIV.*
- *Reduced deaths by 50%.*
- *Reduced the mother to child transmission of HIV by 80%.*
- *Trained over 200 professionals most of whom are engaged in managing national and regional HIV programmes.*

- Effectively mobilise limited resources.
- Ensure alignment with those wider sustainable development and growth objectives.
- Deliver inclusive policies and decisions that ensure climate resilience and low carbon is built in, rather than added on as an afterthought.
- Co-ordinate and manage delivery.
- Monitor, evaluate, review and improve.

Member states, regional organisations and CARICOM are already over tasked and under resourced. Delivering transformational change requires an approach that recognises these constraints.

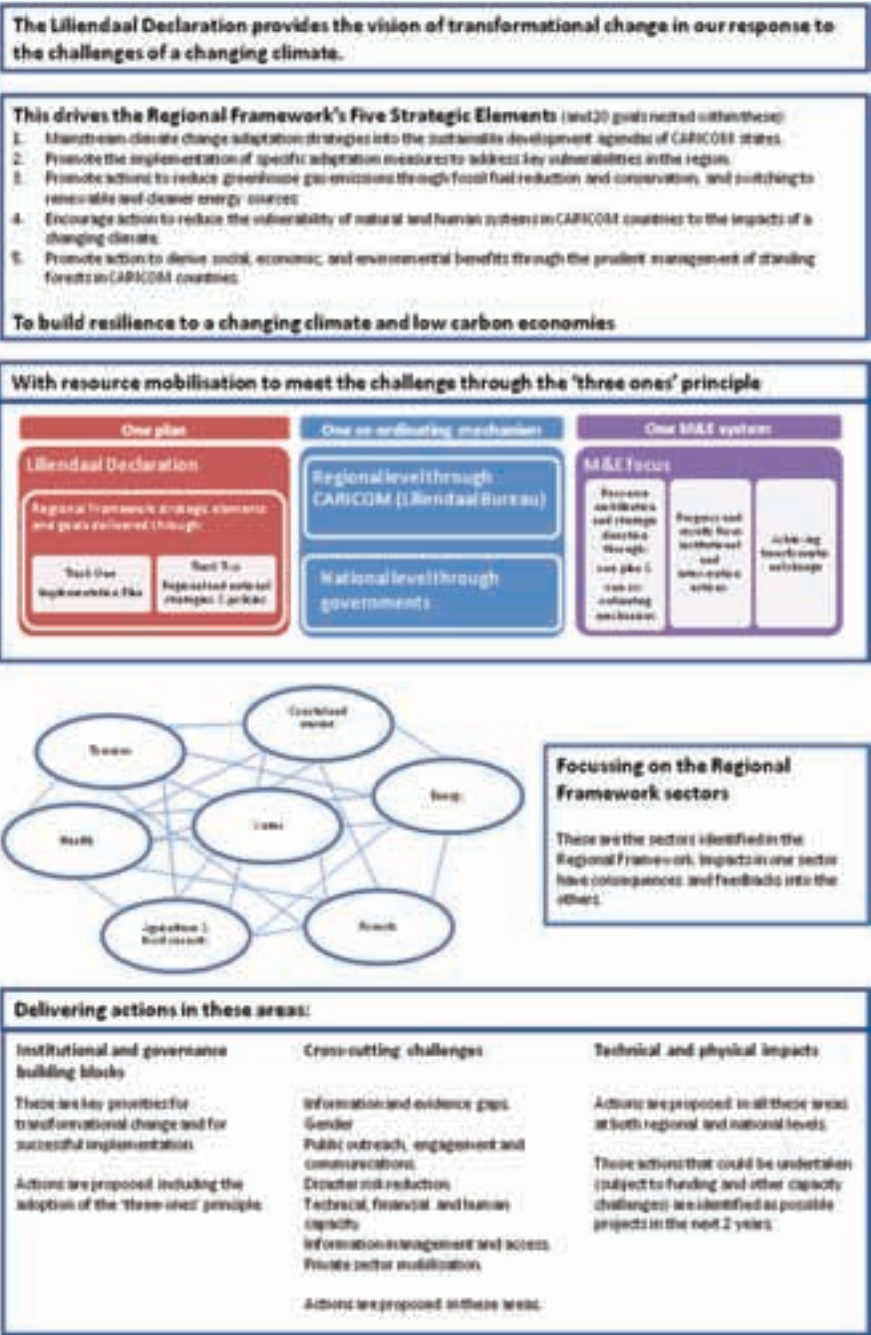
The 'three-ones' approach is an essential feature of the Implementation Plan process and has been used successfully in the Caribbean (see side bar). The Implementation Plan recommends that the 'three-ones' approach is adopted at regional and national levels. It is based on the principle of establishing a sustainable resource mobilisation plan with three core elements:

- **One co-ordinating mechanism** to manage the process (Note in the Implementation Plan we recommend that there is a regional co-ordinating mechanism and separate national co-ordinating mechanisms in each country).
- **One plan** that provides the framework for co-ordinated action by all partners. (Note 'One Plan' means one agreed set of shared and common goals and objectives which can be contained within various individual documents).
- **One monitoring and evaluation framework** to measure progress, transparency and value for money.

The essential feature of the 'three-ones' principle is that it works with the organisations that are already in place utilising existing resources, more effectively. The only new body that this Implementation Plan proposes should be created is the Liliendaal Bureau (see page ix) which will report to the Heads of Government, with the CCCCC working within its mandate to provide technical and secretarial support.

It is not, however, intended that this recommendation should be prescriptive. Each member country and each regional organisation has different challenges, organisational processes and governance. The process developed by each government and regional organisations to mobilise resources should reflect this and work within, and build upon the effective governance and institutional arrangements that already exist.

Figure 2: Implementation Plan



3.2 Haiti—a special case

Full engagement with stakeholders from Haiti has been difficult during the time set aside for in-country dialogue. Discussions are now taking pace with representatives from the Government, with further dialogue planned, including contact with other key stakeholders.

It has been agreed with the National Focal Point that whilst the general principles contained in this report and the approach to implementation is relevant to Haiti, it would be beneficial to develop a specific Haiti focussed implementation plan².

This is planned to be undertaken and completed by the end of August 2011, and then submitted to the Government of Haiti for approval.

Priority actions

These reflect the reality of the challenges ahead, and the need to mobilise and take action now.

The Member States through the Liliendaal Declaration and the Regional Framework have already agreed that building resilience and low carbon economies is no longer an option for further debate.

Action has to take place now if we are to avoid the worst fears that a changing climate will bring to the Caribbean.

4. Actions

During the earlier stages of preparing this Implementation Plan a desk-top review was undertaken to develop a database of climate change related actions that are currently underway or about to be started in the Caribbean. The database now has nearly 300 actions which have been coded against the strategic elements and goals of the Regional Framework³. It would be a mistake to assume that we have climate change covered, based on the work that is already underway. The delivery of these projects will have great benefits, but we are only just beginning to understand the scale of the challenges ahead and the corresponding actions that we will need to take.

Stakeholders were asked, during the preparation of this implementation plan, to identify those actions they believed were required to be undertaken

within the next 2 to 5 years to deliver the strategic elements and goals of the Regional Framework. These actions were recorded and stakeholders consulted on a Feedback Report during April 2011. The actions were then further developed at a regional stakeholder workshop held in Saint Lucia in May 2011. It should be noted that many of the actions identified by stakeholders are not derived from risk assessments of the hazards and vulnerabilities. Countries and regional organisations will have to undertake risk assessments using the best available information to ensure that the most appropriate solution is identified.

It also became clear during discussions with stakeholders, that the issue of sustainable livelihoods and gender has not been adequately covered in the Regional Framework. It is recommended that this should be covered in an interim review of the Regional Framework by the end of 2011. In the meantime, further work is required by stakeholders to ensure that sustainable livelihoods and gender are identified and accounted for as a cross-cutting issue in all relevant actions in this Implementation Plan. These are set out in the main report in section 9 and annex 1.

A number of priority challenges and actions have been identified and examples provided in this Executive Summary. They, together with those actions which could be started in the next 2 years if funding or another capacity constraint can be overcome (early-start actions), provide the immediate focus for delivering the transformational change envisaged by the Liliendaal Declaration.

The priority challenges and actions, which cover institutional and governance building blocks, technical and physical impacts and cross-cutting challenges are considered in the next section. Each country will need to context these generic challenges and actions against the specific priorities in each country.

4.1 Institutional and governance building blocks

1. **Building resilience requires transformational change and an effective mobilisation of scarce resources.** The scale of the challenges ahead requires an integrated approach across the region and within each of the member states to embed climate change and low carbon energy into all policy setting and decision making. Climate change is not an 'add-on' environmental issue. It cuts across all the wider sustainable development and growth challenges and will compromise efforts being made in these areas.

A multifaceted system of public (from both national budgets and development assistance) and private finance is required to provide the incentives that are necessary to go beyond 'business as usual' in the Caribbean and to allow access to capital to build low carbon climate resilient economies.

What is required is to move beyond one-off independent project focused initiatives which at best can only lead to marginal efficiencies and improvements; and focus on transformational changes.

Member states, regional organisations and CARICOM are already over tasked and under resourced. Delivering transformational change requires an approach that recognises these constraints. The 'three-ones' principle is an approach that has been used with great success in the Caribbean

ACTION: It is recommended that the 'three ones' principle should be adopted at a regional level by CARICOM and at a national level by each government.

At a national level it is considered essential that building resilience and creating low carbon economies has to be embedded within, and become central to, government policy and action. For this reason, it is recommended that the 'one co-ordinating mechanism' should be seen as a role for national strategic planning and/or finance ministries. They are the departments best placed to manage scarce resources and take advantage of the external funding opportunities working in partnership with all other departments and organisations. It is, however, up to each government to make the final decision on how best to mobilise, plan and monitor using the 'three-ones' principle.

Timeline: within 2 years.

At a regional level it is recommended that CARICOM adopt the 'three-ones' principle to resource mobilisation, co-ordination, planning and monitoring by forming a new sub-committee of the Heads of Government to be known as the **Liliendaal Bureau on Climate Change** (see side bar for more information).

The Bureau will provide guidance to the Heads of Governments on the transformational changes required to achieve resilience to climate change in the areas of climate change adaptation and mitigation policy, finance and investment, and foreign relations. The Bureau will receive briefings at such intervals as it might establish from the scientific community and communicate the policy imperatives to the CARICOM Heads of Government and monitor regional implementation.

Timeline: within 6 months.

and provides a model for mobilising limited resources, policy setting and decision-making in the context of a changing climate. It has been used to underpin this Implementation Plan.

2. Building a low carbon climate resilient economy is an integral element of the wider sustainable development agenda.

Addressing climate change without addressing the existing underlying sustainable development and growth challenges faced by member states will not deliver resilience. All countries, regional organisations, NGOs, and the private sector will have to institutionalise climate change. Building low carbon climate resilience within the context of the wider sustainable development objective has to become an integral feature of all policy setting and decision-making. A twin-track approach to implementation is required: which ensures that building resilience and creating low carbon economies becomes part of the wider sustainable development and growth agenda.

Liliendaal Bureau

It is proposed that a new regional co-ordinating mechanism with overall responsibility for driving transformational change at the regional level under the Liliendaal Declaration and the Regional Framework. The mechanism, to be known as the Liliendaal Bureau, will be chaired by the Head of Government with responsibility for sustainable development and emergency management. The CCCCC will provide the technical and secretariat support. The Bureau should include the chairpersons of the Council for Trade and Economic Development (COTED), the Council for Human and Social Development (COSHOD) and the Council for Foreign and Community Relations (COFCOR) and the CARICOM Secretariat, together with:

- *Vice Chancellors from each of the Caribbean Universities.*
- *President of the Caribbean Development Bank (CDB).*
- *Executive Directors from each of the CARICOM mandated regional organisations.*
- *Representatives from the private sector and civil society.*

1. **Track One:** Through the specific actions identified to meet the Regional Framework's strategic elements and goals by this IP.
2. **Track Two:** Implementation through and as part of wider regional and national sustainable development and growth planning. The ultimate goal has to be that countries and organisations build resilience as an integral part of their development and growth planning, rather than as an add-on.

ACTION: The CARICOM Secretariat, national governments and regional organisations to review all their existing strategies, policies and actions to:

- ensure they align, are consistent with, and make a positive contribution to building resilience and delivering a low-carbon economy (and specifically the strategic elements and goals in the Regional Framework), and
- will continue to meet their wider development and growth objectives over time within the context of a changing climate.

All new initiatives should be designed to make a positive contribution to building low carbon climate resilient economies consistent with the Regional Framework's strategic elements and goals. An appraisal template will be required.

This will ensure that implementation can be delivered through Track Two.

Economic and operational planning by governments and by critical infrastructure operators must factor in the impacts of, and responses to a changing climate. Standard economic appraisal processes are required to enable comparisons and cross-sectoral implications to be assessed.

Timeline: within 2 years

Lead: CARICOM Secretariat, national governments, and regional organisations with regard to their respective strategies and policies.

Partners: ECLAC, all regional organisations, the Caribbean Catastrophe Risk Insurance Facility (CCRIF), critical infrastructure operators.

3. **The Caribbean cannot deliver resilience and create low carbon economies without financial and technical assistance.** Effective partnerships with donors and international financial institutions (IFIs) are critical. CARICOM countries have an opportunity to attract climate change finance to support their initiatives to build the resilience of their economies and achieve low carbon climate resilient development.

The CCCCC is developing partnerships with donors and financial institutions to build technical capacity on accessing finance.

The AOSIS initiative SIDS DOCK is an excellent example of a partnership which will increase small island nations' access to the financing, technology, technical assistance and participation in the global carbon market they need to transition to a low-carbon economy.

*It is called **SIDS DOCK** because it is designed as a “**DOCKing station**,” to connect the energy sector in SIDS with the global market for finance, sustainable energy technologies and with the European Union (EU) and the United States (US) carbon markets, and able to trade the avoided carbon emissions in those markets. Estimates place the potential value of the US and EU markets between USD 100 to carbon development 400 billion annually.*

Partnerships are being developed, for example: the Pilot Programme for Climate Resilience (PPCR) programme with several Caribbean states. The development of a Low-Carbon Development Strategy (LCDS) has provided Guyana with the road map to guide the sustainable development of the country during the life of the IP. The signing of the Memorandum of Understanding and the Joint Concept Note with Norway has cemented a win-win partnership and will provide financial resources of up to US\$250 million by 2015 to commence and partially support the implementation of the LCDS.

Donors and IFIs must:

- simplify and harmonise the processes for securing financial and technical assistance
 - develop innovative financing mechanisms,
 - reinforce their regional co-ordination activities,
- provide support to build capacity in the region to enable identification of, and access to funding and technical assistance,
 - harmonise monitoring, reporting and verification (MRV) systems, and
 - reduce the MRV resource burden on countries.

ACTION: CARICOM member states should develop a region-wide position on the most effective and equitable funding mechanisms and engage with donors and IFIs on the basis of country-led needs assessments and processes. The Caribbean Development Bank can play an instrumental role working with the donors and IFIs to develop a regional funding mechanism.

It is recommended that the CCCCC working with the CDB develop a technical support facility to advise regional organisations and national governments on the funding opportunities, matching projects with funds and preparing funding applications.

Timeline: Within 12 months

Lead: CARICOM Secretariat, national governments, regional organisations and CDB.

Partners: Donors and IFIs

Attracting private sector investment

The Advisory Group on Climate Finance (AGF) was set up to identify how the US\$100 billion could be secured and in its report issued in November 2010 it concluded that finding the extra money was 'challenging but feasible'. Finding the money may be possible, but persuading the private sector to invest in the Caribbean is another challenge, where the risk reward balance may not be seen favourably by investors. If the Caribbean is to attract that part of the US\$100 billion to be provided by the private sector then it must ensure there is a rebalancing of risk to create sufficient interest. This will not be easy. Investors will only invest if they can secure appropriate risk returns on their capital.

4. The private sector has a fundamental role in providing and financing solutions. Private sector investment has been identified as a significant contributor to the combined adaptation and mitigation funding target of US\$100 billion per annum by 2020. Governments (with support) must address the private sector risk reward balance in order to access the full range of funding opportunities.

Improving country risk profiles will have an added benefit of opening up other non-climate related

investment opportunities, thereby improving the growth potential.

The private sector (other than those involved in agriculture, tourism and energy) has had limited involvement in previous climate change based

initiatives in the Caribbean. Engagement with individual companies, representative organisations and professional bodies and their inclusion in strategy and policy development is essential.

ACTION: Assess and review the risk profiles for each CARICOM member state in partnership with the private sector (operating at national, regional and international levels). Identify and implement a 5 year transformational programme to deliver the actions needed to improve the risk balance and attract private sector investment.

Timeline: Review within 12 months, implement within 5 years,

Lead: CARICOM Secretariat, the Caribbean Development Bank (CDB), national government ministries with responsibilities for finance and economic development, CICA

Partners: Caribbean financial services sector, international financial services sector.

5. **Acting regionally to deliver nationally.** CARICOM and the regionally mandated organisations have a key role to play. The scale of the challenges limits the ability of any country acting on its own to build resilience. Working collectively through a regional support structure allows countries to maximise their resources and technical expertise to the benefit of all.

Securing the necessary financial, technical and human resources and political support to move forward on CARICOM policy initiatives, and meet the needs of member states to deliver sustainable development actions must be acknowledged as a key priority. It is clear that the regional organisations will need support from the international development community. Building a sustainable financial position to allow the regional organisations to meet future demand is critical to delivering transformational change.

Regional institutions including the CDB can also make an important contribution as implementing entities.

ACTION: A detailed financial, technical and human resource capacity assessment followed by action planning and implementation must be undertaken for each of the regional organisations (including CARICOM).

Sustainable resource strategies should be developed leading to enhanced capacity to meet the challenges arising from a changing climate. Securing a sustainable financial position to allow all regional organisations to meet future demand is critical to the delivery of the Implementation Plan.

Timeline: Capacity assessments to be undertaken within 12 months. Sustainable financial positions to be secured within 2 years.

Lead: CARICOM and all regional organisations.

Partners: CARICOM, national governments, and donors.

6. **Caribbean states must become low-carbon economies.** There is an overriding imperative to improve the resilience of the economies of the Caribbean by reducing the dependency on imported high-cost fossil fuels by improving energy efficiency and the development of low carbon energy generation. This would transform economies, lower unit costs of production and enable countries to increase the resources devoted to resilience building.

ACTION: Mapping-out the pathways to reduce the dependency on fossil fuels is an imperative and should be completed as a national priority in each country within 2 years. This exercise must include a full supply/demand assessment, an economic appraisal, cost benefit analysis and an environmental and social impact assessment (ESIA). It must also identify the existing legislative and regulatory constraints, the incentives (for example, feed in tariffs) and identify the required enabling legislative and regulatory framework.

Investment in public debate and engagement on low-carbon development planning and actions is required to secure national mandates. This must include the private sector. The changes required, their scale and implications necessitate a level of communications and engagement that is perhaps unprecedented.

There is an urgent need for countries to identify a portfolio of projects that can be presented to donors for the Fast Start financing programme.

Timeline: Pathways to be mapped out within 2 years, with Fast Start financing programme projects identified within 12 months.

Lead: National governments, CARICOM.

Partners: The private sector, regional organisations, donors and IFIs.

7. **We must develop a risk management ethic in our decision-making.** The Regional Framework is founded upon the principle of using risk management processes and tools to aid decision-making. Risk management processes can be used to manage our responses to aspects of climate variability and climate change that create or increase a risk to the Caribbean region, its member states, citizens, infrastructure, economies and environment.

Decision-making based on subjective value judgements without using the information and the expert advice and guidance that is available, given the challenges and uncertainties we face, will compromise resilience building. Risk management assists in the selection of optimal cost-effective strategies for reducing vulnerability, using a systematic and transparent process. Policies or initiatives that aim to reduce this vulnerability can be designed to complement and support the goals of poverty reduction, sustainable development, disaster preparedness and environmental protection.

There is a CARICOM approach to using climate risk management (see side bar). Unfortunately due to lack of funding to train users, there is little evidence of its adoption in decision-making.

The increasing integration of climate change resilience building with disaster risk reduction through the partnership work of CCCCC and the Caribbean Disaster Emergency Management Agency (CDEMA) is an example of this risk management ethic developing in a practical way with great benefits.

The initial entry points for creating a risk ethic across the Caribbean should be in the following areas:

- Coastal zone management.
- Disaster risk reduction.
- National strategic and budgetary planning.

ACTION: The CARICOM Climate Risk Management Framework should be revised to take into account the latest developments in climate risk management techniques. An on-line version should be developed with full guidance and links to other tools and techniques. The revised risk management framework must be supported by a comprehensive training programme for decision-makers across all stakeholders. The training programme must be repeatable on request and adapted to reflect stakeholder needs (including the private sector).

All organisations (including donors and development banks) operating at regional and national levels should 'stress-test' policies and decisions against the potential impacts of a changing climate. A standard 'stress-test' process and guidance based on the revised Caribbean Risk Management Framework should be developed by the CCCCC. The 'stress-test' result should be disclosed and made available to other stakeholders and the wider public.

Timeline: Release revised risk management framework and 'stress-test' process within 6 months including on-line training tool. Undertake stakeholder training over the following 12 month period starting with government finance and planning ministries.

Lead: CCCCC.

Partners: National government ministries, CDB, regional organisations, the private sector and donors.

4.2 Technical and physical impacts

8. **Uncertainty is not a reason for inaction.** We have sufficient information to make some decisions . . . NOW.

CCCCC Knowledge Clearing House

The CCCCC has already created a Clearing House facility through its website. This will enable climate related information and knowledge to be freely available including access to climate and impact modelling.

The full roll out of the CCCCC Information and Data Clearing House facility to support research, public education and open access to information on climate change in the region will facilitate greater participation of the region's decision makers and citizens in building a society that is resilient to a changing climate.

Essential infrastructure

A risk assessment programme for all essential infrastructure and utilities would enable national programmes of resilience-building actions (capital and operational) to be developed. It would also have major benefits for disaster risk reduction. This is another example of an early-start climate change resilience building action creating a win-win delivering immediate benefits. An essential infrastructure risk assessment programme should be developed by each national government, supported by relevant regional organisations (for example: CCCCC, CDEMA, and CCRIF) in partnership with donors to secure both financial and technical assistance.

We know there are issues with baseline data and knowledge gaps, particularly with regard to social and economic impacts, and these need to be addressed. But we also know that there is a wealth of information already available regarding the impacts of a changing climate on the Caribbean. During the preparation of this report nearly 300 current or recently completed Caribbean focused climate change programmes, plans and actions were identified (included in a database which will be made available on the CCCCC website). This is in addition to the many more projects that have been completed in previous years.

Taking action will produce win-win solutions to meet wider sustainable development and growth challenges and enhance disaster resilience. For example, many of our greatest risks relate to our coastal areas where populations and economic activity is concentrated and where essential infrastructure and utilities are located. Actions to assess the risks,

protect existing populations and assets, and build resilience into current and future development proposals are essential and must become part of mainstream government financial management and investment planning. Disaster risk management must be embedded in these actions.

The action identified below is an example of an early-start action (annex 1 provides other actions that can and should be undertaken within the next 12 months, subject to securing funding or overcoming other capacity challenges).

ACTION: The impact of Hurricane Tomas on Saint Lucia's water infrastructure was significant. Shortfalls in data and knowledge of the location, age, condition and types of water utility assets may have been a contributory factor in not being able to have foreseen the devastating consequences. A full asset inventory of Saint Lucia's water utility assets should be undertaken, followed by a risk assessment of their vulnerability to climate variability and climate change. This could for example, also include assessing potential changes in precipitation, impacts on ground conditions and identify assets at risk. A template programme for other utilities and countries should also be developed and discussed with donors for funding.

Significant win-win benefits could also be realised. The asset inventory would for example: greatly improve operational management, enable operational and additional asset investment to be more effectively targeted, identify leakage problems, improve water quality management, and assist in energy management and efficiency.

Timeline: Complete asset inventory within 18 months.

Lead: Saint Lucia Water Utility.

Partners: Donors and IFIs, Canada Water and Wastewater Association (CWWA)/Caribbean Water and Sewerage Association (CAWASA), University of West Indies Department of Engineering, CCCCC.

4.3 Cross-cutting challenges

9. **Data and information are public goods.** Attitudes and protocols regarding data collection, management, storage, sharing, control and ownership of data and information will need to change.

Building resilience and using risk management to aid decision-making where there is uncertainty requires access to the best available data and information. An 'open-source' and 'open-access' attitude should be encouraged thereby providing the means by which all decision makers can share and make use of the best available information. Institutional cultures which restrict access are not in the long-term interests of the Caribbean. In some cases these restrictions are imposed for entirely understandable budgetary reasons; information can be a revenue earner. In these situations alternative and more viable funding mechanisms are required.

ACTION: Governments and other regional organisations should develop their own 'clearing house' facilities with free access to data and information. This should extend to information supporting development proposals, for example, base data and analysis provided in ESIAs. Donors/IFIs and project sponsors must always release all data and information (within established protocols that recognise some information may be sensitive). All governments and regional organisations will need financial, technical, and human resource support, including for example, the development of alternative funding mechanisms. Institutional legislative challenges may need to be addressed.

Timeline: within 2 years

Lead: National governments, regional organisations.

Partners: Donors and IFIs.

10. **We must build on the information, knowledge and expertise we already have, expand our understanding and knowledge and develop our capacity.** A great deal of time, effort and resources have been invested into impact and vulnerability assessments, and research. In some cases the recommendations and guidance have not been acted upon. Reports sit on shelves through lack of resources, baseline data sets are not digitised and are difficult to access, and technical knowledge is lost as staff retire or move out of the Caribbean. Retaining and growing technical, professional, managerial and academic research expertise and capacity is vital.

We need to create a co-ordinated Caribbean research programme.

This will ensure that decisions can be based on the best available information. For example in a report published in May 2011 it is considered that sea levels may be rising faster than we realised. The report states that sea levels may rise by up to 1.6 metres by 2100. The impacts on the Caribbean would be disastrous.

Technology transfer

We must take advantage of the opportunities technology can bring. Technology transfer from both the developed world and from those countries in similar situations to the Caribbean is an essential capacity building resource that must be fully exploited working in partnership with donors and IFIs and with the private sector.

Traditional farming practices and local community and indigenous knowledge are also vital resources that we are at risk of losing. They are essential resources that will assist in identifying flexible adaptation options. We can build on these invaluable information and expertise resources if we can address the underlying capacity issues.

We must also step-up the research into climate change, climate variability and impact modelling to provide data and support for non-scientists engaged in decision-making, risk and vulnerability assessments, and the preparation of adaptation and mitigation strategies. It is also essential that we develop a programme of institutionalising model outputs into stakeholder decision-making tools.

ACTION: Undertake a skills and expertise audit to identify the additional training and knowledge that technicians, professionals, the private sector, politicians, and those across the wider civil society (including for example, farmers and fisher people) will require to access and use the information that exists. A sustainable programme of training, communications and ongoing support will be required.

Timeline: Develop audit and training packages within 12 months including pilot projects. Roll out across the Caribbean over a 2 year period.

Lead: Universities, professional institutions and sector support groups, regional organisations.

Partners: Donors and IFIs.

11. **Disaster risk reduction and climate change are inextricably linked.** Building resilience to existing climate variability and the changes we are already seeing in our climate through the disaster risk reduction programmes across the Caribbean and the work of CDEMA must remain a priority area.

This can be supported for example by the development of early warning tools as an output from the work on climate modelling. Impact modelling, hazard mapping, and vulnerability assessments are also examples of how risk assessment of the effects of a changing climate can also assist and inform those working on disaster risk reduction. There is a real opportunity to reinforce the importance of disaster risk reduction within member states through the increasing focus on the impacts of a changing climate.

CDEMA working with stakeholders has identified a series of actions to integrate climate change into disaster risk reduction through its 'Mainstreaming Climate Change into Disaster Risk Management for the Caribbean Region (CCDM) Project'.

ACTION: Assess the research needs in the Caribbean to deliver the strategic elements and goals in the Regional Framework. Identify actions to fill research gaps and to develop decision-making tools. Develop a co-ordinated programme across the Caribbean's research institutions.

Timeline: Assessment to be completed within 6 months.

Lead: CCCCC

Partners: Caribbean universities, the Institute of Meteorology (INSMET) of Cuba, regional organisations, international research community, and technical users.

ACTION: The CDEMA Regional Programme and Plan of Action for Climate Change Adaptation and Disaster Risk Reduction identify a series of actions linked to the Regional Framework's strategic elements and goals. All of the actions identified will directly contribute to the Regional Framework and to disaster risk reduction. These actions have been included in the Implementation Plan.

A key action to be undertaken is to secure the necessary funding for disaster risk reduction actions in the Caribbean.

Timeline: continuous.

Lead: CDEMA, CARICOM Secretariat,

Partners: National governments, international donors and IFIs, CCCCC.

12. **The challenges ahead may be far greater than we are currently planning for.** It is clear that individual policy and project interventions will be insufficient to transform the economies of the CARICOM states based on the principles of sustainable development. It is also clear that the current initiatives by the world's developed countries and the emerging economies to limit greenhouse gas emissions (GHGs) fall short of that which is required to limit average global temperature increases to less than 2.0° C, never mind the 1.5° C that is the Alliance of Small Island States (AOSIS)/CARICOM target.

The reality is that without a major shift in the geo-political balances and a new political urgency by both the developed countries and the emerging economies to implement and enforce action to reduce GHGs, we will be faced with global average temperature increases above 2.0°C. Some commentators are already suggesting that political strategies should be based on 'aim for 2°C and plan for 4°C'⁴.

The direct and indirect consequences for the Caribbean of average global temperature increases of 4°C, when its social, environmental and economic systems are already stressed and struggling to meet the existing impacts of natural climate variability and current anthropogenic climate change, are unthinkable.

This reinforces the need to treat the Implementation Plan as a live process through regular reviews taking into account the latest information on climate science and impacts. It also reinforces the need for a risk management ethic to be developed across the Caribbean in all strategy and policy development and in decision-making, to ensure that best available information is used, risks assessed and appropriate management options developed.

ACTION: Strengthen the Caribbean's international negotiating position and its long-term capacity to plan through an enhanced, resourced, comprehensive programme of evidence based peer-reviewed research on the science of climate change and the social, environmental and economic impacts.

Ensure that the Caribbean's collective and individual negotiating position is maintained by ensuring that negotiators have the information they need and are well trained. Civil servant/ expert advisor continuity between negotiating meetings is also critical to build up the expertise and awareness needed to effectively represent the Caribbean's best interests.

Timeline: continuous.

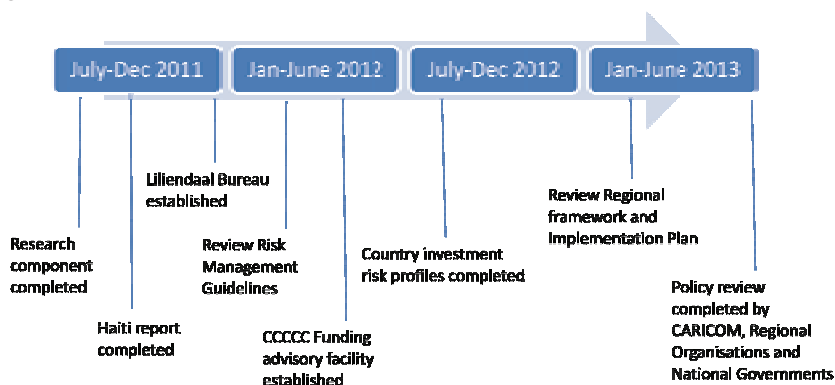
Lead: CARICOM Secretariat, Caribbean Universities, Ministries of Foreign Affairs, regional organisations.

Partners: International research institutions, CCCCC.

5. Action timeline

The timeline provided in figure 3 provides examples of the priority challenges that could be undertaken within the next 2 years. It is representative as each country will have its own early-start actions to meet its specific challenges.

Figure 3 Implementation Plan Priority milestones



Notes

- i. Including the National Enabling Activities (NEAs), the First National Communications Projects, the Caribbean Planning for Adaptation to Climate Change (CPACC) project (1998-2001), the Adaptation to Climate Change in the Caribbean (ACCC) project (2001-2004), the Mainstreaming Adaptation to Climate Change (MACC) project (2003-2009), and the pilot projects being undertaken under the Special Pilot Adaptation to Climate Change (SPACC).
- ii. This may also need to include a review of the Regional Framework's strategic elements and goals to confirm their relevance to Haiti.
- iii. Further details of the database can be found in annex 5 of this report. This database is now being developed as web-based tool to be hosted on the CCCCC website and released in summer 2011. It will allow a user to search for projects against sector, country, sponsor, funding, strategic elements and goals. Project descriptions will be provided and links to core project documents and websites.
- iv. Caribbean Community Climate Change Centre Feedback Report. Developing an Implementation Plan for the CARICOM 'Regional Framework for Achieving Development Resilient to Climate Change'. March 2011.

CHAPTER 10

Future Directions Of Caribbean Foreign Policy: The Oceans

Francois Jackman

Introduction

THE OCEAN SPACE of Caribbean states, in general and of Caribbean Community (CARICOM) states, in particular, has long constituted an essential part of their national identity and economy.¹ Relatively recent developments in ocean-related technology and, consequently, in the international law regulating ocean space, has *de facto* “internationalised” the ocean space of Caribbean states in two ways. This development has two main consequences, within the context of this discussion.

Firstly, as a result of the expansion of national jurisdiction over maritime space which has occurred since the end of World War II, CARICOM and Caribbean states are now neighbours in a way they were not, when each only claimed a 3 nautical mile territorial sea.² They are thus now required to interact among themselves as states with joint and sometimes competing interests in the Caribbean Sea.

Secondly, the recent explosion in the international maritime transport of goods generally,³ and of ultra-hazardous materials, in particular,⁴ and the presence in the region of the Panama Canal, make the Caribbean Sea an area of strategic interest to a large number of non-Caribbean states. This requires Caribbean and CARICOM countries to re-shape their relationship with the world beyond their region in respect of the Caribbean’s ocean space.

- a. It is for these reasons that ocean governance policy will have to play an increasingly important part of Caribbean and CARICOM foreign policy, both within the region and with extra-regional actors. In this regard, this chapter will: consider

one of the defining characteristics of the Caribbean Sea as well as its legal and policy implications;

- b. sketch what are some of the relevant developments in ocean-related technology and international ocean policy and law;
- c. briefly consider what are the consequent foreign policy implications these developments have, both as between CARICOM and Caribbean states and as between these states and third (non-Caribbean) states.

It should be noted that the chapter will focus on CARICOM states but will take into account the fact that, given the geography of the region, many CARICOM states have non-CARICOM states as neighbours⁵, in some cases, critically important neighbours. In addition, much of what is relevant to CARICOM states is of general application to non-CARICOM Caribbean states.

The Caribbean Sea

The Caribbean Sea falls into a special category of ocean space defined as “enclosed or semi-enclosed seas” by Article 122 of the United Nations Convention on the Law of the Sea (UNCLOS).⁶ Given the close proximity of states bordering enclosed or semi-enclosed seas to one another and their consequent inter-dependence, Article 123 of UNCLOS exhorts them, in quite a common sense fashion, to cooperate in a variety of ways.⁷ As is often the case in enclosed or semi-enclosed seas, proximity and inter-dependence also generate competition: in the Caribbean Sea, there are thus a number of competing jurisdictional claims over the maritime space, different kinds of users and different kinds of countries.⁸ In practical terms, the drafters of the Convention are sending a message to states bordering enclosed or semi-enclosed states: you have to find a way to get along, in order to make the most of the resources of the sea and to protect yourselves from the consequences of a degradation of the marine environment; and, critically, you have to do this together, since unilateral action is a non-starter in a context where states and sea are woven together into a vitally important regional mesh.

Caribbean states, in general, and CARICOM states, in particular, have been quite successful in building up a series of regional regimes and practices which have, by and large, allowed them to avoid conflict and

enhance cooperation. However, developments in the law and in technology have made ocean governance an area of even more pressing import at the start of the 21st century.

Developments in Ocean-Related Technology and International Ocean Policy and Law

Before considering the future, it is worth making a quick detour to the past to examine a particularly interesting piece of regional ocean governance history. This chapter will argue that in some respects, the Caribbean has some catching up to do with respect to ocean governance. However, the Caribbean Sea was also home to one of the most important early developments in the law of the sea in the 20th century. The 1942 maritime boundary treaty between the United Kingdom (on behalf of Trinidad and Tobago) and Venezuela⁹ was remarkable because the boundary demarcated an area that lay beyond the parties' respective territorial seas,¹⁰ in an area not yet defined by international law or state practice.¹¹ This treaty can be said literally to have gone into uncharted waters.

The 1942 treaty is a classic example of how international law and foreign policy are driven by technological development and state interest. Why did Venezuela and the United Kingdom delimit this boundary in the middle of World War II? S.P. Jagota puts it almost bashfully:

*With the discovery of the petroleum resources of the continental shelf, the question of the coastal state jurisdiction relating thereto arose.*¹²

In other words, Venezuela and the United Kingdom wanted access to the oil they thought was present in the continental shelf beyond their territorial sea. Therefore, these states were prepared to defend the then novel hypothesis underlying the treaty that in as constrained an area as the Gulf of Paria, no other state could harbour any legitimate aspirations to territorial entitlement; even in a maritime space beyond the territorial sea, which had yet to be regulated by international law.

The 1942 treaty is paradigmatic of how the international law of the sea has evolved in the last half century and instructive for CARICOM states in particular and Caribbean states in general, in respect of the important role the sea has to play in their national development. In essence, better technology has made the resources of the sea, whether living or non-living,

increasingly susceptible to exploitation. Consequently, states, as between themselves¹³ or on a multilateral basis¹⁴, have shaped the international law of the sea to allow them maximum access to these resources. The most dramatic practical and legal consequence has been the extension of coastal state jurisdiction over maritime space. Whereas before 1942, states usually agreed that they could exercise no national jurisdiction beyond their 3 nautical mile territorial seas, today, states may exercise various kinds of national jurisdiction up to, and in some cases beyond, 350 nautical miles.¹⁵ Even the high seas—theoretically beyond national jurisdiction—have come increasingly under the authority of the international community and coastal states through various treaties and programmes of action.¹⁶ For its part, the continental shelf, beneath the high seas and beyond national jurisdiction, has been recognised by the international community as the “*Common Heritage of Mankind*”¹⁷ and is the subject of the jurisdiction of the International Seabed Authority, established specifically to:

*... Organise and control activities in the Area, particularly with a view to administering the resources of the Area.*¹⁸

Where does the Caribbean fit into this puzzle? Clearly, the region is a pre-eminently maritime one.¹⁹ The Caribbean Sea has provided a livelihood to generations of fishermen and a source of protein to generations of landmen in most, if not all Caribbean countries. In addition, today, the region is, on a per capita basis, the most dependent in the world on tourism which is, in turn, almost entirely dependent on the ocean and coastal environment.²⁰ The Caribbean Sea also sees heavy shipping traffic, owing, *inter alia*, to the fact that one end of the Panama Canal is situated within it. Finally, significant quantities of non-living resources, principally oil and gas, have been found or are expected to be found beneath the Caribbean Sea.²¹ The Caribbean Sea thus constitutes one of the region's foremost resources and should be the object of the close attention of the region's policy makers.

Foreign Policy Implications

As far back as 1942, the foreign policy implications of ocean-related technological developments were clear to the governments of the United Kingdom and Venezuela. They needed to conclude a treaty, pushing at the limits of contemporary international law of the sea, in order to protect

and advance their national interests by claiming exclusive access to the resources of the continental shelf that lay between them.

Today, the circumstances are somewhat different. There is a sense that rather than having to push the limits of the international law of the sea, Caribbean countries have some catching up to do in order to conform with and make the most of the international and regional legal and policy architecture which now exists with respect to ocean space. It is for this reason that, in the future, CARICOM foreign policy must better integrate ocean governance policy.

In discussing how CARICOM countries and CARICOM as a whole should infuse their foreign policy with ocean policy, it is useful to consider the matter as three separate but related questions to which necessarily abbreviated answers will be given:

1. What are some of the key international ocean governance structures relevant to the Caribbean?
2. What are some of the key regional ocean governance structures?
3. What are some specific examples of ocean governance policy which future Caribbean foreign policy must integrate?

1. *Key elements of the international and regional ocean governance structure*

The United Nations Convention on the Law of the Sea

The United Nations Convention on the Law of the Sea (UNCLOS) is generally recognised as being the “constitution of the oceans”,²² certainly one of the most comprehensive and universal international legal instruments in existence. Caribbean countries were at the forefront of its negotiation in the 1970’s and early 1980’s. Trinidad and Tobago and Jamaica were particularly active participants, to the extent that the signing ceremony of the Convention was hosted by Jamaica in Montego Bay in 1982 and that Jamaica plays host to one of UNCLOS’ institutions, the International Seabed Authority. All CARICOM states are party to UNCLOS, as are the vast majority of Caribbean countries and indeed, of all countries.²³ UNCLOS is encyclopaedic in its scope, setting out the broad principles relating to the rights and responsibilities of states over the oceans in 17 parts, 9 annexes and an implementation agreement.²⁴

UNCLOS is a framework document which sets out general principles and, in essence, leaves the details of implementation to states, a number of

bodies it establishes²⁵ and some international and regional organisations.²⁶ This challenge has been taken up by all of these entities which have, since 1982—and indeed had even before—been busy negotiating new multilateral treaties as well as global and regional policy instruments in application of certain parts of UNCLOS, some of which are discussed further below.

The United Nations Fish Stocks Agreement

The 1995 United Nations Straddling and Highly Migratory Fish Stocks Agreement²⁷ (“the Fish Stocks Agreement”) is an international agreement aimed at implementing the various provisions of UNCLOS relating to straddling and highly migratory fish stocks as well as filling some legal and policy gaps which the drafters of UNCLOS were not able to address.²⁸ Of particular interest is the fact that the Fish Stocks Agreement:

*“ . . . incorporates the basic concepts for the conservation of high seas living marine resources as established [by UNCLOS] as well as new concepts of fisheries management . . . recently developed as a consequence of the present state of the world fishery situation that is characterised, inter alia, by a global decline of marine resources from traditional fishing grounds and an increased concentration of fishing efforts on the high seas. ”*²⁹

What this means in practical terms for the region is clear: where there are straddling and highly migratory stocks, regional and interested states must cooperate on a bilateral or plurilateral basis.³⁰ Why? Because this is one of the most effective methods of addressing the causes underlying the Fish Stocks Agreement itself clearly expressed in the second preambular paragraph of the Agreement where states parties declared themselves:

Determined to ensure the long-term conservation and sustainable use of straddling fish stocks and highly migratory fish stocks . . .

The close proximity of CARICOM states one to the other makes inevitable the existence of fish stocks straddling the maritime space of two or more CARICOM states, a fact which underlines the importance of the Agreement to the region.³¹

2. Some key regional ocean governance structures

For its part, the Caribbean has established a number of innovative regional legal and policy instruments aimed at applying the general principles set out, *inter alia*, in UNCLOS, to the particular circumstances of the region. The instruments are too numerous to mention here, nor is it the purpose of this chapter to provide a comprehensive assessment of the regional ocean-related regimes in the Caribbean. However, three bear mentioning as they illustrate what can be done in key areas of ocean governance.

The Cartagena Convention

Chronologically, one of the first regional instruments to be established was the 1983 Cartagena Convention, which has been ratified by most CARICOM countries and most countries with a coast on the Caribbean Sea.³² The Cartagena Convention emerged from the United Nations Regional Seas Programme, itself a product of the 1972 United Nations Conference on the Human Environment.³³ As a consequence, its emphasis is on environmental protection, specifically pollution prevention, rather than on issues related to resource governance and national jurisdiction.³⁴

Caribbean Regional Fisheries Mechanism

In recognition of the importance of a regional approach to the management of fisheries resources, CARICOM countries established the Caribbean Regional Fisheries Mechanism (CRFM) in 2003.³⁵ That same year, at their 14th Inter-Sessional meeting, CARICOM Heads of Government also agreed that the region should pursue the establishment of a Common Fisheries Policy and Regime.³⁶

The close proximity one to the other of CARICOM states makes cooperation in the area of fisheries essential, not just for the sustainable development of the resources, which often straddle more than one national jurisdiction, but also for the avoidance of disputes which may arise from competition for the resources. Thus, the core function of the CRFM is:

“... the promotion and establishment of co-operative arrangements among interested States for the efficient management of shared, straddling or highly migratory marine and other aquatic resources”³⁷

Caribbean Sea Initiative

Finally, another regional policy initiative relating to the governance of the Caribbean Sea is the Caribbean Sea Initiative, piloted by a number of Caribbean countries within the United Nations General Assembly, through a series of biennial resolutions.³⁸ The objective of the resolution is to have the Caribbean Sea declared a “Special Area in the context of sustainable development”.³⁹ In practical terms, what Caribbean countries are seeking, in collaboration with the international community, is to enhance the level of protection the Caribbean Sea enjoys, given its environmental vulnerability and the high level of interdependence between the peoples of the Caribbean and their Sea.⁴⁰

The Association of Caribbean States, which groups all states with a Caribbean coast plus El Salvador,⁴¹ has taken up the task of giving political, scientific and legal flesh to the concept outlined in the UN resolutions and has created a Caribbean Sea Commission (CSC). The task of the CSC is to:

*“ . . . do the strategic planning and technical follow-up work for the advancement of the Caribbean Sea Initiative and to formulate a practical and action-oriented work programme for the further development and implementation of the Initiative . . . ”*⁴²

3. Examples of ocean governance policy in CARICOM foreign policy

The very brief preceding overview of recent developments relating to ocean governance, in general and ocean governance in the Caribbean, in particular, clearly indicates that there is a very wide swathe of areas requiring the close attention of Caribbean states’ foreign policy.⁴³

- a. In the post-Cold War era, Caribbean foreign policy has focused on a few areas which, by their urgency or importance, almost choose themselves. These include, but are not limited to: the relationship with the United States of America whose proximity and superpower status make it a systemic focus of Caribbean foreign policy; the relationship with Western Europe, whose colonial and trade links make it the object of the Caribbean’s earliest foreign policy attention; the international trading system, whose post-cold war liberalisation has

threatened the advantages Caribbean countries had obtained from its traditional trading partners; the construction of the regional integration movement, whose focus has been largely economic and trade-related and aimed at creating a single regional economic space.

Areas beyond those listed above have had difficulty commanding the attention of Caribbean policy-makers, for a variety of reasons, including capacity constraints. However, the dependence of the region on the oceans, their growing economic importance and environmental vulnerability argue for the inclusion of ocean affairs in the list of priority subjects for the states of the region and for the region collectively.

Given the international and regional policy and legal frameworks already in existence and the particular interests of Caribbean countries, what key ocean-related issues should future Caribbean foreign policy seek to embrace? Given the limitations of space available in this article and the capacity constraints Caribbean policy-makers face, the following indicative enumeration is offered.

Maritime boundary delimitation

In the last decade, the delimitation of maritime boundaries in the Caribbean has become something of a hot topic.⁴⁴ A number of regional and bilateral initiatives are underway, all aimed at delimiting the overlapping maritime entitlements of the region's states. Given the fact that the Caribbean Sea is an enclosed or semi-enclosed sea within the meaning of Article 122 of UNCLOS, there is a large number of boundaries to be delimited and only a few have been so far.⁴⁵

As noted earlier, with respect to the historic 1942 boundary delimitation treaty between Trinidad and Tobago and Venezuela, boundary delimitation is often driven by the desire of states to ensure stable access to resources, both living and non-living. As the value of these resources is better understood and increases, Caribbean states will see enhanced value in establishing firm, mutually-recognised maritime boundaries. It is also worth underlining that, despite the sometimes heated exchanges between states regarding their boundaries, Caribbean states, in general, and CARICOM states, in particular, have an excellent history relating to the peaceful settlement of disputes. The threat or use of force is almost unheard of among CARICOM countries,⁴⁶ a fact which should encourage

CARICOM states as they seek to settle their overlapping maritime entitlements.

Fisheries

As noted at various points in this chapter, ocean governance is often driven by resource issues. One of the world's most important resources and certainly one of the most important in the Caribbean region is fish.⁴⁷ As states have increasingly found and acknowledged in various provisions of UNCLOS,⁴⁸ the Fish Stocks Agreement and regional fishing arrangements, managing these resources unilaterally can be difficult or impossible, given the fact that fish do not feel constrained by the existence of legal boundaries between neighbouring states.

There are essentially two dimensions for CARICOM states to consider in addressing this issue. The first is intra-CARICOM/Caribbean. It is clear that given the importance of fisheries resources to the nutrition and livelihood of the peoples of the region and the potential irritant constituted by fisheries disputes to regional relations, Caribbean states will have to pay closer attention to the foreign policy dimension of fisheries, firstly, by establishing, where appropriate, bilateral arrangements and, secondly, by creating a meaningful regional legal and policy architecture for the management of this important resource. The CRFM and the proposed Common Fisheries Policy and Regime are merely the first and so far, very timid steps towards the creation of a real regional fisheries policy.

The second dimension of fisheries issues which future CARICOM foreign policy will also have to address relates to non-CARICOM states. Among other issues, Illegal, Unreported and Unregulated (IUU) fishing by vessels flagged in third states is of increasing concern not just in the region, but throughout the world.⁴⁹ IUU fishing is depriving Caribbean nationals of sustainable livelihoods and sustainable food sources at a time of global food shortages.

Caribbean Sea Initiative

The ambition of the Caribbean Sea Initiative is such that it might, in fact, seem unrealistic. The creation of a globally-recognised legal and policy regime giving the Caribbean Sea and Caribbean countries enhanced levels of protection from, and compensation for⁵⁰ various kinds of environmental hazards and damage is something that will require states to make a long-term commitment to devoting significant scientific, legal,

political and diplomatic resources. This is, however, a high-stakes game, given the nature of the threats—a nuclear accident, or major oil spill, for example—and their consequences for the region.

This is not, however, a fight the region cannot win. Indeed, it has already landed some significant punches. As early as 1992, Agenda 21 recognised the specific vulnerabilities of small island developing states and their particular relationship with the ocean environment.⁵¹ Subsequently, the Global Conference on the Sustainable Development of Small Island Developing States and its various review processes,⁵² further underlined the particularities and vulnerabilities of oceans and small island developing states, in general, and in the Caribbean, in particular. Finally, Annex V of the International Convention for the Prevention of Pollution from Ships identifies the Caribbean Sea as a “Special Area” in respect of the prevention of pollution from ships.⁵³

Concluding Observations

The resources of the oceans, in general, and the Caribbean Sea, in particular, are one of the keys to the Caribbean region’s sustainable development. They are, in different ways, shared or interdependent resources, requiring the states of the region to find cooperative strategies among themselves to take full advantage of them. Furthermore, many other states have an interest in the region’s maritime space given, *inter alia*, its strategic location in respect of shipping. It is essential, therefore, that the foreign policy priorities pursued by the region should reflect these imperatives. This brief survey attempts to show that while some attention has been devoted to oceans governance by the states of the region, it has not been proportionate to either the potential benefits to be derived or threats to be addressed. The region is, however, in a good position to develop existing legal and policy tools to ensure that oceans policy takes its rightful place in the region’s foreign and development policy.

ENDNOTES

1. There is a considerable and varied literature on this topic, ranging from the literary to the scientific. An interesting inter-disciplinary approach was taken recently by the authors of “Caribbean Sea Ecosystem Assessment. A sub-global component of the Millennium Ecosystem Assessment” J. Agard, A. Cropper, K. Garcia, eds., Caribbean Marine Studies, Special Edition, 2007, p xiv.
2. For a general discussion of the growth of coastal state jurisdiction over the oceans, see “The Latin American contribution to the development of the law of the sea”, F.V. Garcia-Amador, *The American Journal of International Law*, vol. 68 No. 1, (Jan. 1974), 33-50. For a discussion of some of its impacts, see “Boundary issues created by extended national marine jurisdiction”, Robert D. Hodgson, Robert W. Smith, *Geographical Review*, vol. 69, No. 4 (Oct., 1979), 423-433.
3. See “Review of Maritime Transport 2007”, United Nations Conference on Trade and Development, 2007, page 6. Available at: http://www.unctad.org/en/docs/rmt2007_en.pdf (last visited 29.09.08).
4. John Van Dyke, “The Legal Regime Governing Sea Transport of Ultrahazardous Radioactive Materials”, *Ocean Development & International Law*, 33: (2002) 77-108,.
5. The term “neighbours” is used here to describe states which have a potential or existing maritime boundary with a CARICOM state. Guyana for example, is next to Brazil but is not a “neighbour” since the boundary is not a maritime boundary but a river boundary. Following is a non-exhaustive list of existing or potential “neighbour” relationships between CARICOM and non-CARICOM states: Guyana, Trinidad and Tobago, Grenada and St Vincent and the Grenadines all share the same non-CARICOM neighbour: Venezuela; Saint Lucia has two: Venezuela (Bird Rock) and France (Martinique); Dominica has two: Venezuela (Bird Rock) and France (Martinique and Guadeloupe); St Kitts and Nevis has four: France (St Barthelemy), the Netherlands (St Eustatius), the United Kingdom (Montserrat) and Venezuela (Bird Rock); Antigua and Barbuda has one: the United Kingdom (Anguilla); Haiti has four: Cuba, the Dominican Republic, Colombia and the United Kingdom (Turks and Caicos); Jamaica has three: Cuba, Colombia and the United Kingdom (Cayman Islands); Belize has two: Mexico and Guatemala. This list is based on an enumeration of existing

maritime boundary treaties and presumptive equidistance boundaries. Actual negotiated boundaries may result in a rather different list. It owes much to (i) “Unresolved Maritime Boundary Problems in the Caribbean”, a presentation by Chris Carleton at the Conference on Law of the Sea in the Gulf of Mexico and Caribbean, held March 22-24, 2007, at the Harte Research Institute for Gulf of Mexico Studies, Texas A&M University. It is available at: <http://losi.tamucc.edu/Panels/Panelist%20Presentations/Presentation%20-%20Mr.%20Chris%20Carleton.pdf> (last visited 29.09.08); (ii) “A Common Fisheries Regime for the Caribbean Sea”, Carl Dundas and Carlyle Mitchell, CARICOM Secretariat, 2004, available at http://www.CARICOM-fisheries.com/website_content/publications/documents/A_Common_Fisheries_Regime_for_the_Caribbean_Sea_Final.pdf (last visited 29.09.08); and (iii) “Tripoint issues in Maritime Boundary Delimitation”, Coalter G. Lathrop, in “International Maritime Boundaries”, D.A. Colson and R.W. Smith (eds), Brill, 2005, pages. 3305-3375.

6. Article 122 states:

- 1.1.1. *“For the purposes of this Convention, “enclosed or semi-enclosed sea” means a gulf, basin or sea surrounded by two or more states and connected to another sea or the ocean by a narrow outlet or consisting entirely or primarily of the territorial seas and exclusive economic zones of two or more coastal states.”*
- 1.1.2. The Caribbean Sea clearly fits the second part of this disjunctive definition and perhaps even the first part.

7. Article 123 states:

- a) *“States bordering an enclosed or semi-enclosed sea should cooperate with each other in the exercise of their rights and in the performance of their duties under this Convention. To this end, they shall endeavour, directly or through an appropriate regional organisation: to coordinate the management, conservation, exploration and exploitation of the living resources of the sea to coordinate the implementation of their rights and duties with respect to the protection and preservation of the marine environment to coordinate their scientific research policies and undertake where appropriate joint programmes of scientific research in the area to invite, as appropriate, other interested States or international organizations to cooperate with them in furtherance of the provisions of this article.”*

8. For a brief discussion of the jurisdictional complexity in the Caribbean Sea, see “Delimitation of maritime boundaries within CARICOM; background paper for report”, page 1, Caribbean Regional Fisheries Mechanism, undated. Available at: http://www.CARICOM-fisheries.com/website_content/publications/documents/Delimitation_of_Maritime_Boundaries_within_CARICOM.pdf (last visited 30.09.08) See also Raymond J. Milefsky “Territorial disputes and regional security in the Caribbean Basin”, in “Caribbean Security in the age of terror: challenge and change”, ed. Ivelaw Griffith, (Ian Randle Press, 2004), page 80. For a comparison with the even more complicated East Asian region, see Mark J. Valencia “Regional maritime regime building: prospects in North East and South East Asia”, *Ocean Development and International Law*, 31, (2000) 223-247,.
9. Text published, *inter alia*, by the Geographer, Bureau of Intelligence and Research of the United States Department of State and available at: <http://www.law.fsu.edu/library/collection/LimitsinSeas/ls011.pdf> (last visited 29.09.08).
10. Then usually considered to be 3 nautical miles from the coast.
11. S.P. Jagota, *Maritime boundary* (Martinus Nijhoff, 1985), page 5,
12. *Ibid*.
13. In bilateral treaties such as the 1942 Venezuela/UK treaty.
14. In multilateral processes, such as the three United Nations Conferences on the Law of the Sea which produced multilateral treaties in 1958 and 1982.
15. The United Nations Convention on the Law of the Sea (UNCLOS), to which all CARICOM Member States are signatory, provides that a coastal state may have a territorial sea up to a maximum of 12 nautical miles from its coast (Article 3), an exclusive economic zone stretching up to 200 nautical miles from its coast (Article 57) and a continental shelf extending up to approximately 350 nautical miles from its coast (Article 76). The text of the Convention is available at: http://www.un.org/Depts/los/convention_agreements/convention_overview_convention.htm (last visited 29.09.09).
16. Article 5 (a) of the Agreement for the implementation of the provisions of the United Nations Convention on the Law of the Sea of December 10, 1982 relating to the conservation and management of straddling fish stocks and highly migratory fish stocks of 1995 imposes an obligation on coastal states and states fishing on the high seas to:

- “ . . . adopt measures to ensure long-term sustainability of straddling fish stocks and highly migratory fish stocks and promote the objective of their optimum utilization . . . ”*The text of the Agreement is available at:http://www.un.org/Depts/los/convention_agreements/convention_overview_fish_stocks.htm (last visited 29.09.08).
17. UNCLOS article 136.
 18. UNCLOS article 157.1.
 19. Caribbean Sea Ecosystem Assessment; A sub-global component of the Millennium Ecosystem Assessment, J. Agard, A. Cropper, K. Garcia, eds., Caribbean Marine Studies, Special Edition, 2007 p. xiv.
 20. Ibid page xv.
 21. See “Caribbean region analysis”, United States Energy Information Agency, 2007. Available at: <http://www.eia.doe.gov/emeu/cabs/Caribbean/pdf.pdf> (last visited 29.09.08).
 22. Remarks by Tommy T.B. Koh of Singapore, President of the Third United Nations Conference on the Law of the Sea. Available at http://www.un.org/Depts/los/convention_agreements/texts/koh_english.pdf (last visited on 29.09.08).
 23. As at September 25, 2008, 157 of the 192 members of the United Nations have ratified the Convention. Table of ratification available at: http://www.un.org/Depts/los/reference_files/status2008.pdf (last visited 29.09.08).
 24. The text of UNCLOS, its annexes and implementing agreement is available at http://www.un.org/Depts/los/convention_agreements/texts/unclos/unclos_e.pdf (last visited 29.09.08).
 25. Three of the most important such organs are the International Tribunal for the Law of the Sea, established under Annex VI of UNCLOS; the International Seabed Authority, established by article 156 of UNCLOS; and the Commission on the Limits of the Continental Shelf, established under Annex II of UNCLOS.
 26. Of particular interest to this discussion is the reference to “an appropriate regional organization” in article 123 of UNCLOS relating to one of the vehicles for cooperation between states bordering enclosed or semi-enclosed seas, such as the Caribbean Sea.
 27. Formally entitled “Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea of December

- 10, 1982, Relating to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks”. Available at http://www.un.org/Depts/los/convention_agreements/texts/fish_stocks_agreement/CONF164_37.htm (last visited 29.09.09).
28. André Tahindro, “Conservation and Management of Transboundary Fish Stocks: Comments in light of the adoption of the 1995 Agreement for the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks”, *Ocean Development & International Law*, 28, (1997) page1, 49-50.
29. *Ibid* p. 5.
30. Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea of 10 December 1982, Relating to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks, Article 5.
31. Notwithstanding this, among CARICOM states, only Bahamas, Barbados, Belize, Jamaica, Saint Lucia and Trinidad and Tobago have ratified the Agreement. Table of ratification Available at: http://www.un.org/Depts/los/reference_files/status2008.pdf (last visited 29.09.08).
32. For the status of ratifications, see <http://www.cep.unep.org/cartagena-convention/cartagena-convention/plonearticle.2005-11-30.2251202938> (last visited 29.09.08).
33. For an overview and text of the Cartagena Convention, see <http://www.cep.unep.org/cartagena-convention/cartagena-convention/plonearticle.2005-10-04.2793893381> (last visited 24.09.08).
34. Article 4.1, which deals with the general obligations of the parties states:
- “The Contracting Parties shall, individually or jointly, take all appropriate measures in conformity with international law and in accordance with this Convention and those of its protocols in force to which they are parties to prevent, reduce and control pollution of the Convention area and to ensure sound environmental management, using for this purpose the best practicable means at their disposal and in accordance with their capabilities.”*
35. Jennifer Cruickshank, Peter A. Murray, Terrence Phillips, Susan Singh-Renton and Leslie Straker. “Implementing Mechanism for the Common Fisheries Policy and Regime”, Discussion Paper, undated page 1. Available at: http://www.CARICOM-fisheries.com/website_content/publications/documents/Discussion_paper_on_implementing

- mechanism for a Common Fisheries Policy and Regime.pdf (last visited 29.09.08).
36. Ibid, page 22.
 37. Article 4, Agreement establishing the Caribbean Regional Fisheries Mechanism. Text available at:
http://www.CARICOMfisheries.com/website_content/main/agreement_establishing_the_crfm.pdf (last visited 29.08.09).
 38. Resolution 61/197 of 2006 is the most recent of a series of resolutions relating to the sustainable development of the Caribbean Sea. Available at:
<http://www.un.org/Docs/journal/asp/ws.asp?m=A/RES/61/197> (last visited 30.09.08). A new resolution is expected to be passed by the 63rd session of the General Assembly in 2008. See also “Declaration of Panama” of the 4th Summit of ACS Heads of State and Government, 2005, available at: http://www.acsaec.org/Summits/SummitIV/Assets/Docs/Outcomes/English/Declaracion_de_Panama_en.pdf (last visited 30.09.08).
 39. Ibid.
 40. J. Agard, A. Cropper, K. Garcia, (eds) “Caribbean Sea Ecosystem Assessment. A sub-global component of the Millennium Ecosystem Assessment”, Caribbean Marine Studies, Special Edition, (2007) pages 44-46.
 41. The agreement establishing the Association of Caribbean States was signed in 1994 and is available at: http://www.acs-aec.org/About/ACS_convention/convention.htm (last visited 29.09.08). The aim of the Association is to promote consultation, cooperation and concerted action among all the countries of the Caribbean.
 42. Agreement 6/06 of the Eleventh Ordinary Meeting of the Ministerial Council of the Association of Caribbean States, March 28, 2006. Available at:
<http://www.acs-aec.org/Summits/eleventhmceng.htm> (last visited 29.09.08).
 43. This overview necessarily fails to discuss many areas of considerable importance, including: maritime safety and security, shipping, coastal zone management, port state control and energy.
 44. For example, two pairs of CARICOM neighbours have employed third-party arrangements to establish maritime boundaries: Barbados and Trinidad and Tobago (arbitral award available at: [- 243 -](http://www.</u></div><div data-bbox=)

[pca-cpa.org/showpage.asp?pag_id=1152](http://www.pca-cpa.org/showpage.asp?pag_id=1152)) and Guyana and Suriname (arbitral award available at: http://www.pca-cpa.org/showpage.asp?pag_id=1147). Last visited 29.09.08.

45. “Delimitation of maritime boundaries within CARICOM; background paper for report”, page 15, Caribbean Regional Fisheries Mechanism, undated. Available at: http://www.CARICOM-fisheries.com/website_content/publications/documents/Delimitation_of_Maritime_Boundaries_within_CARICOM.pdf (last visited 30.09.08). See also “Territorial disputes and regional security in the Caribbean Basin”, Raymond J. Milefsky, in “Caribbean Security in the age of terror: challenge and change”, ed. Ivelaw Griffith, (Ian Randle Press, 2004), pages 82-84.
46. The arbitral tribunal in the case between Guyana and Suriname found that the action taken in 2000 by the Suriname coast guard in respect of an oil exploration rig licensed by Guyana
“... constituted a threat of the use of force in breach of the Convention, the UN Charter, and general international law ...”
Arbitral award, paragraph 488.2, available at:
<http://www.pca-cpa.org/upload/files/Guyana-Suriname%20Award.pdf>
(last visited 29.09.09).
47. J. Agard, A. Cropper, K. Garcia, (eds.), “Caribbean Sea Ecosystem Assessment. A sub-global component of the Millennium Ecosystem Assessment”, Caribbean Marine Studies, Special Edition, (2007), pages 21-27.
48. In particular, article 63.1 states: *Where the same stock or stocks of associated species occur within the exclusive economic zone of two or more coastal States, these states shall seek, either directly or through appropriate subregional or regional organizations, to agree upon the measures necessary to coordinate and ensure the conservation and development of such stocks without prejudice to the other provisions of this Part.*
49. The Report of the UN Secretary-General on Oceans and the Law of the Sea, United Nations, 2008, paragraph 98. Available at <http://daccessdds.un.org/doc/UNDOC/GEN/N08/266/26/PDF/N0826626.pdf?OpenElement> (last visited 29.09.08).
50. For a discussion on the possibilities of compensation for damage suffered by small island states countries as a consequence of an accident during the transshipment of radioactive material, see Caroline E. Foster, “Compensation for Material and Moral Damage to Small Island States’

Reputations and Economies due to an Incident during the Shipment of Radioactive Material”, Ocean Development and International Law, 37:55-92 (2006)..

51. Agenda 21, United Nations, 1992, Chapter 17G. Available at: <http://www.un.org/esa/sustdev/documents/agenda21/english/agenda21chapter17.htm> (last visited 30.09.08).
52. Barbados Programme of Action, United Nations, 1994; Barbados Conference +5, United Nations, 1999; Mauritius Declaration and Strategy of Implementation, United Nations, 2005. Available at <http://www.un.org/esa/sustdev/sids/sids.htm> (last visited 29.09.08).
53. International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, Annex V International Maritime Organisation. Overview and text of the Convention is available at: http://www.imo.org/Conventions/contents.asp?doc_id=678&topic_id=258#garbage (last visited 30.09.08).

CHAPTER 11

ALBA, PETROCARIBE AND CARICOM: Issues in a New Dynamic

Norman Girvan

Introduction

THE GROWTH OF relations between several Caribbean Community (CARICOM) states and the Venezuelan-promoted the Bolivarian Alternative for the Peoples of our America (ALBA) and PetroCaribe initiatives is one of the most significant recent developments in regional affairs. An immediate issue that has arisen is whether membership of ALBA might conflict with the obligations of membership of CARICOM itself. There are also larger issues of a strategic nature for CARICOM. They are related to the need for diversification of economic relations in the light of global economic restructuring; pursuit of opportunities for new modalities of South-South cooperation that are more advantageous to the region than the standard features of North-South arrangements; and the scope for a coordinated external trade policy by the Community. Indeed, although ideology and hemispheric geopolitics do come into play with ALBA and PetroCaribe; it seems important for the issues to be framed within a regional optic rather than within one determined by Washington.

The argument presented here is that ALBA, though having its own special characteristics, should be seen as one manifestation of a process of reconfiguration in the world political economy; a process marked by a relative decline in U.S. power and the emergence of new geo-economic poles of influence. The rise of Asia, and in particular, China and India, is among the most significant of the changes, as is the emergence of other regional powers in the Global South including South Africa, Brazil and Venezuela. One notable consequence is the waning ability of the United States to control the course of events in Latin America and the Caribbean. Hence, according

to a recent report published by the Washington-based Council on Foreign Relations, 'the era of US hegemony (in the region) is over'.¹

The signs of this shift are everywhere. The Free Trade Area of the Americas (FTAA) process was aborted due to Brazilian opposition to the terms on which Washington had framed the negotiations; governments opposed to the neo-liberal '*Washington Consensus*' have come to power in several countries; the Cuban Revolution is about to celebrate its 50th anniversary in spite of Washington's obsession with regime change in that country; the Bolivarian Revolution in Venezuela continues apace in spite of Washington's antagonism; and the traditional Washington-dominated sources of development cooperation are being overshadowed by Southern-controlled institutions centred on Venezuela and Brazil. Continentally, a South American Union (UNASUR) is being constructed under Brazilian leadership. These developments form an important backdrop to a consideration of the role and significance of ALBA and of CARICOM's relationship with the grouping.

In this paper, the nature of ALBA's mission and programme is examined, focusing on the kind of cooperation arrangements that are likely to be of particular interest to CARICOM countries. Hence, a review of the scope and magnitude of its financial cooperation is presented, along with the existence of non-reciprocity, the scope of social cooperation, the role of PetroCaribe and the recent incorporation of food security into the ALBA cooperation programme. Furthermore, the content of ALBA agreements is discussed from the point of view of the treaty obligations of CARICOM members; and it is concluded that there is no inherent incompatibility between them. Then, the chapter goes on to point out the potential economic and political vulnerabilities stemming from participation in ALBA and PetroCaribe; and suggests how these might be mitigated. Furthermore, the value of coordinated CARICOM policies on ALBA and other external economic relations is highlighted in this paper, along with the difficulties of agreement on these in a Community with divergent interests among its members. There is a short concluding section.

The ALBA Mission

ALBA—the Bolivarian Alternative for the Peoples of our America—presents itself as an integration scheme that is an alternative to the US-sponsored, neoliberal model of economic integration based on trade and investment

liberalisation.² ALBA claims to put the basic needs of the population and the reduction of poverty above private profits and the rights of private investors. The guiding principles of ALBA integration are said to be solidarity, complementarity, compensatory financing for the treatment of asymmetries, and differentiated treatment of countries according to their circumstances. In practice, ALBA's cooperation has consisted mostly of (i) concessional financing for the relief of energy import bills, for state-owned industries, and for physical and social infrastructure; (ii) support for projects in health and education that directly benefit the poor; and (iii) non-reciprocal trading arrangements.

ALBA has grown significantly since it was launched by Venezuela and Cuba in December 2004. Bolivia, Nicaragua and Dominica have acceded; and St. Vincent and the Grenadines and Antigua and Barbuda have signed statements of support. The 6th ALBA Summit in January 2008 was attended by the leaders of twelve countries³, including nine from the Greater Caribbean and five CARICOM Member States. According to the Venezuelan Ministry of Integration and Foreign Trade, the main initiatives of 'Caribbean ALBA' are:

- a. The fight against poverty and social exclusion;

Box 16.1

ALBA principles and 'rules'

*Asset out in Joint Statement (Venezuela-Cuba)
for the Creation of ALBA, 14/12/2004*

1. Trade and investment to be instruments of fair and sustainable development with effective participation of the State.
2. Special and differentiated treatment for participating countries according to their level of development and size.
3. Economic complementarity and cooperation between countries to preserve efficient and productive specialization and balanced economic development.
4. Cooperation and solidarity for a Continental fight against illiteracy provide free healthcare and a scholarship programme.
5. Creation of a Social Emergency Fund.
6. Integrated development of communications and transport.
7. Protection of the environment.
8. Energy integration.
9. Promotion of intra-Latin American Investment through a Latin American Investment Bank, a Bank of Development of the South and a Latin American Society of Reciprocal Guarantees.
10. Defence of cultural identity: creation of TELESUR.
11. Intellectual Property Rights to protect the patrimony of the region while not becoming an obstacle to cooperation.
12. Harmonisation of positions in multilateral fora, including democratisation of international organisations, particularly the United Nations system.

- b. Joint Plan for food security;
- c. Power and mining development for the development of joint production chains;
- d. Portfolio of integrated investments;
- e. Academic and cultural exchange;
- f. Tourism—cooperation in human resource development, air transport, and other areas;
- g. Environmental conservation;
- h. Caribbean regional market—intra-regional trade;
- i. Prevention and management of natural disasters.

ALBA Financial Cooperation

Financial cooperation is an important element of ALBA. Hence, there was a Venezuelan commitment of \$100 million to Bolivia on the latter's joining and an additional \$30 million for infrastructure projects. Two major new developments are the ALBA Caribe Fund and the ALBA Bank. The ALBA Caribe Fund was created within the PetroCaribe framework, specifically for ALBA participating countries. Reportedly, 25 per cent of the bill for imports of crude oil from Venezuela is credited to this Fund, the purpose of which is to fight poverty by financing social and economic programmes. Information on the amount accruing to this fund and the level of disbursements is not available. Given the steep increases in oil prices, the fund is likely to grow rapidly.⁴

Box 16.2

ALBA Agreements

- December 14, 2004: Joint Statement by the Presidents of the Bolivarian Republic of Venezuela and Cuba for the Creation of ALBA.
- December 14, 2004: Agreement between the Presidents of Venezuela and Cuba for the Application of ALBA.
- December 14, 2004: Contribution and Subscription of the Republic of Bolivia to the Joint Statement.
- April 29, 2006: Agreement for the Application of ALBA and the Trade Treaty of the Peoples (TCP) between Bolivia, Cuba and Venezuela.
- May 17, 2006: Agreement in the Framework of ALBA and the TCP for the Instrumentation of Special Financing Funds.
- January 11, 2007: Accession of Nicaragua to the Joint Statement and Statement of Contribution and Accession of Bolivia.
- February 17, 2007: Joint Statement of the President of Venezuela and the Prime Ministers of Antigua and Barbuda, Dominica and St Vincent and the Grenadines.
- January 26, 2008: 'Document of Accession' to ALBA signed by the Prime Minister of Dominica.

Establishment of the ALBA Bank (BALBA) was agreed to between Bolivia, Cuba, Nicaragua and Venezuela in June of 2007 and the Bank was formally launched in 2008. Its objectives are to support sustainable social and economic development, reduce poverty and strengthen integration. BALBA will have an authorized capital of \$2 billion and will start with subscribed capital of \$1 billion.

Non-reciprocity in ALBA

Non-reciprocity and compensated trade (i.e., through direct product exchanges) are two ways in which the principles of fair trade and special and differentiated treatment are applied in ALBA. Furthermore, trade agreements are negotiated on a case-by-case basis, allowing for flexibility of commitment according to country circumstances. These principles are broadly applied: for instance, some non-reciprocal features of the Cuba-Venezuela agreements actually favour Venezuela, even though it may be considered the 'more developed' member.

Hence, Cuba agreed to grant duty-free access to Venezuelan imports and to remove non-tariff barriers while in return, Venezuela has agreed to eliminate only non-tariff barriers on Cuban imports. Such non-reciprocity is in recognition of the fact that "Venezuela is a member of international institutions that Cuba does not belong to, all of which must be taken into consideration when applying the principle of reciprocity in the commercial and financial arrangements that are made between the two countries".⁵ Similarly, Bolivia has been granted duty free access to Cuba and Venezuela and elimination of non-tariff barriers on its exports without undertaking the same obligation in return.⁶

In payment arrangements, there is provision for payment-in-kind for oil imports from Venezuela ('compensated trade') and for Reciprocal Credit Arrangements; both being contained in the Venezuela-Cuba Agreement.⁷

Non-reciprocity in payment obligations also applies: Bolivia can pay for Cuban imports with Bolivian products, with the national currency of Bolivia or other mutually agreed currencies; but is not obliged to grant a reciprocal facility to Cuba.⁸ Venezuela has been granted the same facility in paying for Cuban imports, without reciprocity from Venezuela.⁹ In the Caribbean, Dominica is allowed to pay for 40 percent of its PetroCaribe oil imports with exports of bananas.¹⁰

Non-reciprocity, however, is not always a good thing. There is the danger that CARICOM will come to be seen, and will come to see itself, as

a 'free-loader' in its external relations. It is in the interest of the Community to identify ways in which it can assist other ALBA participating countries. English language training and tourism-related training are two areas that come to mind. CARICOM could also seek to establish its own technical assistance and volunteer programmes for service in other developing countries, not restricted to ALBA. Thus non-reciprocity can, and should, be reciprocated.¹¹

Social Cooperation

Cooperation in health and education are major elements in ALBA. Here, Cuba's considerable human resource capabilities in these sectors come into play.

Hence, it is reported that some 30,000 doctors are providing free services to the poor throughout Latin America and the Caribbean; 70,000 students are receiving training as health professionals; over two million have been made literate and 600,000 people have 'had their sight restored via Operation Miracle and free surgical operations'.¹²

ALBA agreements provide for 2000 Cuban scholarships per year for Venezuela and 5000 Cuban medical scholarships for Bolivia. Bolivia is reportedly benefiting from 600 Cuban medical specialists and Venezuela has 15,000 Cuban medical professionals working in its *Barrio Adentro* Mission.

In the case of Dominica, over 100 students from that country are reportedly attending Cuban medical and nursing schools and approximately 75 Dominican students are in other Cuban schools. It is reported that 'about 2,000 Venezuelan and Cuban scholarships are available to qualified Dominican students in computer science, medicine, engineering, sports, physics, math, and agriculture'¹³. Several hundred visually impaired Dominicans are said to have had their sight restored in either Cuba or Venezuela through Operation Miracle.

PetroCaribe¹⁴

PetroCaribe was initiated in June 2005, as an extension of the Caracas Energy Accord of 2001. As such, the facility predates ALBA and, as it is available to 16 countries in the Greater Caribbean, it is not tied to ALBA accession. However, ALBA countries appear to derive an extra benefit from PetroCaribe (see below). PetroCaribe finances a portion of the value of imports of crude oil from Venezuela according to a sliding scale: above

\$30 per barrel, 25 per cent; at above \$40, 30 per cent; above \$50, 40 per cent; above \$100, 50 per cent. The balance is payable over 25 years at 2 percent, falling to 1 percent at prices above \$40/bl., with a grace period for repayment of 2 years.

As the price of oil on world markets has grown, so has the value of PetroCaribe loans to importing countries. One consequence is that PetroCaribe has become the largest single source of concessional finance to the Caribbean region. Hence, PetroCaribe credits to importing countries from June 2005 to December 2007 amounted to \$1.17 billion and are expected to reach \$4.5 billion by 2010.¹⁵ This is \$468 million per year in 2005-2007, rising to \$1.1 billion in 2008-2010. By comparison, US Foreign Assistance to the Caribbean region for Fiscal Years (FY) 2005-2007 is estimated at \$340 million per year, \$149 million per year excluding Haiti.¹⁶ In the case of the Inter-American Development Bank, disbursements to the 16 PetroCaribe participating countries in Fiscal Year 2008 amounted to \$100 million; which is less than one-quarter of the PetroCaribe average lending for 2005-2008.¹⁷

For CARICOM countries, the shift in the relative importance of sources of concessional finance is no less marked. Jamaica alone benefited from PetroCaribe lending to the tune of \$471 million to the end of March 2008; while US assistance to Jamaica in Fiscal Years 2005-2007 amounted to \$58 million i.e., less than one-eighth as much in a comparable period. For the Eastern Caribbean and Suriname, the value of PetroCaribe credit is estimated at between \$180-\$360 million per year,¹⁸ compared to US assistance in FYs 2005-2007, totalling approximately \$15 million. IADB disbursements to all of CARICOM in 2007 amounted to \$43 million, clearly a fraction of the PetroCaribe total. PetroCaribe also exceeds the EU's Regional Indicative Programme for Caribbean Forum (CARIFORUM) countries by a wide margin: the 10th replenishment of the European Development Fund (EDF) is programmed at €165 million (approximately US\$255 million) or \$45 million per year.

Since the beginning of 2008, the skyrocketing price of oil on world markets has considerably enhanced the strategic role of the PetroCaribe facility. At current rates of importation (72 million barrels per year) each dollar rise in the oil price adds \$72 million per year to the oil bill of importing countries. By reference to a base price of \$30 per barrel, the recent world market price of \$135 per barrel represents an addition of \$7.6 billion per year to the oil bill of the 16 importing countries. Between

Box 16.3
PetroCaribe Projects

- Jamaica. Supply of 23,500 b/d. agreements signed in education, science, technology, medicine, tourism. Agreement to upgrade the Petrojam refinery.
- Grenada. Agreements to supply 340,000 barrels per year of products, 55,000 gasoil, 85,000 thousand gasoline and 200,000 fuel oil.
- Cuba. Inauguration of the Cienluegos Refinery in Cuba with a capacity of 70,000 b/d.
- Belize. Mixed enterprise between PDV and Belize Petroleum.
- Nicaragua. 80,000 gallons of Venezuelan diesel.
- Dominica. 1,200 barrels of asphalt. Warehouse 1000 b/d hydrocarbons.
- Antigua and Barbuda is a strategic place for warehouse and distribution of fuel to the Eastern Caribbean.

New projects:

- Expansion of the Kingston refinery. Jamaica.
- Building of the refinery in Leon, Nicaragua.
- Construction of the refinery in Dominica.
- Construction of the refinery in Belize.
- Conclude the construction of the PLG (liquefied petroleum gas) in St. Vincent and the Grenadines.
- Construction of fuel distribution plants in Dominica, St. Kitts and Nevis, St. Vincent and the Grenadines, Grenada and El Salvador.
- Electricity Generation plants in Nicaragua, Haiti, St. Kitts and Nevis, and Antigua and Barbuda.

25 and 50 percent could be financed by PetroCaribe credits.

Access to PetroCaribe is not conditional on accession to ALBA. However, PetroCaribe has many elements in common with ALBA, including compensation for asymmetries and the financing of poverty reduction and of the state sector. In Venezuelan eyes, PetroCaribe and ALBA are expressions of a Bolivarian vision that includes other initiatives such as PetroAndina, PetroSur, Telesur, and the South Bank, which has an authorized capital of \$7 billion.¹⁹

ALBA countries, plus Haiti, also reportedly derive an extra benefit from PetroCaribe. In this instance, PetroCaribe extends 90 days credit for payment of 50 per cent of the value of oil shipments, and part payment may be made through product exchange. For the balance, 25 per cent of the import bill is extended as a direct credit to the government of the importing country and 25 per cent is paid into the ALBA Caribe Fund administered by Petr leos de Venezuela S.A. (PDVSA) for social and economic projects within the importing country. The ALBA Caribe fund is a new institutional development within the ALBA Caribbean landscape and is destined to become a major player in regional financing.

Food Security

An Extraordinary Summit of ALBA held on April 26-27 2008, addressed the issue of rising food prices and food shortages affecting the region. The leaders of Bolivia, Cuba, Nicaragua and Venezuela agreed to create the ALBA Network of Food Trade and the ALBA Food Security Fund with an initial investment of \$100 million. They also approved the creation of a Commission comprising the Agriculture and Forestry Ministers of the countries with the objective of organising joint productive projects and agro-industrial development in cereals, leguminous and oleaginous plants, meat and milk. The Extraordinary Summit also declared its support for the President of Bolivia in alleged attempts to destabilise his administration.

In short, ALBA and PetroCaribe are significant developments in the hemispheric geo-economic and geopolitical landscape. CARICOM countries cannot afford to ignore these developments; indeed they are already strongly engaged on a bilateral basis. ALBA and PetroCaribe are major new sources of balance of payments relief in the face of rising oil prices, of financial assistance for government budgets and for badly needed physical infrastructure, and of technical cooperation in the provision of social services and human resource development. They have proven to be pro-active in the face of new developments such as rising food prices. They are low-conditionality and involve a considerably lower degree of intrusion into domestic policies in scope and depth, than the funding from traditional donors.²⁰

Let us now turn to the issues and risks involved in ALBA association.

Do ALBA obligations conflict with CARICOM obligations?

The main issues to be considered here are the form of association with ALBA and the nature of the commitments undertaken by acceding countries.

The intergovernmental modes of association employed for ALBA are those of *Joint Statement*, *Agreement*, and *Statement of Accession*, *Statement of Contribution and Subscription*, and *Statement of Support*; signed by Heads of State and/or Government (*shown in Box 16.3*). Hence, ALBA does not take the form of an international or intergovernmental organisation, treaty or integration scheme in the normal sense. There is no set of ALBA statutes or obligations by which adhering states agree to be legally bound under international treaty law. 'Principles' and 'agreements' appear to be of a

political nature; they are bilateral or trilateral documents to which specific Heads of government subscribe. The term 'membership', therefore, may be misleading as to its connotations in the case of ALBA (although it is used in both English and Spanish language documents). The terms 'accession', 'adherence' or 'participation' may be more appropriate in conveying the nature of the association.

The question therefore turns on what *specific* obligations apply to acceding countries in general, and to Dominica, as an acceding CARICOM state, in particular. In the cases of Bolivia and Nicaragua, accession involved adherence to the Joint Statement by Cuba and Venezuela of December 14, 2004, (*Box 16.1*). This is a political declaration containing certain principles to which the governments subscribe. Some might believe that the thrust of this Statement is for the creation of an ALBA 'economic bloc' (a term that is sometimes used in reference to ALBA); and that this will conflict with the implementation of the CARICOM Single Market and Economy (CSME). However, a close reading suggests that this is not the case.

There is no commitment to the liberalisation of trade and investment within ALBA, nor for the adoption of common economic policies among the participating countries, nor for the erection of common economic barriers towards the rest of the world. The normal features of an orthodox integration scheme are absent. Hence, the possibility of conflict with existing integration scheme obligations does not arise. Notably, both Venezuela and Bolivia are members of the Andean Group integration scheme; Venezuela is in the process of negotiating the Common Market of the South (MERCOSUR) membership, and Nicaragua participates in the Central American Free Trade Agreement (CAFTA) with the United States.

Most of the general principles of the Joint Statement appear to be unobjectionable from the CARICOM point of view. There are, however, two that might be considered questionable. (*Box 16.1; No. 12*) of the ALBA principles and rules, calls for "harmonisation of positions within the multilateral sphere," etc., and refers particularly to fight for the democratization of the UN system. However, the Association of Caribbean States (ACS) Convention also calls for harmonization of positions in international fora. All ALBA countries, save Bolivia, are also ACS members. The harmonization principle is always difficult to apply because of differences among Member States (even within CARICOM there are difficulties) and

because of the consensus rule in decision-making, which means that even one country can hold up harmonisation. Furthermore, ALBA is not an intergovernmental organisation. (*Box 16.1; No. 12*) is therefore unlikely to be seen as problematic.

The Principles and rules (*Box 16.1, No. 8*) in the Joint Statement calls for 'energy integration between the countries of the region'. This clearly refers to PetroCaribe and its sister companies PetroAndina and PetroSur. It carries no legally binding obligations to do anything. But it does bring up the question of the role of Venezuela vis-à-vis Trinidad and Tobago in the region's energy mix. Venezuela's role as a supplier of crude oil to refineries in several CARICOM countries cannot be taken up by Trinidad and Tobago and not much has been heard of late, of the latter's oil-financed CARICOM aid facility. It seems unlikely that it could approach the scale of PetroCaribe's lending. On the other hand, there is no reason why the two sources should be regarded as competitors in the regional oil market in the present environment of tight energy supplies. We conclude that (*Box 16.1; No. 12*) of the ALBA principles and rules is not conflictive with CARICOM obligations since it is non-specific

Box 16.4
Revised Treaty of
Chaguaramas
ARTICLE 80

Co-ordination of External Trade Policy

1. The Member States shall co-ordinate their trade policies with third States or groups of third States.
2. The Community shall pursue the negotiation of external trade and economic agreements on a joint basis in accordance with principles and mechanisms established by the Conference.
3. Bilateral agreements to be negotiated by Member States in pursuance of their national strategic interests shall:
 - (a) Be without prejudice to their obligations under the Treaty; and
 - (b) Prior to their conclusion, be subject to certification by the CARICOM Secretariat that the agreements do not prejudice or place at a disadvantage the position of other CARICOM States vis-a-vis the Treaty.
4. Where trade agreements involving tariff concessions are being negotiated, the prior approval of COTED shall be required.
5. Nothing in this Treaty shall preclude Belize from concluding arrangements with neighbouring economic groupings provided that treatment not less favourable than that accorded to third States within such groupings shall be accorded to the Member States of the Community, and that the arrangements make adequate provision to guard against the deflection of trade into the rest of CARICOM from the countries of such groupings through Belize.

and non-binding; but that the PetroCaribe and ALBA developments highlight the desirability of a coordinated CARICOM energy policy.

Regarding Dominica's 'statement of accession' to ALBA, this document is of a general nature. It recites the principles and achievements of ALBA, but contains no specific commitments or obligations by Dominica or by any other ALBA country. It does not even go as far as the accession statement of Bolivia or the Cuba-Venezuela statement for the application of ALBA, which spell out certain trade and payment arrangements. Indeed, it does not refer to the Cuba-Venezuela Joint Statement creating ALBA, or to any other document except the joint declaration of the three OECS states of February 2007. In short, there is no evidence in this document that Dominica has undertaken any specific obligations of any kind, let alone obligations that might conflict with those applying under the Revised Treaty of Chaguaramas or the CSME.

Coordination of Trade Policy in CARICOM

Article 80 of the Revised Treaty of Chaguaramas calls for the coordination of the external trade policies of the Member States of the Community (Box 16.4). As such, it mandates the Community to pursue the negotiation of external trade and economic agreements 'on a joint basis'. At the same time, it allows for the negotiation of bilateral agreements by Member States '**in pursuance of their national strategic interests**'. **Such bilateral agreements should be without prejudice to members' Revised Treaty obligations. Where they contain a trade or tariff component, they are subject to Secretariat or COTED,**²¹ certification as the case may be. The provisions of Article 80 represent a compromise between regionalism and the preservation of national sovereignty in an area that is vital to the national interests of Member States, given the highly trade-dependent nature of CARICOM economies.

The ALBA documents signed by three CARICOM countries do not contain a trade component, or any reference to tariffs. As such, they do not appear to require certification by the CARICOM Secretariat or by the COTED. The PetroCaribe agreements signed by thirteen of the fifteen CARICOM members could be construed as having a trade component, especially where 'compensated trade' is involved. When CARICOM members signed on in 2005, concerns were expressed in some quarters²² at the lack of prior CARICOM consultation on the terms and conditions.

This matter has never been resolved; in effect, CARICOM members have agreed to differ over both ALBA and PetroCaribe.

Economic vulnerability issues

Vulnerability relates to the issues of (a) external indebtedness; and (b) possible political change in Venezuela. The type of concessionary debt represented by PetroCaribe creates less debt servicing obligations per dollar than commercial or IFI (Fund/Bank) debt. Nonetheless, the steep increase in total PetroCaribe debt that has taken place and will continue to take place, should be a source of concern. Three strategies are called for here.

Firstly, CARICOM states should aim to keep, within a target ceiling, *aggregate* debt servicing obligations arising from all external debt as a proportion of exports (goods and services) and GDP. PetroCaribe debt should be managed as part of a total external debt management strategy.

Secondly, a high proportion of external debt owed to a single source opens the way to the exercise of political and economic leverage by the creditor. Here, the strategy should be (a) to regionalise relations with the creditor as far as possible; while (b) fixing a target ceiling for indebtedness to any *one* donor as a share of total external debt.

Thirdly, CARICOM states must, as a matter of their long-term survival, adopt aggressive policies for energy conservation and the development of new and renewable sources of energy, so as to reduce their reliance on special financing for energy imports. For instance, a portion of PetroCaribe could be set aside for this purpose. Thus, the availability of concessionary loans to finance energy imports should not be allowed to reduce the incentive for policies of energy conservation and development.

Political vulnerability issues

Firstly, there is the matter of territorial claims and maritime boundary disputes involving Venezuela, on the one hand, and Guyana and Bird Rock/Island, respectively, on the other hand. There are concerns that the CARICOM stand on these matters could be compromised by ALBA participation.

As things presently stand, there is no evidence that Venezuela has sought to establish a linkage, either formally or informally, between the

issues and participation in ALBA/PetroCaribe. Certainly, there is no reference to these subjects even in general terms in ALBA and PetroCaribe documents; nor do we have any information from political leaders and officials of informal linkage in private contact. Notably, Guyana participates in PetroCaribe. We presume that any attempt to establish linkage of this kind would elicit a firm and unambiguous response from CARICOM states.

Secondly, there are concerns about the possibility of change in leadership, of government or of orientation in Venezuela. There is no way in which the likelihood of such eventualities can be assessed. President Chavez has been in office for the better part of ten years and has won several elections and referenda, losing only the last referendum by a narrow margin. His present term of office extends to 2012 and he is not eligible for re-election. On the other hand, the Bolivarian mission appears to be a widely held ideology in Venezuela and may outlast the Chavez Presidency. In addition, disenchantment with neoliberalism and the *Washington Consensus* has spread throughout much (though not all) of Latin America.

Nonetheless, such political vulnerability issues underline the desirability of regionalizing relations with ALBA and Venezuela through joint or coordinated negotiations, and of strategies to mitigate debt dependence and energy dependence.

A particular point of concern is the possibility of incorporating a military dimension into ALBA and the fear of being drawn into a military confrontation with the United States by this route. This came about as a result of media reports on remarks made by the Venezuelan President in his speech at the 6th ALBA Summit. It seems clear, however, that this possibility, even if actually mooted by President Chavez (and this itself is not clear), was not supported by other leaders attending the Summit.²³ It was not mentioned in the Summit Declaration, nor is there any reference to military cooperation in any of the official ALBA documentation. Officials of CARICOM Member States who deal with this matter insist that there is no discussion of a military dimension ALBA. A more likely proposition is Brazil's proposal to establish a South American Defence Council under the umbrella of UNASUR; a matter which is now the subject of discussions that includes two CARICOM Member States.²⁴

Relations with other hemispheric powers

There are concerns about the potential fall-out from ALBA participation in respect of relations with other hemispheric powers, notably the United States and Brazil. Given the poor state of Venezuela-US relations and the nature of the ALBA mission, association with ALBA carries the risk of compromising CARICOM's traditionally friendly relations with the United States through 'guilt by association'. In the case of its relations with Cuba, CARICOM has been able to maintain a clear distinction between the development of trade and cooperative relations with other hemispheric countries, on the one hand, and support for everything that is done by the governments and said by their leaders, on the other hand. This is an essential attribute of the foreign policy of sovereign states on which CARICOM has insisted in various arenas; and the same principle applies to relations with Venezuela and with ALBA. Furthermore, the main areas of cooperation between CARICOM and the United States—security, narco-trafficking, money-laundering and migration—are all matters of mutual interest and should not be affected by participation in ALBA.

With regard to Brazil, there is the matter of its rivalry with

Box 16.5

Extract from *Communique Issued At The Conclusion Of The Eleventh Meeting Of The Council For Foreign And Community Relations (COFCOR)*, 7-9 May 2008, Bolans Village, Antigua And Barbuda. (Press release 125/2008 10 May 2008. Available at http://www.caricom.org/jsp/pressreleases/press125_08.jsp)

“The Protection of CARICOM's Strategic Interests In the Changing International and Hemispheric Context

“Ministers examined the geopolitical and economic changes taking place at both the hemispheric and international levels and the resulting challenges. They considered these changes particularly in the context of the redistribution of power on the global stage; the shifting priorities of traditional partners; the increasing presence of non-traditional actors in the Caribbean region; and geo-political changes in neighbouring regions and states. They also considered non-geopolitical issues having an impact on the Community including climate change, rising food and fuel costs and crime and security.

“In this context, Ministers considered policy responses to these changes and challenges as well as new initiatives which have emerged and which could assist countries of the Region in meeting these challenges, among them the Bolivarian Alternative for the Peoples of our America (ALBA).

“Ministers agreed that Member States should continue to pursue and explore all opportunities available to them for their social and economic development, recognising at all times their obligations under the Revised Treaty of Chaguaramas”.

Venezuela for influence in the Latin America and Caribbean (LAC) region. In this regard, participation in ALBA should actually increase the incentive for Brazil to deepen its cooperation with CARICOM, as a means of countering Venezuela's influence.

A CARICOM-ALBA agreement?

We have suggested that coordination of CARICOM's trade policy with ALBA and PetroCaribe, as with other countries and trade groupings, is both a treaty obligation and desirable for economic and political reasons. A joint agreement, for example, could contain provisions designed to address CARICOM's concerns, such as respect for the provisions of the Revised Treaty of Chaguaramas and for the territorial integrity and sovereignty of Member States. However, a coordinated position or joint agreement appears unlikely because of differences among Member States in the perceived costs and benefits from association with ALBA. Trinidad and Tobago has a difficulty because it continues to promote its candidacy as the site of the headquarters of the FTAA, to which ALBA is being promoted as an alternative. Other Member States, such as Barbados and Jamaica, may have reservations about the impact of close association with ALBA on their relations with Washington.

Both Trinidad and Tobago and Barbados have declined to participate in PetroCaribe; the former because, as an energy exporter, it considers PetroCaribe to be its competitor in the regional oil market.

This issue throws into relief the difficulty of coordination in a Community where economic circumstances vary widely among Member States. The difficulty was not as evident when CARICOM's most important relationships were with traditional trading partners in the North Atlantic. Commonality of interest in trade relations with the EU, the US and Canada made joint negotiations relatively easy. With global and hemispheric reconfiguration, the issue is more sharply posed. Thus, as a Community, CARICOM is unable to adopt a coordinated trade policy with the People's Republic of China, since several Member States maintain diplomatic relations with Taiwan. Again, two CARICOM Member States on the South American continent are participating in the Union of South American States (UNASUR), and in May 2008, signed the constitutive agreement formalising the grouping.²⁵ As in the other cases, their participation was not the subject of prior Community sanction or the result of a Community-wide strategic policy. In effect,

CARICOM members have agreed to differ, not only on ALBA but also on several other subjects of external trade policy where they have divergent interests. The Communiqué issued at the end of CARICOM's Council for Foreign and Community Relations (COFCOR) meeting in May 2008, where ALBA was discussed, reflects this on-going compromise (see Box 16.5).

In the absence of coordination, CARICOM's external trade policy will continue to be a series of *ad hoc* bilateral responses to opportunities afforded by global and hemispheric reconfiguration, lacking a coherent strategic dimension. While this may be understandable in the light of divergent interests, the downside will be failure to capitalise on the leverage available from coordination and from the synergies of joint action. There is also a danger of regional fragmentation associated with the fall-out from external trade policy to domestic policy. The Community, could, in effect, be pulled in several different directions at the same time.

Conclusion

We have argued that ALBA should be seen as one expression of a process of reconfiguration taking place in world and hemispheric affairs. There are several attractive features in the ALBA model from CARICOM's point of view. These include flexibility in the terms of participation based on differentiated treatment, non-reciprocity in trade and payment arrangements, availability of considerable financial assistance on concessionary and low-conditionality terms, and cooperation in health and education that directly benefits economically disadvantaged groups. However, non-reciprocity should not be one-way: CARICOM should consider establishing a development cooperation programme in which it plays a donor role.

There are also advantages from CARICOM engaging with ALBA as part of a broader policy of strategic diversification in its external economic relations. CARICOM would seek to take advantage of the significant benefits to be available, while attenuating energy and donor dependency, preserving the integrity of its own integration arrangement, maintaining its political commitments to its own membership and minimising any fall-out in relations with its traditional partners. Success in achieving these objectives would be enhanced by adopting a coordinated position and even negotiating a joint agreement with ALBA. At the present time, this

does not appear likely because of divergent national interests within the Community.

This is a general difficulty that appears to affect CARICOM's relations with other non-traditional trading partners though each case is peculiar. Hence, the process of reconfiguration brings both new opportunities for cooperation and strategic diversification and new challenges to the cohesion of the CARICOM integration movement.

NOTES

1. "Era of U.S. hegemony in Latin America is over, says CFR Task Force", Washington, D.C.: U.S. Council on Foreign Relations, Press Release, May 15, 2008. Available at: http://www.cfr.org/publication/16245/era_of_us_hegemony_in_latin_america_is_over_says_cfr_task_force.html. The full report is published as *Report of an Independent Task Force, U.S.-Latin America Relations: A New Direction for a New Reality*. Available at <http://www.cfr.org/publication/16279/>
2. Information on ALBA was drawn from the documents listed in Box 2 and from various documents at <http://www.alternativabolivariana.org>; including "What is ALBA?", available at http://www.alternativabolivariana.org/pdf/alba_mice_en.pdf ; Ministerio de Integración y Comercio Exterior, *El ALBA en el Caribe*, available at <http://www.alternativa-bolivariana.org/modules.php?name=Content&pa=showpage&pid=258> (21/05/08); and Venezuelan Bank of External Commerce, BANCOEX, "What is the Bolivarian Alternative for Latin America and the Caribbean?" *Venezuelaanalysis.com*, February 5, 2004; available at www.venezuelaanalysis.com. (21/05/08).
3. Besides the listed seven there were the leaders of Ecuador; St. Kitts and Nevis; Honduras; Haiti; and Uruguay.
4. *Acuerdo de Cooperación Energetica PetroCaribe*. Available at <http://www.alternativabolivariana.org/modules.php?name=Content&pa=showpage&pid=232>. (21/05/08).
5. Article 11, Agreement between Cuba and Venezuela for the Application of ALBA, December 14, 2004.
6. Cuba, Venezuela, Bolivia Agreement of application, April 29, 2006, page 4.
7. Article 18, Agreement between the Presidents of Venezuela and Cuba for the Application of ALBA, December 14, 2004.
8. Cuba, Venezuela, Bolivia Agreement of application, April 29, 2006, page 3.
9. Article 8, Agreement between the Presidents of Venezuela and Cuba for the Application of ALBA, December 14, 2004.
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13. Nidia Diaz, "Venezuela offers to finance 50% of ALBA nations' oil", Granma International, May 4, 2007. Available at <http://www.granma.cu>.
14. Information from Caribworldnews.com, op. Cit., January 15, 2008.
15. Information on PetroCaribe was obtained from the following sources: PetroCaribe Summit available at http://www.jis.gov.jm/special_sections/summit/; Petroleos de Venezuela, S.A. Available at http://www.pdvsa.com/index.php?tpl=interface.en/design/readmenuprinc.tpl.html&newsid_temas=48; Ministerio del Poder Popular Para La Energia y Petróleo PetroCaribe. Available at <http://www.mem.gob.ve/PetroCaribe/index.php>; Kaia Lai, 2006, PetroCaribe: Chavez's Venturesome Solution to the Caribbean Oil Crisis, COHA. Available at www.venezuelanalysis.com. (21/05/08).
17. The figure of \$4.5 billion by 2010 may turn out to be a considerable underestimate, as it was given in December 2007, i.e. before the huge increase in oil prices in the first half of 2008. Information sourced from Venezuelan leader Chavez presides over oil summit in Cuba, available at <http://edition.cnn.com/2007/WORLD/americas/12/21/cuba.petroleum.summit.ap/index.html>. (21/05/08).
18. Sullivan, Mark, "Caribbean Region: Issues in U.S. Relations". CRS Report for Congress. October 27, 2006.
19. <http://www.iadb.org>.
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22. Embajada de la Republica de la Bolivariana de Venezuela en Francia, *Tema alimentario será prioridad en Cumbre del ALBA*, Prensa Presidencial, 23 de abril de 2008, available at http://www.embavenez-paris.com/embavenez.php?cat=pei&inc=24_04_2008. (21/05/08).

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24. Specifically, by Prime Minister Arthur of Barbados and Prime Minister Manning of Trinidad and Tobago.
25. See Josette Altmann, "The ALBA Bloc: An Alternative Project for Latin America?" *ARI: Real Instituto Elcano*, April 17, 2008; available at http://www.realinstitutoelcano.org/wps/portal/rielcano/contenido?WCM_GLOBAL_CONTEXT=/Elcano_in/Zonas_in/ARI17-2008). Although this article states that there was "an announcement (at the 6th Summit) to create a military alliance among (ALBA's) five Member States", this may have been a premature interpretation of President Chavez's remarks, as no such announcement appears in the Summit Declaration.
26. See "Consejo de Defensa Suramericano Profundizara la Integración" <http://www.alternativabolivariana.org/modules.php?name=News&file=article&sid=3000>.

CHAPTER 12

The New Geography Of Brazil-Caribbean Economic Cooperation

Tanisha Tingle-Smith

Introduction

BRAZIL IS STEADILY emerging as a dominant global middle power. Over the last decade, the oft-labelled ‘country of the future’ has enjoyed a more prominent role in the world economy and on political platforms. Brazil has assiduously expanded its diplomatic and economic reach worldwide, particularly among the Global South. Brasilia’s enlarging international presence is apparent in the wider Caribbean region where it now heads the United Nations (UN) peacekeeping operation in Haiti. Brazil’s Caribbean inroads extend to the economic sphere as well. Brazil’s trade with the Caribbean has prospered in recent years, reaching US\$2.4 billion in 2005, roughly doubling year-over-year.¹ The significance of such trade expansion in the Caribbean sub-region, signals Brazil’s growing competitive strength and its ability to penetrate new markets, especially in the Caribbean Basin. This paper examines the Caribbean Community (CARICOM)-Brazil relations and describes potential opportunities for trade, given the context and constraints under which Brazil and CARICOM operate.

Caribbean and Brazil Trade

Historically, CARICOM trade is based on a system of preferential market access arrangements, where its exports, primarily agricultural goods—sugar, banana, and rum—found “ready markets.”² The region’s international trade was dependent on protocols, such as the Lomé Convention, which offered preferential prices and quota guarantees for entry into the European

market; the Caribbean Basin Initiative (CBI), which ensured preferences for a range of goods into the United States; and the Canada Trade Agreement (CARIBCAN), which offered favourable access to the Canadian market. Times are changing though, and the demise of traditional trade preference markets has forced the Caribbean to grapple with the pressing exigencies of reciprocal free trade. The Caribbean Community (CARICOM), confronted by a changing global political economy, has embarked on the Caribbean Single Market and Economy (CSME). The CSME endeavours to harmonise and deepen economic cooperation among the participating Member States, moving from a common market to a single market, so as to better maximise their international competitiveness in the new trading order.

Under the CSME strategy, building non-traditional trade linkages is a foremost economic imperative. Europe and North America, especially the United States, will likely remain CARICOM's leading trade partners for the foreseeable future. However, leveraging South-South coalition may generate new trade openings for the region. Brazil's economic ascendancy in this context presents the Caribbean with a venue for broader intra-regional trade, providing a gateway to Latin America's largest market economy and to South America's largest trading bloc, the Southern Common Market, commonly referred to by the Portuguese acronym MERCOSUL or the Spanish acronym MERCOSUR. Brazil-Caribbean cooperation holds the potential for trade diversification.

Why Trade with Brazil Matters

Brazil has made a seismic turnaround in its economic performance. Compared to 30 years ago, the South American powerhouse is on very solid footing, according to the broad-based macroeconomic adjustment programme put in place by former President Cardoso and strengthened by sitting President Lula da Silva (Brazil Institute of the Woodrow Wilson Center).³ Through the implementation of prudent fiscal and monetary policies, carried out in a democratic framework, Brazil's economic fundamentals are now characterized by sustained growth, booming exports, healthy external accounts, moderate inflation, decreasing unemployment, and reductions in the debt-to-GDP ratio. The steady record of impressive economic performance has heralded a new phase of relative economic and political stability. Having achieved such substantial progress, the frequently labelled 'sleeping giant' may finally be on the cusp of awakening to its

huge economic potential. For the first time in decades, Brazil is looking ahead at its economic prospects with confidence.

Amid the present global market turbulence wrought by the United States (US) sub-prime mortgage crisis and the slowdown in world economic growth, Brazil is weathering well the less favourable global market conditions, shoring investor confidence as it affirms its identification as one of the world's leading frontier economies. Goldman Sachs, an investment banking firm, postulated that Brazil, given its strong growth potential, may become among the four most dominant global economies by the year 2050.⁴ Moreover, Brazil, now a net foreign creditor, received an investment grade sovereign credit rating, for the first time last year, from two of the three world's leading ratings agencies, Standard and Poor's, and Fitch Ratings.⁵ The long-awaited upgrade is an important seal of approval that resolutely reflects Brazil's improved status on the international credit scene. The newly acquired investment grade rating underpins the "maturation of Brazil's institutions and policy framework in recent years."⁶

President Lula's economic stewardship in the face of periodic global market woes is yielding increased investment flows.⁷ Brazil is the second largest recipient of global foreign direct investment among emerging-market economies, after China, and the country's potential for further economic advancement is immense. As the tenth largest world economy, Brazil possesses one of the largest reserves of natural resources in the world, and has one of the most important and advanced industrial sectors among the developing countries. It is home to 13 of the 25 largest companies in the Latin American region, including the top two: Petrobras, and Companhia Vale do Rio Doce (CVRD), according to a study by the consultancy company Economatica.⁸ The same study also highlights that state-owned oil company, Petrobras and CVRD, the mining giant, are among the largest when compared to North-American conglomerates.⁹

Stunning as Brazil's economic revitalisation has been, the country still faces formidable development challenges. Brazil remains a country with one of the most unequal wealth distributions in the world. Extreme inequalities, persistent social cleavages, high poverty, low national educational levels, and endemic crime continue to pose major hurdles for the country.¹⁰ Brazil also remains susceptible to exogenous shocks because of its heavy dependence on foreign capital and high levels of

short-term debt. However, accelerated structural reforms could mitigate many of these knotty development obstacles. Meanwhile, Brazil's growing international clout is irrefutable and the country's foreign policy has been assuming a new countenance as it seeks a global role commensurate with its ever-increasing economic weight.

Brazil has long been an aspirant for a larger role in the world and with its economy moving forward, the country is fast emerging as a powerful regional actor and rising global power. The Global South has served as an important stage for its expanding influence. In the last decade, Brazil has been strategically forging South-South partnerships, such as the India-Brazil-South Africa (IBSA) Trilateral.¹¹ Brasilia also has been an outspoken champion for developing country trade causes in international fora.

The foundation of Brazil's new international identity is rooted in its economic dynamism. Similar to the Caribbean, Brazil faces the overriding challenge to bolster economic growth and to further augment its trade and investment channels so it can keep apace with global competition. Widening its market share is a key objective behind Brazilian foreign policy positioning. Brasilia's diplomatic agenda is principally non-ideologically driven. Commercial and economic interests form a central plank of the country's foreign policy, and economic diplomacy is its preferred tool of influence.

Brazil-CARICOM Relations

Brazil's recent Caribbean courtship marks a major strategic realignment in the region. Relations historically between the two regions had been limited, conditioned, in part, to the lingering legacies of colonial rivalry between the Portuguese, Spanish and British Empires in the region, which conditioned intra-regional isolation, mistrust and linguistic barriers.¹² In the geopolitical calculus of the Brazilian diplomatic establishment, CARICOM was viewed as economically and politically marginal to Brazil's upward progress and quest for international prestige.

What, then, gave rise to Brazil's changed outlook? The end of the Cold War and the dawn of a new iteration of globalization forced a rethinking and reprioritization of Brazilian global interests. Today, economics, more than history, is driving the country's foreign policy manoeuvrings. Furthermore, with Washington preoccupied with Iraq, the Global War on Terror and the broader Middle East, Brazil has been able to flex its diplomatic muscles, stepping-up its role as a key player

in the Hemisphere. Recent studies have either ignored or downplayed the new patterns in Brazil-Caribbean relations; but below the radar, Brazil has sought out innovative areas of cooperation with the Caribbean Basin, making relations with CARICOM a higher foreign policy priority. For example, Brazil's repositioning in the Caribbean has become more pronounced in both the political and economic arenas. In this regard, President Lula has participated in state-level meetings with CARICOM to emphasize Brazil's commitment to the region. Brazil, in 2006, established formal diplomatic relations with CARICOM. Lula's appointment of an Ambassador to CARICOM attests to the value Brazil now assigns to its relations with the region.

On the political front, Brazil continues to lead the multi-nation joint United Nations Stabilisation Operation in Haiti (MINUSTAH). MINUSTAH has been contentious from the start, following the controversial removal of former Haitian President Jean-Bertrand Aristide. However, Brazil's willingness to take up the mantle in Haiti suggests a commitment to securing hemispheric peace and security and further solidifies its regional leadership. Brazil's diplomatic advances towards the Caribbean can also be interpreted as an attempt to bolster its bid for a permanent seat on a potentially-expanded United Nations Security Council. Since the creation of the multilateral body, Brazil has been desirous of a permanent Security Council seat as a measure of recognition of its status as a leading international actor. The country is aggressively pursuing a permanent seat, vying for a possible place over other competing contenders from the Global South. Winning regional votes and showcasing its preparedness for a larger global role underscore Brasilia's driving mission to elevate the nation's prestige.

Brazil's Economic Samba with the Caribbean

In the economic realm, Brazil-Caribbean trade is in its embryonic stages but bears watching, as the scale of trade between Brazil and the Caribbean is growing rapidly. In 2005, Brazil exported US\$2.4 billion to the region, double what it exported in 2004 and equal to what it sold to France during the same period, by Brazilian government figures.¹³ While this represents a mere fraction of Brazil's total exports for the year, it is a noteworthy expansion for the economies of the Caribbean.

Brasilia's Caribbean engagement, even in its formative stages, may spawn tangible results. CARICOM has shown receptivity to the potential

of this partnership. There is an apparent incentive for the Caribbean to ally with Brazil. In strictly economic terms, increased Brazil-Caribbean trade flows could presage bi-regional entry into South America and Latin America as a whole, at a critical time when the Caribbean is labouring to diversify its export base in the face of eroding preferential trade concessions.

Brazil could prove to be a useful partner for the Caribbean. CARICOM stands to garner development assistance through shared lessons learned and best practices from Brazil's successful social and economic programmes in areas such as tropical agricultural production and HIV/AIDS prevention, among others. The prospect for this emergent relationship to contribute to the Caribbean's sustainable development goals is plausible. However, if CARICOM states are to reap the full benefits from this nascent South-South coalition, it must push for balanced relations with Brazil.

This is no easy task for the Caribbean; as a set of small-size economies its bargaining power to advance its trade priorities is asymmetric with Brazil's. Within the context of CSME, the region must boost its market productivity and export promotion measures to preclude extreme one-way trade flows, to the disadvantage of the Caribbean. The current terms of CARICOM-Brazil trade favour Brazil, with most of the trade value representing exports from Brazil.

The Caribbean has been increasing its market share in Brazil with export sales advancing by 22 percent per annum between 2001 and 2005.¹⁴ Much of CARICOM-based exports to Brazil are petroleum products and manufactured commodities from Trinidad and Tobago (T&T). As the most industrialized economy and the largest energy producer of the region, T&T dominates the CARICOM export market to Brazil, accounting for over 80 percent of total exports. As the leading Western Hemisphere supplier of liquefied natural gas (LNG), T&T capitalises on its web of chemical factories, including nine ammonia plants, an iron and steel complex, and two of the largest methanol plants in the world, to establish an entrée into the Brazilian market. T & T also benefits from lower maritime costs, relative to other CARICOM countries, due to its closer geographic proximity to South America.

Table 13.1 Brazil exports to select CARICOM Countries, 1997-2006 (US\$ millions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Barbados	17.8	16.7	10.3	16.2	8.3	9.4	12.2	13.8	13.1	24.2
Guyana	8.2	6.0	6.8	4.6	6.5	8.7	9.7	13.6	16.5	20.1
Haiti	—	8.3	9.1	17.3	23.4	23.8	32.0	25.4	46.0	66.4
Jamaica	3.05	27.0	49.5	40.4	60.0	68.0	84.4	116.0	156.0	181.0
Trinidad and Tobago	70.9	75.0	81.6	92.6	96.9	144.7	223.1	538.2	690.6	633.6

Source: IMF Direction of Trade Statistics, March 2008, <http://www.imfstatistics.org/DOT/ImfBrowser.aspx>

Table 13.1 Brazil imports (fob) to select CARICOM Countries, 1997-2006 (US\$ millions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Barbados	0.2	1.7	0.2	7.7	6.2	6.8	2.9	38.0	7.5	18.8
Guyana	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
Haiti	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.3
Jamaica	1.7	1.1	0.2	1.1	0.0	0.4	0.1	0.0	7.5	2.1
Trinidad and Tobago	12.7	8.5	21.0	44.2	13.3	25.3	44.6	48.6	95.4	108.5

Source: IMF Direction of Trade Statistics, March 2008, <http://www.imfstatistics.org/DOT/ImfBrowser.aspx>

Trinidad and Tobago is the best positioned of the Caribbean states to take advantage of the new trading opportunities within the CARICOM-Brazil framework. Brazil has keen interest in T&T's rich hydrocarbons sector. Brazil's Petrobras is prospecting for alternative natural gas suppliers following the 2006 decision by the Government of Bolivia, previously its primary provider, to nationalise its hydrocarbons resources. Brazil is likely to consider Trinidad and Tobago among its future LNG suppliers. Looking ahead, three of the most promising areas for increased bilateral economic exchange include energy cooperation; creative/cultural industry cooperation; and intra-regional trade expansion via MERCOSUL.

Energy Cooperation

In the wake of last year's record high global oil prices, the heavily energy-dependent economies of the Caribbean remain challenged by strained national budgets. Possible renewed upward pressures on international crude prices would invariably bring about severe economic vulnerabilities in the region. Almost 90 per cent of the region's energy needs for transport and electricity generation, derive from imported

petroleum. Such high reliance on imported oil has crippling effects on CARICOM's small-size economies, exacerbating the region's financial pressures and budget deficit dilemmas. Further, excessive fossil fuel use is eroding the region's delicate ecosystem.

Hemispheric cooperation with Brazil opens new doors for the Caribbean as a net-importing region, save Trinidad and Tobago, to acquire greater energy efficiency, and to develop alternative and/or complementary energy sources. Brazil is a fast-rising energy titan with unrivalled expertise in deepwater petroleum exploration and production and in ethanol production. As a significant regional energy player and world pioneer in biofuels, the country is uniquely placed to share technologies and best practices with the Caribbean, principally in the area of renewable energy.

Biofuels are gaining traction among CARICOM states. Bioenergy is seen as one of the best environmentally friendly options for lessening petroleum dependency in the Caribbean. Brazil, at the forefront of the biofuels movement, is cooperating with the United States to promote the use of ethanol and other agriculture-derived goods as a transportation fuel, with the possible benefits of electricity cogeneration (the simultaneous production of heat and electricity) in the region.

There is strong economic viability for Caribbean sugarcane-based ethanol production, given its competitive advantage in sugarcane cultivation. Ethanol produced from sugarcane is the most cost-effective, compared to other agriculture-derived ethanol from corn or other crops, which offers an important incentive for many cash-strapped Caribbean nations.¹⁵ It also could serve as a boost to the region's rural economies, which have been in decline, resulting, in part, from recent structural changes in the global agricultural trade. Further, sugarcane-based ethanol production as renewable fuel helps curb greenhouse gas emissions and reduce global warming.¹⁶

Developing a Caribbean biofuels programme would require retrofitting existing sugar mills for ethanol manufacture. The Inter-American Development Bank (IADB) notes that the technology for distilling sugarcane ethanol and blending it with gasoline is comparatively inexpensive and easily obtainable.¹⁷ Of the Caribbean Basin states, the largest sugar-based ethanol plants are located in Jamaica and the Dominican Republic, with Grenada holding considerable future production potential.¹⁸

CARICOM is working through the Caribbean Renewable Development programme with Brazil to better facilitate technology transfer

and technical assistance. Brazil's Petrobras is exploring, with the Petroleum Corporation of Jamaica, the possible conversion of the firm's Kingston refinery port into an ethanol distribution hub for other Caribbean and Central American countries.¹⁹ Under the rubric of the US-Brazil biofuels agreement, Brazil has formed partnerships with the Governments of the Dominican Republic, Haiti, St. Kitts and Nevis, as well as El Salvador to advance biofuels production for domestic consumption.²⁰ The assistance provided includes:

1. Feasibility studies and agronomic assessments;
2. Guidance in developing national energy policies;
3. Capacity-building support;
4. Support for building an investor base.

While the advent of ethanol is not a panacea for ensuring long-term energy independence, the advance of bioenergy production for both local market usage and export at a minimum, may help the region to better cope with the adverse economic impact of higher world prices for petroleum. But for the sustained development of renewable energy to take root, notwithstanding valuable Brazilian input, the Caribbean must create a regional institutional framework to establish common biofuels regulatory standards and codes; to stimulate much-needed private sector investment to facilitate a profitable biofuels market; to efficiently integrate biofuels into the existing regional energy matrix; and to encourage public education and buy-in. This should be carried out concomitantly with the formulation of country-specific national energy strategies. Brazil and the Caribbean share common strategic interests in the expansion of biofuels in the hemisphere. Still CARICOM, as a collective, must continue to advocate for local production inputs and local ethanol distillery utilisation, wherever feasible, to reap the collateral economic benefits of this partnership. Presently, in the context of the US-Brazil biofuels pact—which frames Brazil's bioenergy cooperation with the region—Caribbean ethanol plants perform dehydration operations derived from Brazilian sugarcane ethanol rather than locally produced sugarcane.²¹ This scheme allows for the indirect export of Brazilian ethanol through the Caribbean to the United States, taking advantage of the duty-free quota provided under the Caribbean Basin Initiative (CBI) and the Central America Free Trade Agreement (CAFTA)—Dominican Republic (DR) free-trade agreements. Though this offers some benefit to

the Caribbean, over the long run, the appeal of a bioenergy partnership with Brazil rests in exploiting shared Brazilian technology and expertise to develop the region's domestic biofuels production capacity. To this end, CARICOM must continue to purposefully push for the advance of its regional economic needs vis-à-vis this up-and-coming energy cooperation with Brazil.

Creative and Cultural Industry Cooperation

Arguably, one of the greatest assets of Brazil and the Caribbean, respectively, lies in the creative capacity and genius of its people. Both regions have made tremendous socio-cultural contributions to the world through their rich artistic forms. The vibrant cultural scenes of both regions represent an incredibly bankable economic asset that can be harnessed as an important development tool. It also provides viable avenues for greater regional economic cooperation, as well as cross-cultural exchange. There is a ripe intra-regional market between the Caribbean and Brazil to facilitate business development and trade in the creative and cultural sector, given their strong, shared ethno-cultural heritage.

Global cultural trade is a new dynamic sector of the world economy and it offers significant opportunities for developing countries. According to the World Bank, the creative/culture industry represents approximately 7 per cent of the world Gross Domestic Product (GDP) and generated up to US\$1.3 trillion in the world.²² Creative industries have been estimated by the United Nations Conference on Trade and Development (UNCTAD) to account for as much as 4 per cent of the GDP of low and middle-income countries and by 2015, the world percentage is expected to reach 11 per cent.²³

At the regional level, Brazil attaches particular importance to the creative economy and in 2005, hosted an international forum on creative industries. The Caribbean, as one of the flourishing creative hubs of the Hemisphere, has been increasingly placing higher value on the potential trade and development-related profitability of the creative economy. Together, Brazil and the Caribbean could pool resources to strengthen the position of cultural industries in the hemisphere and, more broadly, in the developing world. Greater South-South collaboration in cultural products and services could hone regional competencies and coordination to:

1. Promote increased trans-border mobility for people, goods and services;
2. Establish institutional linkages and harmonize standards in international trade, intellectual property rights, market competition and entrepreneurship;
3. Internationalise and commercialise internal markets for goods and services of the creative industry;
4. Access finance for creative industry capitalisation and development.

Brazil has a stronger regulatory and domestic policy framework governing goods and services exports and intellectual property and a more robust institutional apparatus from which to maximize the economic value of the sector. The Caribbean, notwithstanding the emerging CSME, has highly fragmented and differentiated industrial capabilities that vary significantly across countries and sub-sectors, according to a 2006 Caribbean Regional Negotiating Machinery report.²⁴

All the same, there are ample opportunities for Brazil-Caribbean cultural convergence and business synergy to mitigate the vulnerabilities of the sector and to create an enabling intra-regional environment for the expansion of creative industries, especially in the areas of music marketing and export, and festival and heritage tourism. The Secretariat of the Caribbean Festival of Arts (CARIFESTA), for instance, could hold the annual fête in Salvador, Bahia, Brazil. Brazilian artists have been previously invited to participate in the festival. However, rotating CARIFESTA, the region's long-running cultural showcase to Bahia, Salvador, the centre of Afro-Brazilian culture, could further propel bi-regional artistic exchange and cultural industry business linkages.

MERCOSUL and the Promise of Greater Market Access

Brazil is pushing MERCOSUL to negotiate a free trade agreement (FTA) between the two regions. This is an important development, as such bi-regional connections have been woefully underdeveloped. If realized, a trading arrangement with MERCOSUL would represent a sizable market for the Caribbean. The sub-regional bloc is one of the major investment poles in the world, and accounts for more than three-quarters of the economic activity of South America.²⁵ For the Caribbean, MERCOSUL

represents a potential market of more than 250 million people for its goods and services, and a possible source of cheaper imports.

The CARICOM trade balance with MERCOSUL was negative for the 1995 to 2005 period, according to the Caribbean Regional Negotiating Machinery (CRNM) report, but there has been an increasing trend of stronger export penetration.²⁶ Caribbean exports grew from US\$22.4 million in 2002 to US\$103.1 million in 2005, due to a strong upsurge in mineral fuels and chemicals exports, primarily from Trinidad and Tobago, according to the same CRNM study.²⁷ T&T accounted, on average, for over 90 percent of total MERCOSUL-CARICOM trade between 1996 and 2004.²⁸ Brazil and Argentina are CARICOM's top trading partners.

Table 13.1 Argentina exports to select CARICOM Countries, 1997-2006 (US\$ millions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Bahamas	0.00	0.00	0.38	6.84	8.35	7.40	1.49	24.88	19.96	24.68
Barbados	0.00	0.00	0.97	0.72	0.54	11.46	0.89	2.52	2.35	2.90
Guyana	0.00	0.00	0.21	0.10	0.16	0.65	1.47	1.21	1.57	1.94
Jamaica	0.00	0.00	7.36	11.63	10.27	4.17	5.12	10.17	10.04	12.41
Trinidad and Tobago	0.00	0.00	7.66	6.24	6.46	6.51	16.01	23.89	26.53	37.79

Source: IMF Direction of Trade Statistics, March 2007, <http://www.imfstatistics.org/DOT/ImfBrowser.aspx>

Table 13.1 Argentina imports (fob) to select CARICOM Countries, 1997-2006 (US\$ millions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Bahamas	0.00	0.00	0.19	0.61	0.87	0.46	0.56	1.14	2.26	2.79
Barbados	0.00	0.00	0.02	0.02	0.05	0.05	0.05	0.06	0.06	0.08
Guyana	0.00	0.00	0.00	0.47	0.27	0.05	0.00	0.00	0.00	0.00
Jamaica	0.00	0.00	0.07	0.05	0.80	0.01	0.00	0.03	0.01	0.01
Trinidad and Tobago	0.00	0.00	7.65	7.15	0.15	3.20	0.09	3.65	0.00	0.00

Source: IMF Direction of Trade Statistics, March 2008, <http://www.imfstatistics.org/DOT/ImfBrowser.aspx>

CARICOM has held initial consultations with MERCOSUL to explore a possible free trade agreement. Talks are still quite preliminary and a deal is not expected in the near-term. Bi-regional discussions have been overshadowed in the wake of faltering negotiations to implement a hemisphere-wide free trade zone, the Free Trade Area of the Americas

(FTAA). Progress on FTAA implementation has stalled, as the two negotiation co-chairs, Brazil and the United States, wrangle over trade liberalisation of sensitive products, the elimination of agricultural subsidies, and intellectual property and investment issues. This impasse has slowed momentum on other sub-regional trade proposals involving South America.

The ongoing hemispheric trade politics put a potential MERCOSUL-CARICOM accord on the back burner, despite Brazil's backing. Paradoxically, in terms of Brazil-Caribbean cooperation, Brasilia is both the chief advocate for the bi-regional FTA and the primary cause for its deferred negotiation. More broadly, as a set of small economies, CARICOM's trade interests in forming extra-regional trade pacts are often marginalised on account of its limited bargaining power. The Caribbean has had peripheral involvement at best in the FTAA project, as well as in the fraught Doha Round of global trade negotiations. To counteract this inherent weakness, the region ought to augment the resource pool and skills capacity of its Caribbean Regional Negotiating Machinery. In addition to that, the region would be well served to push ahead with the CSME regional integration process. The CSME will create a more competitive regional economic base and build up the region's bargaining strength.

Conclusion

Brazil is decidedly establishing a greater presence in the Caribbean, offering the region new and wider strategic economic options. For the Caribbean, South-South dispensation with Brazil represents sound economic logic. Though the dynamics of this new Brazil-Caribbean cooperation are still unfolding, Brazil may become a valuable long-term development partner. Yet, Brazil's Caribbean policy invariably at times will be subsumed by its larger strategic pursuits, given its position as one of the world's most dynamic economies. Thus, for the relatively small states of the Caribbean, fortified regional integration efforts are paramount to managing such challenges of engagement with Brazil and other rising powers. On balance, however, developing a sustained partnership with Brazil could indeed be mutually beneficial for the Caribbean, closing the hemispheric divide and opening up greater economic opportunity.

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CHAPTER 13

National Planning by Small, Non Strategic Developing States in the Face of Declining Overseas Development Assistance

Compton Bourne

Introduction

THIS PAPER, AS a contribution to the Planning Institute of Jamaica's 50th Anniversary Conference, is written against the backdrop of the failure of the world's leading industrial countries to meet the targets for international development assistance set at the Monterrey Summit on Financing Development in March 2002, and the diversion of considerable proportions of what exists, to theatres of war in the Middle East. In general, aid flows to Commonwealth Caribbean countries have contracted. Countries accustomed to significant inflows for implementation of their development plans, now have to revise their strategies in the light of diminished overseas development assistance.

The paper explores various facets of this problem. The next section provides a perspective on planning. The notion of small, non-strategic states is then explored. The pattern of overseas development assistance and its relationship with economic growth and development is summarised before a specific discussion of Overseas Development Assistance (ODA) in the Commonwealth Caribbean. The penultimate section of the paper examines implications for national planning. A few broad conclusions are drawn in the final section.

A Perspective on Planning

The essence of planning is the determination of policies and actions to be taken in the future for achievement of predetermined goals. Individuals plan; enterprises plan; and nations plan. National planning vests the planning process and the supervising of its implementation in governments. Because the optimality conditions for resource allocation and intertemporal maximisation in market economies are rarely, if ever, satisfied, governments intervene with the intention of influencing socio-economic objectives and achievements over time. These interventions may be situated in the context of industries (industrial planning), sectors (sectoral planning) or the overall economy (macroeconomic and development planning). At one extreme, national planning might be manifested in comprehensive goal determination and allocative decisions, that is, in central planning, while at the other extreme it may be limited to sign-posting or forecasting the desired future direction of the economy, i.e., indicative planning.

Newly ex-colonial countries took naturally to national planning. The operation of the market economy during colonial times had bequeathed them a legacy of qualified benefits such as economies narrowly specialised in tropical commodity exports, a host of economic and social problems such as low and unstable rates of economic growth, high rural unemployment, a minimalist entrepreneurial class experienced only in commerce, tremendous inequality of income and wealth, a history of social disaffection and protest, and the absence of a history of self-governance and self-determination. For nations in a hurry to establish stronger, more diversified economies and a sense of inclusive nationhood, planning seemed an imperative.

National planning has not been entirely successful. False starts have been made in various sectors with unsatisfactory outcomes such as prolonged dependence on fiscal subsidies by some industries, tax regime induced instability in the presence of foreign enterprises, urban drift and high urban unemployment with its correlates of poverty and socially dysfunctional behaviour, to mention just a few. However, the achievements are considerable. In the Caribbean, they would include Trinidad and Tobago's industrial development centered around its abundant energy resources, tourism development in most island economies, the development of the financial sector and its indigenisation, the widening of the class of financial wealth holders, and the active (although not entirely successful) promotion of broad-based social welfare.

The Notion of Small, Non-Strategic States

For the purposes of this paper, one need not be detained by the various ways of defining small states, for example, in terms of population size, land mass, resource endowments. What matters here are the implications of small size. Small states have a limited range of economic opportunities. Small geographical size limits the quantum and diversity of natural resource endowments and confines the scope for economic diversification. In some instances, the small size of states so limits their capacity to absorb citizens into economic life that emigration of labour becomes a permanent feature of those societies. Other implications of small size are the inability of small states to have major influence on world affairs and given their insufficiency of human resources, the difficulties they face in effectively participating in a multiplicity of international forums. As is well known, small states are price takers in international markets for goods and services, except where they are niche players. More important, small states depend upon the international economy in the fundamental sense that their domestic market is insufficient to support the levels of living to which they aspire. No less important, small states are also vulnerable. They are economically vulnerable to changes in their trading environment and in global financial markets. They are physically and economically vulnerable to natural hazards. By virtue of their small economic size and small land mass, small states experience economy-wide repercussions of trade shocks and natural hazard occurrences.

In what sense could it be said that a state, more so a small state, is nonstrategic? One interpretation is that they are of little global or even regional significance in the sphere of politics, economics or finance. Their political behaviour, domestic political stability and international relations are envisaged to have no practical bearing on global or regional politics and governance. This might be so because of the end to military rivalry between major industrial countries and because improvements in the technology of warfare have made obsolete many harbours, bases and shipping routes. Furthermore, changes in their foreign trade and international financial transactions with the rest of the world are incapable of influencing world markets or regional markets. The clear implication of these kinds of statements is that the present and future conditions of small states are not a matter for enlightened self-interest by powerful nations.

This thesis about strategic non-importance should be moderated by several considerations. First of all, account has to be taken of the entry

on to the global stage of large, increasingly economically strong countries not previously counted among the major players. The awakening of the “sleeping giant” Brazil in the Western Hemisphere, the rapid maturation of Chinese economic growth and the determined engagement of China in the world economy, and the emergence of India as an industrial leader, notably in information technology, create a dynamic global environment in which small states might be seen by the new players as support to be garnered, especially in international forums where decision-making is democratically based. This strategy of emergent world powers is not dissimilar to the market entry strategy of new enterprises into markets controlled by a few large, well-established enterprises. In such markets, new entrants first establish a presence by earning market shares among smaller transactors, on the periphery in a manner of speaking. The inference to be drawn by small states is that strategic significance is dynamic, not necessarily maintained in relation to traditional global powers and issues but susceptible to shifting coalitions of interest.

Secondly, traditional global players may have niche interests, i.e. interests of concern to them only or mainly which they believe could be advanced by winning the support of small states. An example is Japan’s courtship of some Caribbean States on the matter of international whaling. Thirdly, small states have voice in international forums, that is to say, their numbers have equal weight in the determinations of those bodies. However, voice can be manipulated or bullied into compliance, in which case small states could hardly be adjudged to have strategic influence. Fourthly, some small states have influence on other developing countries, sometimes because of critical support provided during their struggles for national liberation, or because of common heritage such as the colonial experience, or because of their powers of advocacy. In the latter case, they become advocates for a larger constituency of states. Whichever reason prevails, the point is that the strategic significance of the small state is enlarged because of its potential role of intermediary or broker. Fifthly, some small states command international attention because of their potential for igniting global disorder. World War 1 was triggered by a minor tribal dispute in Austria. Palestine is the tinderbox for conflagrations elsewhere in the Middle East, North America, Asia and Africa. Caribbean small states do not have such a capability and certainly would not aspire to it. Sixthly, small states can be instrumental to the state of social order or disorder in the world’s leading countries. Changes in the relationship

between the United States and the former Soviet Union and in military technology have undoubtedly diminished the geo-political significance of the Caribbean. However, its geographical location still gives it an important position in efforts at combating international narcotics trade. To the extent that problems of unemployment, poverty and governance create a climate of receptivity to transshipment activities, the situation of small Caribbean states is not without interest to at least their powerful and wealthy hemispheric neighbours.

Overseas Development Assistance, also known as Foreign Aid

Foreign aid is motivated in large measure by strategic interests of donor countries. Much of it serves geo-political purposes. Much of it is in pursuit of the economic interests of donors such as export markets and access to strategic raw materials and energy supplies. But foreign aid is also intended to foster economic growth and development. The lineage of the aid-growth relationship can be traced to the Harrod-Domar model in which capital accumulation results in economic growth and to the Chenery-Strout (1966) two-gap model in which the savings gap (which constrains investment) or the foreign exchange gap is relieved by an inflow of foreign capital. The literature debating this savings-aid-growth nexus has been admirably surveyed by White (1992). Earlier findings supportive of conclusions that aid, retard, rather than promote economic growth because of its depressing effects on savings, are rejected on grounds of methodological weaknesses such as faulty definitions of savings, failure to incorporate feedback effects of aid on domestic savings via higher levels of income and misspecification of the aid-savings model. The salient conclusion of numerous later empirical studies is that aid increases total savings. This is also a finding for Caribbean countries by Brunton and Kelsick (2001).

Bulir and Lane (2002), draw attention to other channels by which foreign aid might enhance economic growth. Within the framework of endogenous growth theory, aid could assist in generating increasing returns by enhancing the quality of human resources and institutions through investments in education and health and in the infrastructure of governance. However, foreign aid could also retard economic growth if it causes Dutch disease, i.e., increasing the price of tradeables relative to non-tradeables causes a reduction in the production of tradeables; foreign

aid also has an unambiguous positive effect on consumption which improves welfare.

Foreign aid may also serve humanitarian purposes, directed towards the world's poorest countries, victims of natural disasters and countries severely affected by epidemic diseases. Bilateral aid for emergency and disaster relief comprised 8 percent of total ODA in 2003.

Net official overseas development assistance by the main donor countries averaged \$53 billion annually between 1997 and 2002. The trend was quite flat. However, in 2003, the net flows increased substantially to \$69 billion. Global Development Finance 2005, observes that, "strategic factors continue to play a major role in the allocation of ODA across recipient countries. Aid to five areas—Afghanistan, Iraq, Jordan, Pakistan and the Palestinian Administrative Areas—increased by a total of almost \$5 billion from 2000 to 2003, accounting for one-third of the \$15 billion (nominal) increase in ODA. Reconstruction aid to Iraq alone totalled \$2.2 billion in 2004." Bilateral ODA is the largest component, comprising \$49.8 billion of the total \$69 billion in 2003. In terms of the income status of recipients, about 16% of aid disbursed between 2000 and 2003 was to least developed countries, 11% to other low income countries and 16% to middle income countries. Larger countries receive more aid in absolute dollar terms but not on a per capita basis. The United States, Japan, France, Germany and the United Kingdom lead the aid-giving nations with net disbursements of \$16.3 billion, \$8.9 billion, \$7.3 billion, \$6.8 billion and \$6.3 billion respectively, in 2003. However, the efforts of these countries fall far below the United Nations (UN) target for aid as a percent of gross national income i.e., 0.7 per cent. The only countries which met or surpassed the UN target in 2003 were Denmark, Norway, the Netherlands, Sweden and Luxembourg.

ODA Trends in the Commonwealth Caribbean

Commonwealth Caribbean countries differ considerably in their aid—Gross Domestic Product (GDP) profile. The Bahamas, Barbados and Jamaica had net ODA-GDP ratios of 0.1% to 0.2% between 1998 and 2002; Trinidad and Tobago was 0.4%. At the other extreme is Guyana, with an average ratio of 12%. The Organisation of Eastern Caribbean States (OECS) countries (other than Dominica) and Belize had ODA-GDP ratios of 3%. Dominica's was 7%. These ratios, when related

to ratios of public investment to GDP are indicative of the significance of aid to the countries of the Caribbean. In several countries, the implicit ratio of ODA to public sector investment expenditures exceeded 20% between 1998 and 2002, and is as large as 86% in Guyana, 75% in St. Kitts-Nevis and 64% in Dominica.

ODA is on a declining trend in the Commonwealth Caribbean. The ratio of net ODA to GDP was smaller in 1998-2002 (a period of slower GDP growth) than in 1990-1997, in all Commonwealth Caribbean countries except Antigua and Barbuda and the Bahamas. The decrease was particularly sharp in the case of Guyana (from 27% to 12%), St. Vincent and the Grenadines (from 8% to 3%), and Saint Lucia (from 6% to 3%). The time patterns of ODA net flows between 1989 and 2001 are depicted in Appendix 1 to 4 which deal with disbursements of bilateral concessional debt, multilateral concessional debt and grants. Gross disbursements of bilateral concessional debt were on a distinctly downward trend for Jamaica since 1991, when they peaked at \$161 million, dropping steeply to \$3 million in 1993, and after recovering to \$31 million in 1995, continuing a downward movement to \$3 million in 2001. Belize in 1996, experienced an increase in disbursements of bilateral concessional debt from the very low levels which prevailed between 1989 and 1995, but in 1997, reverted to low levels. Guyana's gross inflows of concessional bilateral debt were on a declining trend, 1990 to 1994, and then again, from 1997 to 2001. Gross disbursements of bilateral concessional ODA to the OECS countries fluctuated greatly between 1989 and 1998, when a noticeable downward trend started for Saint Vincent and the Grenadines, and St. Kitts and Nevis. In the case of Saint Lucia, the decline began in 1996. In respect of multilateral concessional debt disbursements, Jamaica experienced a declining trend between 1995 and 1999, Belize between 1996 and 2000, Saint Lucia between 1995 and 1999 and St. Vincent and the Grenadines between 1997 and 2000.

Disbursements of grants were also at a lower level during the second half of the 1990s than during the first half in several countries (Appendices 5 and 6). In Jamaica, average annual disbursements of grants decreased from \$195 million to \$90 million. In Belize, the reduction was from \$22 million to \$20 million. Smaller proportionate decreases occurred in Grenada from \$9 million to \$8 million and in St. Kitts and Nevis from \$4.4 million to \$3.5 million. In the cases of Dominica, Saint Lucia and Saint Vincent and the Grenadines grant disbursements were larger during

1995-1999 than during 1990-1994, but in each of those three countries disbursements decreased in 2000. In fact, only in Jamaica's case did grant disbursements not decline in 2000.

Because repayments of loans reduce the availability of ODA, it is useful to examine net flows on bilateral concessional debt. These turned negative from Barbados and Guyana from 1993. In Jamaica's case, they were negative in 1991, 1992, and even more substantially negative from 1996 to 2001. Belize also experienced negative financial resource transfers in 1993, 1994, and 1997 to 2001, while St. Kitts and Nevis had negative net flows from 1992 to 1993 and 1999 to 2001. Saint Lucia had positive net resource transfers until 1998.

The terms and conditions attached to ODA are germane to any assessment of the quality of foreign aid. Among the loan terms, the interest rate, the length of grace periods and the terms to maturity are of financial and budgetary significance. These are summarised in the variable named the "grant element". Appendices 7 and 8 show that the grant element, while still substantial in all countries, has been trending downwards in the latter half of the 1990s which means that the recipients of bilateral concessional funds are being treated on a less concessional basis than previously. Emergency relief grants and loans to countries afflicted by hurricanes and floods in 2003 and 2004 would no doubt have caused the grant element as well as the total volume of concessional resource inflows to rise in the most recent years.

Implications for National Planning

National planners presumably do their macroeconomic and sector programming on the basis of project capital inflows and projected domestic savings. If the recent experience of declining ODA and a loss of strategic significance cause national planners to project lower levels of capital inflows with unchanged planned levels of expenditures, then part of an appropriate planning response must be the adoption of strategies and policies for raising the domestic savings rate. Savings rates are already moderately high in the Commonwealth Caribbean. Data shows that the ratio of domestic savings to GDP in 1990-1997 ranged between 16% and 30%. In 1998-2002, it ranged between 16% and 35%, except for Dominica where the savings ratio declined from 16% to 6%. Evidently, too, the savings effort weakened in some other countries, notably Barbados and Jamaica. Apart from these countries, there might not be much more scope

for raising domestic savings ratios. However, some traction can be had through increasing efficiency of savings by ensuring that liquid balances at the level of the microeconomic unit (individuals, households and enterprises), are converted into investment balances and working capital, rather than into debt-financed consumption. The development of capital market institutions and the requisite technical and legal infrastructure would therefore be part of the planning response.

Another financing option available to national planners is the substitution of other forms of external finance. These include commercial debt, direct foreign investment and loans from the sub-regional development bank. Countries have resorted to commercial debt with marked success when confronted with difficulties in accessing concessional funds. The spikes in the charts on disbursements from private creditors (Appendices 9 and 10), reflect years in which the private market was accessed. Trinidad and Tobago, Jamaica, Barbados and Belize among the Commonwealth Caribbean More Developed Countries (MDCs) and St. Kitts and Nevis, Grenada, Saint Lucia and St. Vincent and the Grenadines have exercised this option. However, commercial debt is a problematic option for the smaller countries especially. One reason is the high interest cost associated with the market perception of these countries as risky creditors reflected in their below investment quality rating by the leading credit rating agencies recent downgradings of some countries, and even by the absence of a rating in other instances. Another reason is high non-interest transactions costs stemming from the small size of their typical debt issue. A third reason is the shortness of the term to maturity which creates a mismatch with investment cycles or requires negotiated rollovers, with uncertainty about such rollovers and their conditions. The result is frequently an early bunching of debt repayment, substantial proportions of current revenue allocated to debt service and sometimes acute fiscal distress. Countries like St. Kitts and Nevis and Belize have found themselves in these kinds of perilous situations in the early years of the present decade.

Recourse to direct foreign investment would require national planners to focus on policies for the development of particular industries and sectors e.g. energy as Trinidad and Tobago has done, or tourism, as several other islands have done. National planners would also need to address deficiencies in social and physical infrastructure which reveal themselves primarily as human resource and communications impediments to productivity that reduce the attractiveness of countries as DFI destinations.

Attention would also have to be paid to regulations and laws which have been identified by potential investors as regulatory and legal impediments to foreign investment.

The substitution of funds from the subregional development bank is a more realistic option for the smaller countries than for the larger ones. It is accurate to say that the sub-regional development, because of its superior capital market rating, can intermediate international funds for onlending on concessional terms to Commonwealth Caribbean countries. However, the scale of its market borrowings is limited by its relatively small capital base. Furthermore, prudential policies in relation to individual country exposure restrict the maximum financing afforded to countries. There will therefore be a closer correspondence between the financial offers of which the regional bank is capable and the financial capital substitution needs of the small countries, than between its financial offers and the financial capital substitution needs of the large countries.

Within the framework of declining ODA, national planners, must also deal with its volatility. The charts on annual disbursements exhibit considerable yearly fluctuations. This is the general experience with ODA. Bulir and Hamann (2001), on the basis of a study of 47 countries for the period 1975 to 1977, note that aid is substantially more volatile than fiscal revenues and that the volatility of aid increases with aid dependence. They also observe that aid flows cannot be predicted reliably on the basis of donor commitments and that there is a substantial upward bias in projected disbursements. Volatility is a problem for more than one reason. First, contraction of aid or shortfalls in disbursements seem to be associated with subsequently lower levels of public expenditures. Second, aid volatility can make fiscal and monetary policy more difficult and exacerbate foreign exchange rate uncertainty. Economic planners, faced with a situation of volatile aid flows, might have to ensure greater flexibility in fiscal revenues and expenditure plans, or draw down international reserves. Both options require planners to distinguish between “permanent” and “temporary” aid flows and consistent with that distinction, to deliberately build flexibility into their fiscal systems, or follow a policy of building reserves in good years. The reality seems to be that governments treat ODA flows as permanent flows which raise permanent expenditures. Moreover, they incur deficits when ODA declines. In respect of foreign reserves, hardly any Commonwealth Caribbean country has reserves in excess of 3-month imports. There is

therefore not much scope for drawing down foreign reserves to manage variability in aid flows.

Finally, national planners can seek to manage aid resources more efficiently, that is, seek to increase the economic returns to aid. This would involve better programming and implementation of aid-financed projects and programmes. It could also involve seeking to reduce the resource costs of reporting to aid donors. These costs are very much costs imposed by donors, partly because of a multiplicity of reporting arrangements and formats. *Birdsall (2004)*, writes of the deadly sin of envy among donors who manage their own projects to increase donor visibility and to maximise their leverage of diplomatic support of small countries for them in the various international organisations. In her opinion, donors collude and the proliferation of colluding donors contributes to donor fragmentation, with resultant high transactions costs for aid recipients. By lending their active support to the global movement for aid harmonization, the economic and political authorities of small states could help to reduce human resource costs and increase aid efficiency.

Conclusions

A few conclusions may be offered. First, small states need not be without strategic importance, but because their continuing significance would not be based on geo-political considerations but on alliances of convenience for diplomatic objectives and on common bonds, small states have to carefully plan their international relations, allocating resources for the determination of their own strategic interests, for the identification of opportunities for mutually beneficial alliances, and for management of active foreign policy driven by considerations of national socio-economic development. Second, overseas development assistance remains a potentially positive factor in economic growth and development in small states. However, global aid has not shown much vibrancy. Furthermore, its recent revival has been dominated by geo-political considerations resulting in an extreme concentration of new flows on a relatively small region of the world. Third, overseas development assistance to Caribbean countries show unmistakable signs of decline. Fourth, the terms on which ODA is made available to Caribbean countries have tended to harden.

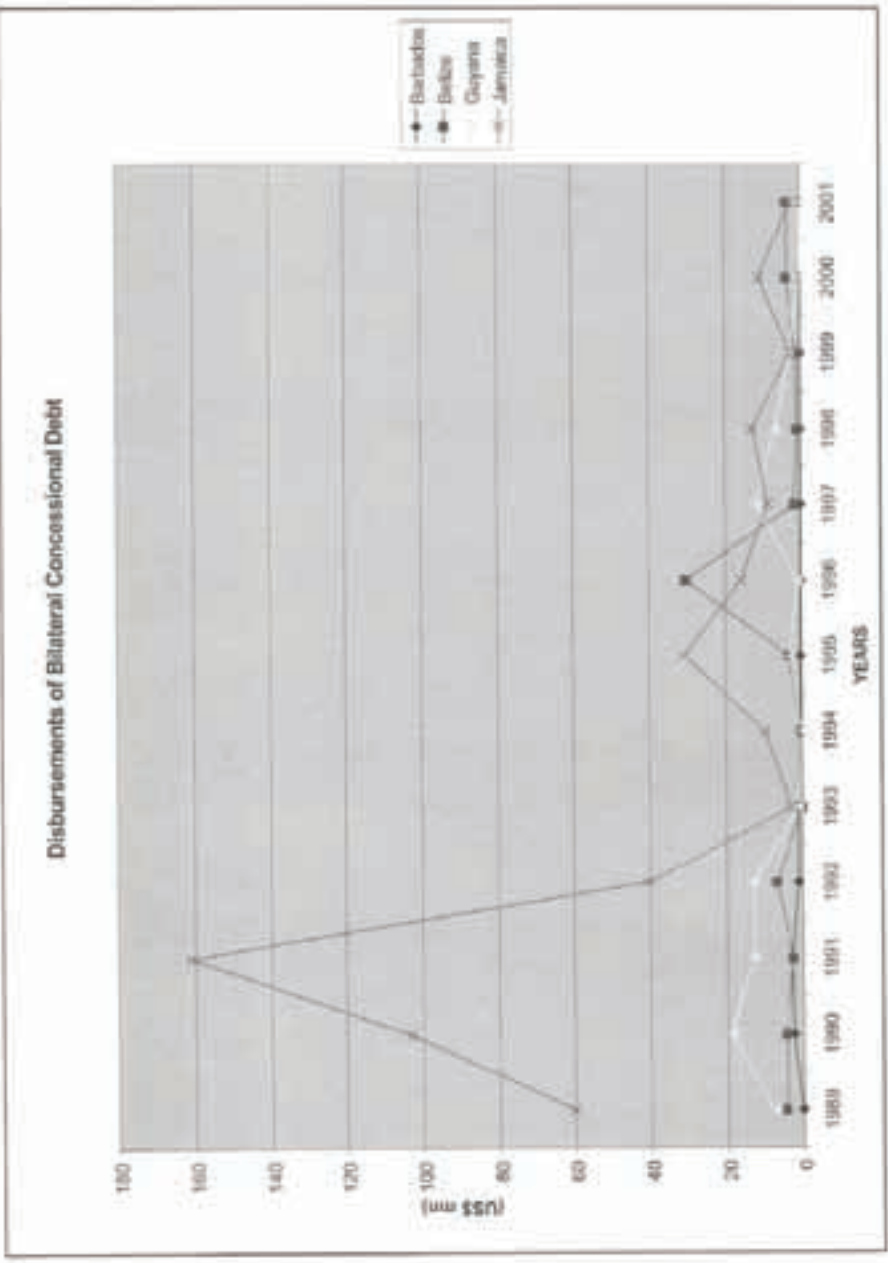
The implications for national planning are serious. Two of the major challenges confronting the small states are to raise domestic savings' rates which are already moderately high and to improve the efficiency of savings.

Recourse to commercial debt is a potential pitfall which Caribbean states should avoid, by planning and managing debt accumulation carefully, because of its transactions' costs and fiscal consequences. Foreign direct investment offers some scope for substitution for ODA, but the chances of success would depend upon how extensively the planning process addresses deficiencies in economic and social infrastructure and in the institutional framework of the countries. In theory, recourse to the subregional development bank is an option for financial planners, but in reality, it is likely to be more an option for Caribbean Community micro-states than for the larger ones. The volatility of ODA itself is a complication with which national economic planners must deal, as it challenges them to forecast more accurately and to seek to entrench fiscal flexibility in their fiscal systems. Lastly, the declining trend in ODA places a premium on managing aid more efficiently.

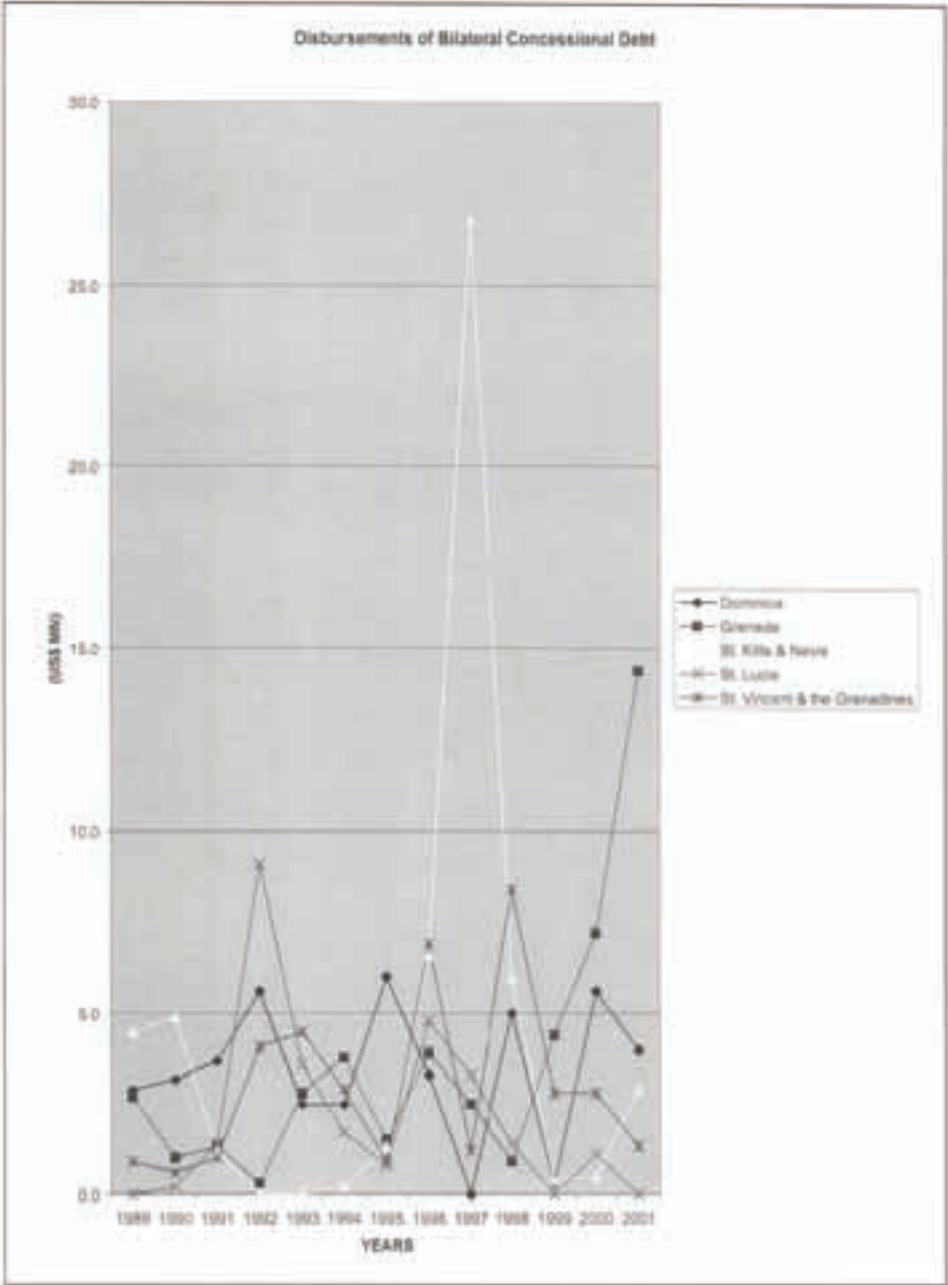
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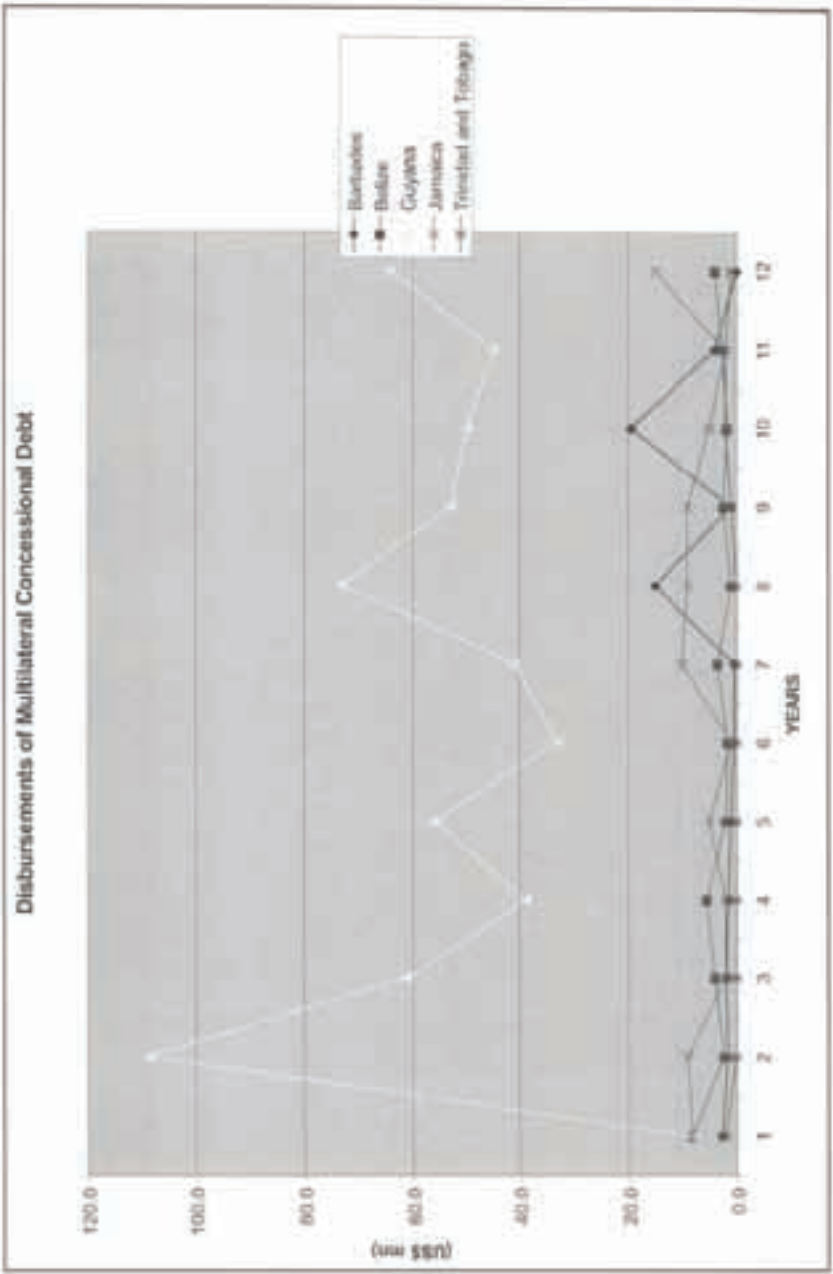
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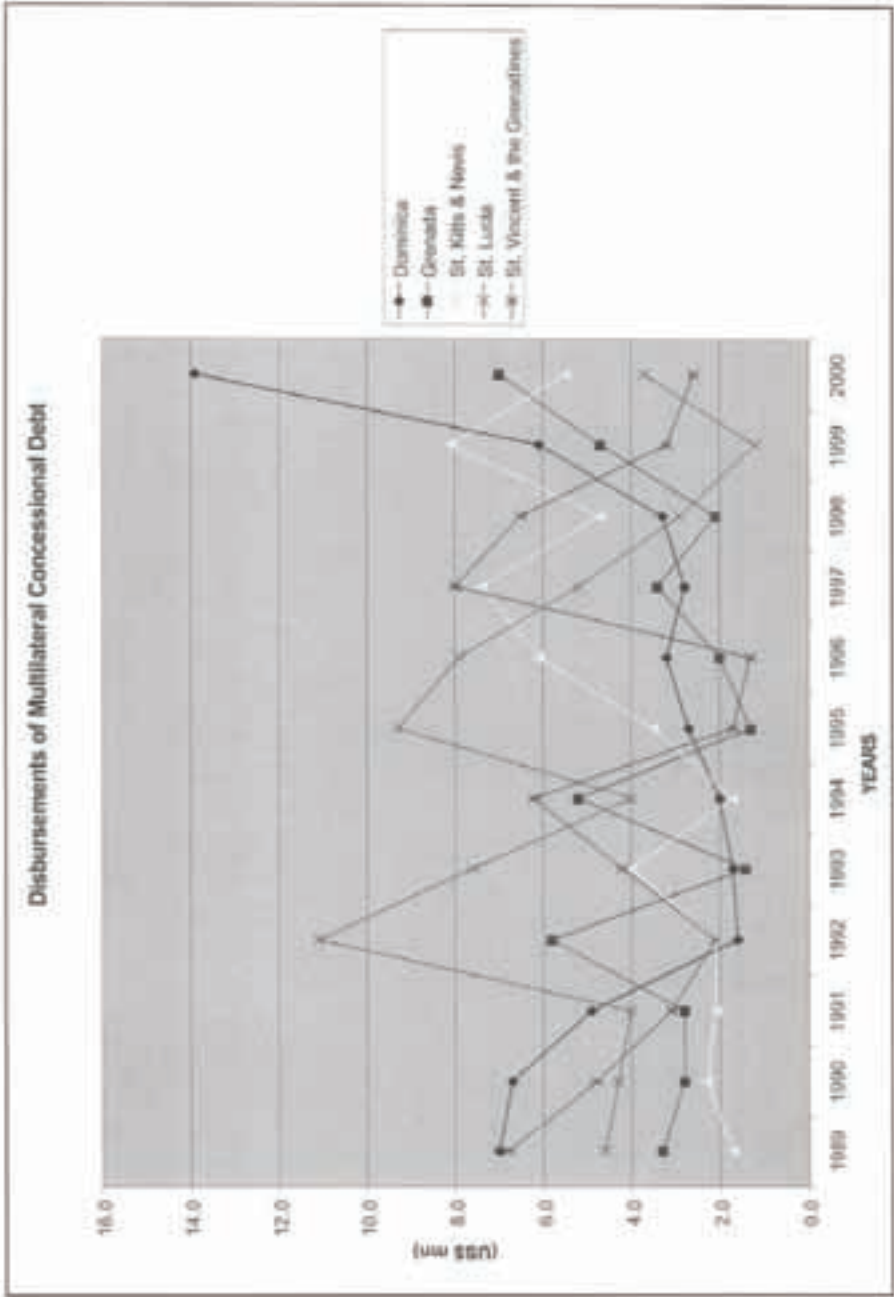
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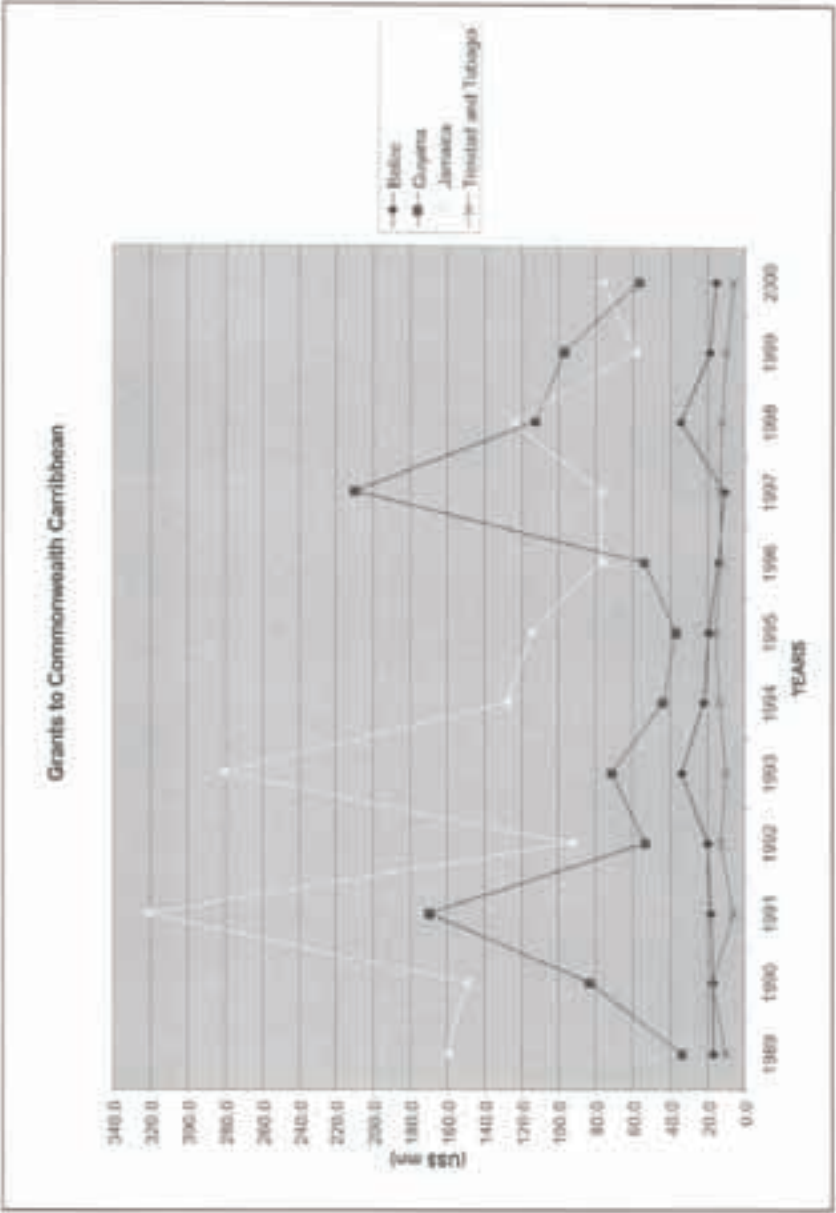
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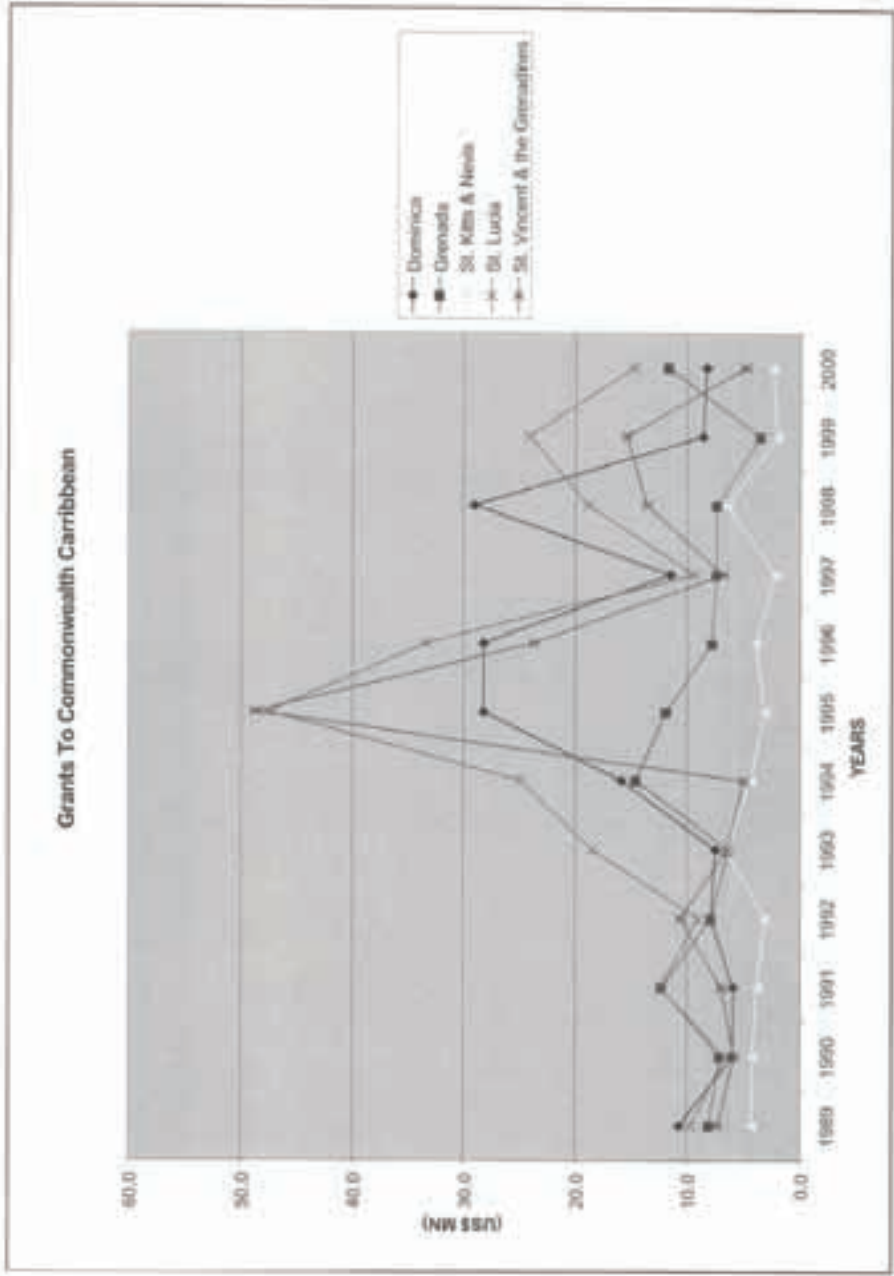
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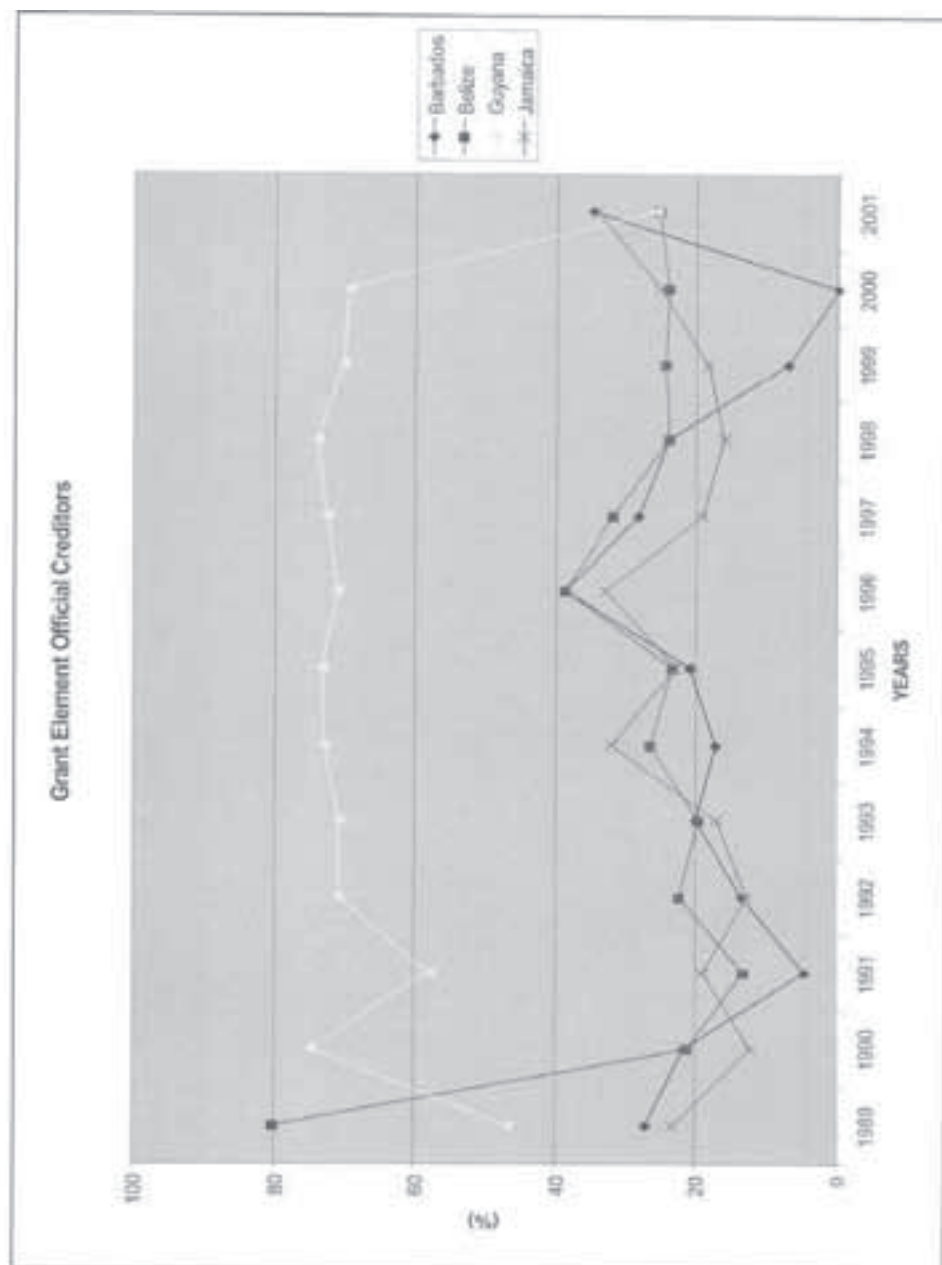
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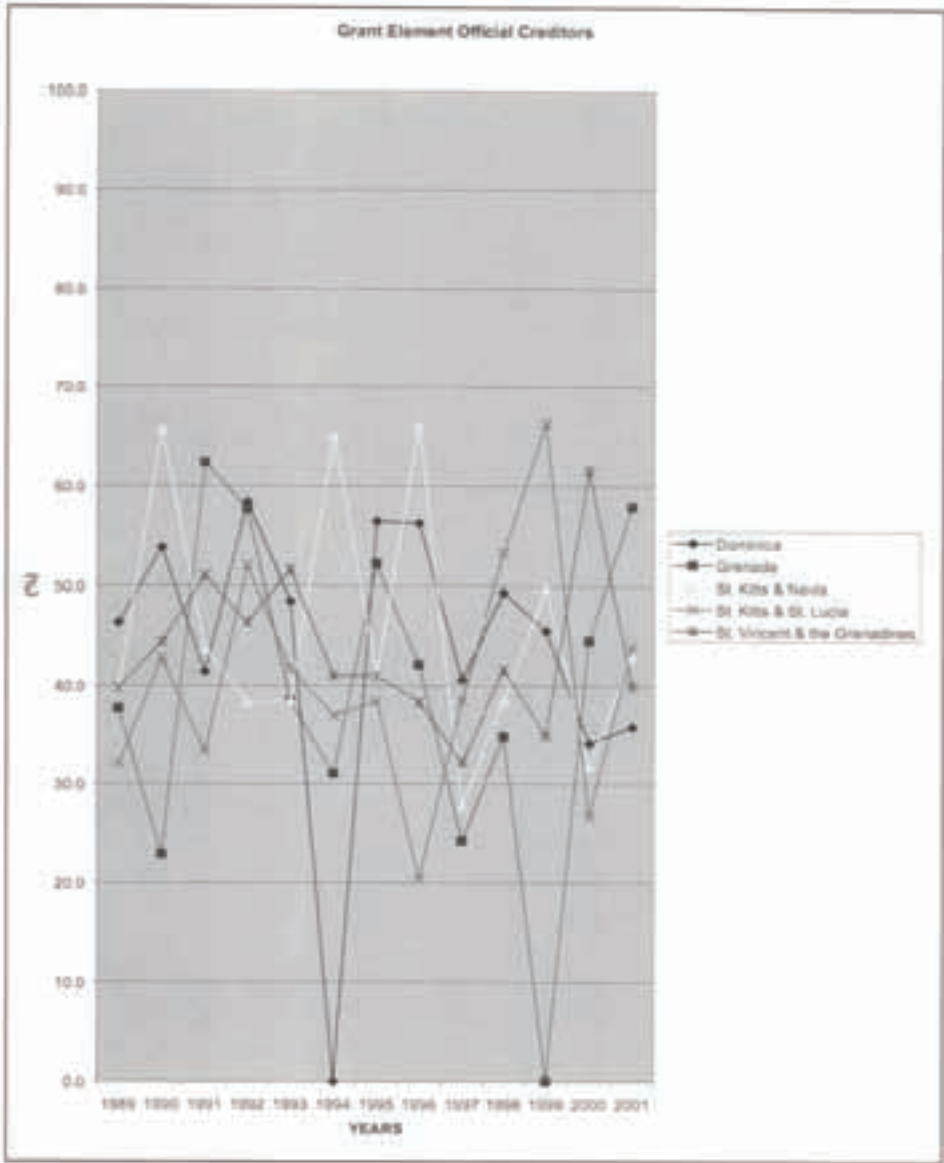
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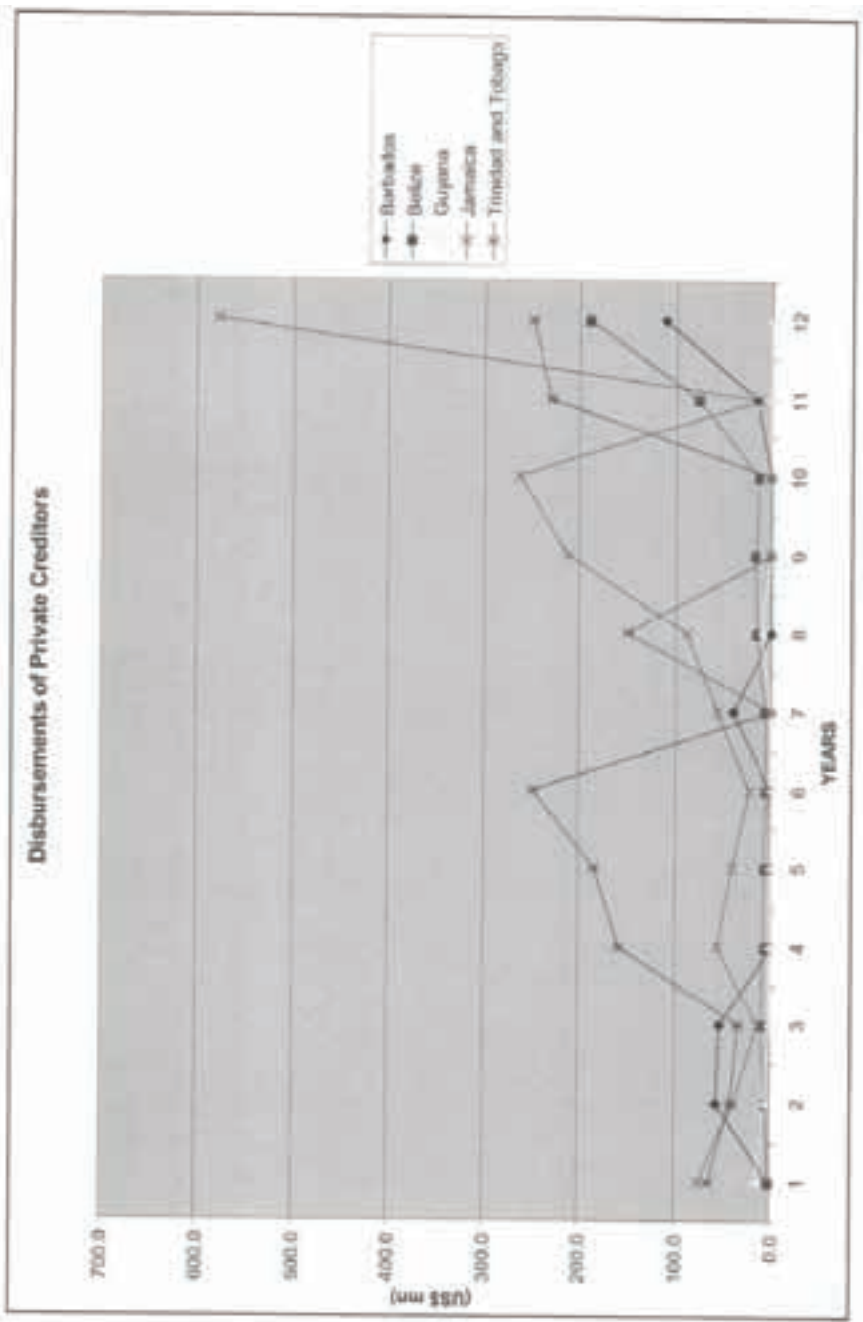
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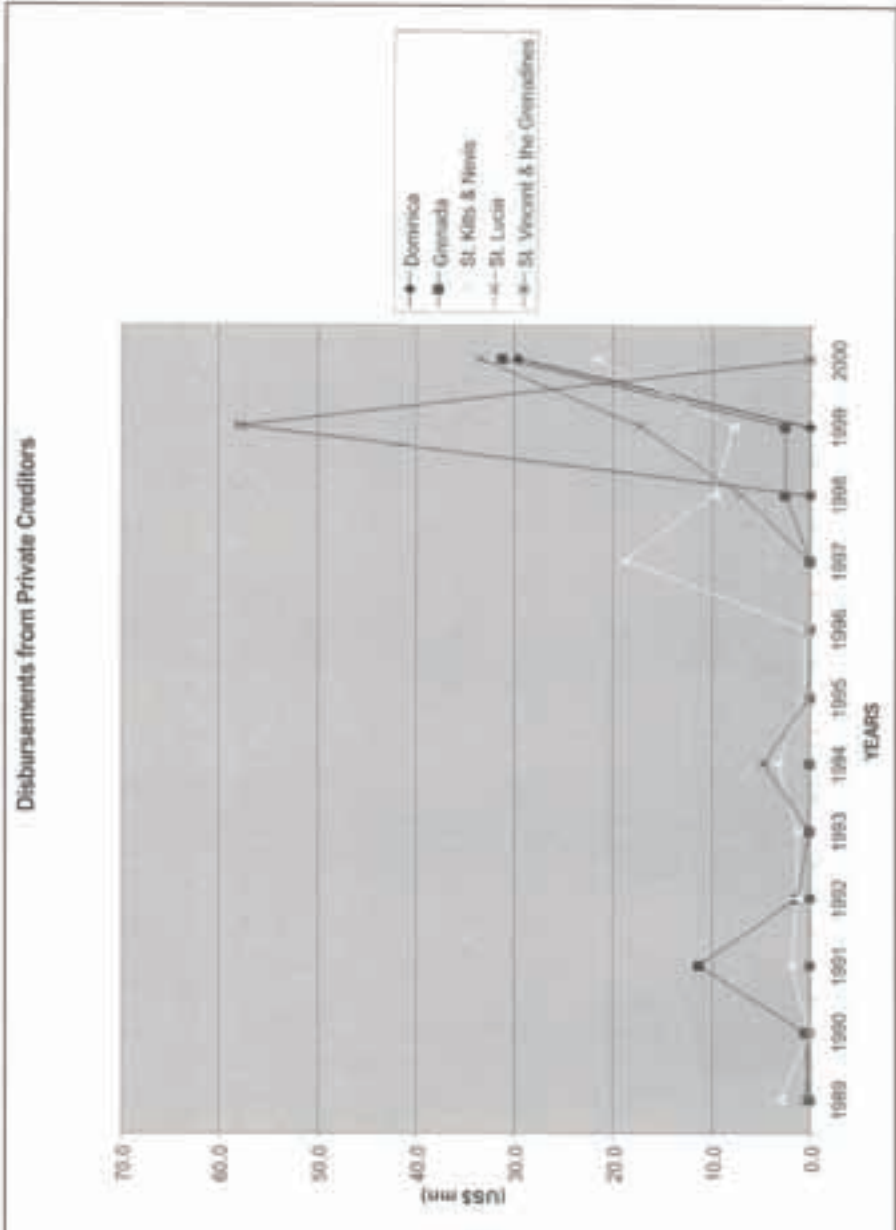
Appendix 8



Appendix 9



Appendix 10



This presentation was delivered at the Planning Institute of Jamaica's Fiftieth Anniversary Conference, Jamaica Conference Centre, November 23-24, 2005

CHAPTER 14

The Tourism Sector and The Global Economic Crisis Development Implications For The Caribbean

Economic Commission for Latin America and the Caribbean

Introduction

THE CARIBBEAN IS considered to be one of the most tourism dependent regions in the world (Andrew, 2007). This region encompasses some 34 countries and areas bordering the Caribbean Sea, and includes island destinations such as Jamaica, Aruba, Barbados and Grenada, mainland territories such as Belize, Guyana and Suriname, and specific tourism regions of mainland territories such as Cancun and Cozumel. The development of the tourism sector in the Caribbean began in earnest in the second half of the twentieth century (Platullo, 1996), as nations, both older and emerging, sought to throw off the legacies of slavery, colonialism and the plantation economy. By the mid 1990s most countries in the Caribbean had replaced agriculture with tourism as the primary engine of economic growth.

Many Caribbean destinations suffer severely from the impacts of natural events such as hurricanes, floods and seismic and volcanic activities. The Caribbean tourism industry has also been subject to a number of economic shocks, the most notable of which were the slowdown occasioned by the terrorist attacks on the United States of America in September 2001 and, more recently, by the economic crisis which impacted the global economy from mid 2008 until towards the end of 2009.

The objective of this paper is to assess the pivotal role of the tourism sector in the broader developmental experience of the Caribbean subregion

and, based on this, to examine the implications of the global economic crisis on the current and future economic development of the Caribbean.

The discussion is presented in four sections. Section One briefly chronicles the Caribbean development experience and assesses the historical antecedents which led to the emergence of the tourism sector as the current engine of growth. In Section Two, the central role of the tourism sector is examined, with a view towards identifying the key economic elements which are currently at work to sustain it. The analysis here, draws heavily from Butler's Tourism Area Life Cycle (TALC) model, through which aspects of Caribbean global tourism competitiveness are assessed. Section Three looks at the impact of the global economic crisis on the tourism sector, and the Caribbean response in the context of the tourism sector's global competitiveness. Section Four draws conclusions about the future evolution of the tourism sector, given the emerging economic, environmental and social challenges for the Caribbean in the immediate future.

I. Tourism and the Caribbean Economic Development Experience

For the Caribbean, contemporary notions of economic and social development began with the arrival of European colonization in the late fifteenth century. This process began an extensive period of settlement and social evolution, underpinned by an economic development model structured so as to supply key commodities to the metropolitan centres of Europe. The plantation evolved as the basis for the production of tropical commodities such as tobacco, cotton, cocoa, citrus, sugar and bananas. The extraction of minerals such as bauxite, gold and petroleum also emerged as important economic activities for colonies such as Jamaica, Guyana, Suriname and Trinidad and Tobago. The export of these agricultural and mineral commodities formed a fundamental framework for the organization of capital and labour, as well as the marketing of output. Labour was a key constraint for production, and slavery, indentureship, and sheer economic opportunism were the response mechanisms which brought many diverse peoples to the Caribbean. Hence, over a period of approximately five hundred years, the Caribbean has received migrant Europeans, Africans, East Indians, Chinese, Portuguese, Arabs, and Jews. All of these peoples, along with dwindling native populations of

Amerindians, have helped to shape the common social, economic, and political heritage of the Caribbean (*Pattullo, 1996*).

The Caribbean development experience can be summarized as one involving several structural shifts, spanning the period of independence to the present. Aspirations of independence first began to take root by the early nineteenth century, with the emergence of former colonies such as Haiti, the Dominican Republic and Cuba as independent nations. A second wave of independence during the latter half of the twentieth century saw the emergence of many of the Anglophone small island nations as sovereign States. Since that time, the economies of the Caribbean subregion have evolved from being mainly agriculture-based, with varying levels of contribution from mining, and manufacturing, to the present situation where tourism is largely the dominant economic sector.

Several economic shocks account for these structural shifts in the post independence era. They include the energy crisis of the 1970s, the implementation of structural adjustment programmes to counteract fiscal and balance of payments difficulties of the 1980s, and the shift to a more liberalized global trading regime of the 1990s. For most of the first decade of the new millennium, Caribbean economies have been buffeted by the passage of a higher frequency of natural events such as hurricanes, flooding, and earthquakes, all of which have impacted the economic bases of these countries. These most recent occurrences are considered to be related to climate change, a phenomenon which is deemed to have significantly increased the physical, economic and social vulnerability of small island developing States, many of which are in the Caribbean. The decade culminated with the global economic crisis, which impacted the tourism and financial services sectors of Caribbean countries.

After independence, many Caribbean countries adopted the Arthur Lewis two-sector model⁵ as a development paradigm. This model, promulgated in 1954, is regarded as the most influential paper on development economics, and is deemed to have revolutionized contemporary thinking on development (*Watson, 2009*). The Lewis model of economic growth identifies two sectors—a small modern sector and a larger traditional sector—from which excess labour is shunted to the modern sector in order to stimulate industrial development. In this context, the Lewis model makes the case for the State to play a key role by offering incentives which would attract capital from capital-surplus countries to the fledgling modern sector, and would eventually stimulate

growth through the export of cheaper goods from the labour surplus developing economy. These incentives included income tax holidays, tax exemptions and concessions, and export subsidies (*Perez, 2007*). This import substitution or ‘industrialization by invitation’ model was widely applied as a development approach in the English-speaking Caribbean and Puerto Rico⁶ from the 1960s onwards.

The contemporary economic development experience over the past four decades suggests that the approach has not worked as well as anticipated. In fact, average growth rates for the Caribbean as a whole ranged from 5% during the period 1970-1990 (Kida, 2006), to 3.5% between 2001 and 2007 (ECLAC, 2009d). Such growth has been largely heterogeneous across the Caribbean, and for most of the last four decades, consistent growth has been achieved by only a few Caribbean countries. Alleyne (2009), noted that the Caribbean subregion, excluding Cuba, the Dominica Republic and Haiti, achieved an average per capita growth rate of just 0.86% for the period 1979-1989; 0.93% for the period 1990-1999; and 2.81% for the period 2000-2008.

Significantly, the improved performance of the most recent decade reflects primarily the strong growth performance of Trinidad and Tobago, Suriname, Belize, as well as Antigua and Barbuda, Saint Vincent and the Grenadines, and Grenada. With an overall similar pattern observed for Cuba, and the Dominican Republic, and a long run negative growth rate for Haiti, Alleyne concludes that, barring Belize and the Dominican Republic, all Caribbean countries showed declining growth rates over the last three decades. Table 1 summarizes economic growth rates for selected countries over the period 2001-2008.

Table 1: Growth rates for selected countries as a percentage of GDP, 2001-2008

Country	2001-2005*	2006	2007	2008p
Anguilla	3.0	5.4	6.1	2.0
Antigua and Barbuda	6.7	18.3	21.0	-0.5
Bahamas, the	1.8	4.3	0.7	-1.7
Barbados	1.3	3.2	3.4	0.5
Belize	5.4	4.6	1.2	2.1

Cuba	-	12.1	7.3	4.3
Dominica	0.8	3.7	1.8	3.2
Dominican Republic	-	10.7	8.5	4.5
Grenada	2.1	-2.3	4.5	0.3
Guyana	0.5	5.1	5.4	3.1
Haiti	-	2.3	3.2	1.5
Jamaica	1.6	2.7	1.4	-0.6
Montserrat	0.7	-3.8	2.8	6.2
Saint Kitts and Nevis	3.2	2.5	2.9	2.5
Saint Lucia	2.7	4.9	1.7	2.0
St Vincent and the Grenadines	3.5	7.6	7.0	-0.5
Suriname	5.7	4.5	5.3	5.2
Trinidad and Tobago	8.6	12.2	5.5	3.5

Source: ECLAC 2009c

**Annual average p preliminary figures*

But what explains this downward trend in economic growth over time? With the exception of Trinidad and Tobago, Guyana, Suriname and Jamaica, economic growth in the Caribbean from the 1960s until the early 1990s has been driven largely by export agriculture, and manufacturing.⁷ However, both sectors have faced declines during the period.

The agricultural sector, considered the foundation of growth for most countries, has been at best a sputtering engine with its contribution to GDP and ratio of foreign exchange earnings to total export sector earnings, declining steadily in most Caribbean countries during the 1970s to 1990s period (Kendall and Petracco, 2003). In consequence, over time, agriculture has become consistently less important as a generator of real income, earner of foreign exchange and creator of employment.

Export agricultural earnings to GDP ratio for Barbados fell from 11.4% to 3.3% between 1970 and 1998. In Belize, this ratio fell from 23% to 7% between 1970 and 1999, while for Dominica, the ratio fell from 24.8% to 9.2% over the same period. Jamaica enjoyed only a marginal increase from 5% to 7% during the period under consideration, and only in the case of Guyana was there a clear increase in this ratio, from 18.9%

to 32% in 1999, after a protracted period of decline during the seventies and part of the eighties.

Table 2 summarizes changes in agricultural foreign exchange to export earnings ratio for selected Caribbean countries.

Table 2: Changes in agricultural foreign exchange to export earnings ratio for selected countries

Country	Start year	Foreign exchange to exports ratio	End year	Foreign exchange to exports ratio
Barbados	1970	22.2%	1998	6%
Dominica	1976	70%	1999	24%
Jamaica	1976	14.6%	1999	7.4%
Belize	1984	40.8%	1999	29.2%
Guyana	1970	40%	1999	25.9%
Haiti	1971	41.3%	1998	8.7%
Suriname	1978	4%	1997	8%

Source: Summarized from Kendall and Petracco, 2003.

The decline in agriculture resulted largely from its dependence on preferential access arrangements for its export to European markets, an arrangement that did not serve to enhance agricultural sector efficiency and competitiveness. Indeed, economic losses from changes in preferential access to the United States, European Union, Canada and Japan were highest for sugar and bananas, two of the main Caribbean traditional exports (Bauer, Cashin and Panth, 2008). Seven Caribbean countries are among the top ten countries with the greatest export losses⁸ arising from preference erosion since the evolution of a more liberalized global trading regime in the 1990s: Saint Lucia (32.9%), Belize (29.3%), Saint Kitts and Nevis (28.7%), Guyana (24.2%), Dominica (15.9%), Jamaica (9.7%) and Saint Vincent and the Grenadines (9.4%).

Preferential access also reinforced the production of a narrow range of primary commodities—the so-called traditional exports—while militating against policies for promoting non-traditional and more highly valued agricultural commodities.

In the manufacturing sector, Caribbean adherence to the tenets of the Lewis industrialization model led to the adoption of a largely protectionist industrial policy (ECLAC, 1999). This approach emphasized the application of high tariff levels and quota restrictions on imports, as well as an incentive regime which included subsidies, tax holidays, accelerated depreciation of allowances and the importation of raw materials and capital items free of duty. Ultimately, this so called import substitution model operated to stifle competition, promote declining industries and limit imports. Furthermore, the Caribbean sub-region lacked important macroeconomic and resource fundamentals to successfully develop and sustain an efficient industrial sector. Among these, were an adequate source of cheap industrial credit, a skilled and productive labour force, a comprehensive regime of industrial standards and regulations, and competitive real exchange rates.

Hence, over the two decades of the 1970s and 1980s, manufacturing, like agriculture, also showed significant declines, with sectoral growth falling from an average of 7.0% for the decade of the 1970s to an average of 3.9% in the decade of the 1990s. Moreover, worsening terms of trade for exports of agricultural and mineral commodities led to a reduction in real incomes and further galvanized economic contraction. Table 3 summarizes average sectoral growth rates, Gross Domestic Product (GDP) shares and contribution to GDP for various sectors in the Caribbean Community (CARICOM) countries from 1970 to 1990.

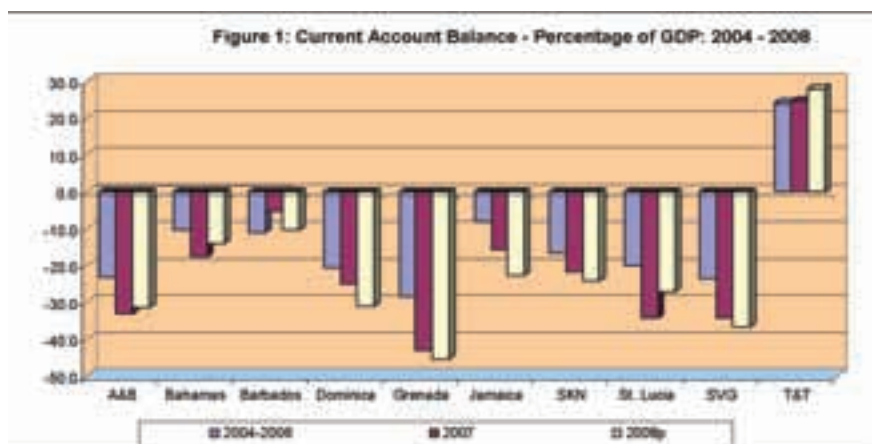
Table 3: Sectoral growth rates, GDP shares and contribution to GDP: 1970-1990

	Agriculture	Manufacturing	Services
Sectoral Growth—%			
1970s	0.5	7.0	5.8
1980s	0.3	4.6	4.9
1990s	1.2	3.9	3.3
GDP Shares—%			
1970s	16.6	25.8	54.3
1980s	12.5	25.3	58.9
1990s	9.8	25.1	61.6

Contribution to GDP—%			
1970s	0.0	2.0	3.3
1980s	0.1	1.1	2.8
1990s	0.1	0.8	2.4

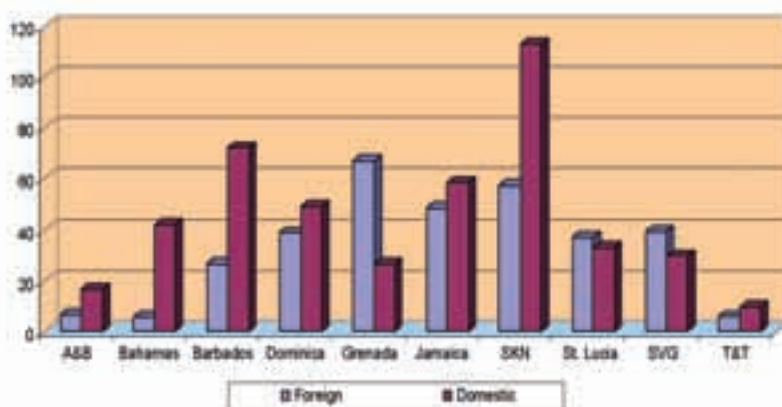
Source: ECLAC Caribbean Development Report, Vol. 1, 2009

The persistent contraction of Caribbean economies resulted in major economic challenges, and by 2005, many countries were saddled with growing unemployment, increasing fiscal deficits, growing public debt and balance of payment challenges. For example, the Caribbean as a whole, excluding Haiti, the Dominican Republic and Cuba, had an average current account deficit of 9.07% of GDP during the period 1990-1997. This figure increased to 13.41% of GDP during the 1998-2005 period (Economic Commission for Latin America and the Caribbean (ECLAC), 2009c). Figure 1 shows current account balances for selected Caribbean economies for the period 2004-2008.



Source: ECLAC, 2009c

Figure 2: Public Debt - Percentage of GDP: 2008



Source: ECLAC, 2009c

Over time, further economic challenges emerged in terms of public debt, where the average debt stock as a percentage of GDP, increased from 64.81% during the period 1990-1997, to 79.67% for the period 1998-2005 (ECLAC, 2009c). By the end of 2008, the public debt burden had further increased with Guyana, Jamaica, Grenada, and Saint Kitts and Nevis having accumulated a total debt of over 100% of GDP. At the same time, Barbados, Belize, Antigua and Barbuda, Dominica, and Saint Lucia held levels of debt ranging between 70% to 100% of output (ECLAC, 2009c) (See figure 2). The Caribbean performance, in terms of fiscal balance and public debt, is summarized in table 4 below.

**Table 4: Fiscal balance and public debt—percentage of GDP:
2004-2008: selected Caribbean countries**

Country	Fiscal Balance			Public Debt—2008p	
	2004-2006b	2007	2008p	Foreign	Domestic
Anguilla	-1.7	-2.1	-3.9	4.4	16.6
Antigua and Barbuda	2.0	-6.4	-8.5	38.9	49.1
Bahamas, the	-1.4	-1.5	-1.3	5.7	42.0
Barbados	-2.8	-1.8	-5.9	26.7	72.0
Belize	-5.1	-1.2	1.1	68.9	12.4
Dominica	0.9	1.0	0.8	66.6	26.7
Grenada	-1.7	-6.6	-6.5	78.5	27.8

Guyana	-11.2	-7.4	-6.3	72.0	31.8
Jamaica	-4.6	-4.7	-6.6	48.7	58.1
Country	Fiscal Balance			Public Debt—2008p	
	2004-2006b	2007	2008p	Foreign	Domestic
Montserrat	-6.0	-6.4	-9.8	6.8	1.4
Saint Kitts and Nevis	-4.6	-2.4	0.4	57.2	113.1
Saint Lucia	-5.8	-2.2	-0.2	37.1	33.0
St. Vincent and the Grenadines	-3.2	-3.6	-1.3	39.4	29.9
Suriname	0.0	3.2	2.1	12.7	12.5
Trinidad and Tobago	3.5	1.7	6.5	5.8	9.7

Source: ECLAC, 2009c

The evolution of these economic circumstances formed part of the dynamics which forced many Caribbean economies to adopt International Monetary Fund (IMF) support programmes, either in the form of standby facilities or structural adjustment programmes during the decades of the 1980s and 1990s. Guyana, Jamaica and Trinidad and Tobago were especially severely affected. In fact, since 1979, IMF financing facilities have been accessed by seven Caribbean countries, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, and Trinidad and Tobago (Fontaine, 2001).

Hence, by the conclusion of the Uruguay Round of multilateral trade negotiations and the ushering in of a new era of liberalized trade under the watch of the World Trade Organization (WTO) in the early 1990s, the inability of Caribbean agricultural exports to compete in this globalized context resulted in the almost total collapse of the agricultural export sector in the Caribbean. In this evolving context, the nascent tourism sector assumed a pivotal role in Caribbean economic development during the decade of the 1990s.⁹

II. The Central Role of the Tourism Sector in the Caribbean

While many Caribbean countries are small destinations,¹⁰ the Caribbean attracted approximately 20.2 million visitors in 2008, a figure which represents 2.2% of international tourist arrivals (UNWTO, 2009d). Andrew (2007), notes that the Caribbean actually received 22.2 million

stay over arrivals, and 19.2 million cruise ship arrivals in 2006, and earned about US\$ 21 billion in tourist revenues. In fact, from 1970 to 2001, tourist arrivals to the Caribbean grew faster than the world average, and only declined significantly after the terrorist attacks in the United States in 2001.

On a global scale therefore, the Caribbean sub-region, with only 1% of the world's population, is assessed to consistently attract approximately 3% of both global tourism arrivals and world tourism expenditure (Andrew, 2007).

In 2008, the Dominican Republic and Cuba attracted the largest numbers of stay over visitors to the Caribbean, approximately 4.0 million and 2.3 million respectively (Caribbean Tourism Organisation (CTO), 2009). Jamaica (1.8 million), the Bahamas (1.5 million) and Puerto Rico (1.3 million) were the next largest recipients. Among the smaller islands, Aruba and the United States Virgin Islands recorded 826,774 and 683,294 visitors respectively in the same year, while Barbados recorded 567,667 visitors. Martinique, St. Maarten and Trinidad and Tobago were the other main visitor destinations with just under 0.5 million stay over visitors in 2008. Table 5 summarizes stay over arrivals to selected Caribbean destinations for the period 2005-2009, while figure 3 shows arrivals for 2007 and 2008.

**Table 5: Tourist stay over arrivals in selected Caribbean countries:
2005 to 2009**

Country	2005	2006	2007	2008	2009 ¹¹
Antigua and Barbuda	245,384	253,670	261,786	265,841	177,318
The Bahamas	1,608,153	1,600,862	1,527,726	1,462,404	983,808*
Barbados	547,534	562,558	572,937	567,667	379,721
British Virgin Islands	337,135	356,271	358,056	345,934	85,964**
Cuba	2,319,334	2,220,567	2,152,221	2,348,340	1,856,774
Dominican Republic	3,690,692	3,342,106	3,398,374	3,979,672	3,069,794
Jamaica	1,478,663	1,678,905	1,700,785	1,767,271	1,414,967

Caribbean Community: The Struggle for Survival

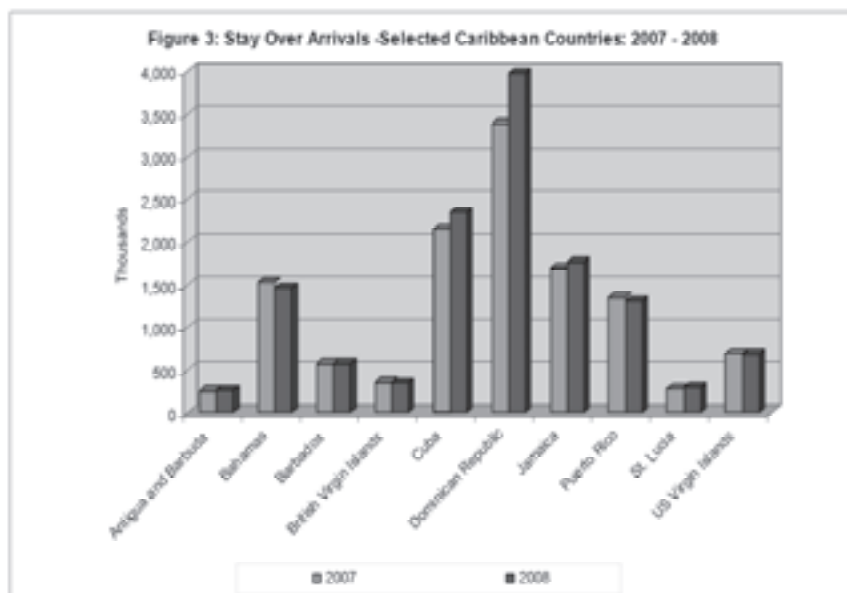
Puerto Rico	1,465,292	1,446,184	1,356,470	1,323,044	805,145***
Saint Lucia	317,939	302,510	287,518	295,761	210,348
US Virgin Islands	693,058	671,362	693,372	683,294	507,296

Source: Caribbean Tourism Organization

* Data to August, 2009

** Data to March, 2009

*** Data to July, 2009



Source: Based on CTO data

The Caribbean is also a major destination for cruise ships, with up to 18.2 million arrivals in 2008 (CTO, 2009). This represents a 7.1% decline in cruise visitors from 2007, when approximately 19.5 million passengers visited the Caribbean. The Bahamas is one of the main cruise destinations in the Caribbean, hosting some 2.9 million passengers in 2008. However, other important Caribbean ports of call for cruise ships include the Cayman Islands, Puerto Rico, and the United States Virgin Islands, all of which received 1.6, 1.4, and 1.8 million visitors respectively, in 2008. A summary of cruise ship arrivals for selected countries is presented in Table 6 below.

Table 6: Annual cruise ship arrivals—Selected countries: 2005 to 2009

YEAR	2005	2006	2007	2008	2009p
Antigua And Barbuda	466,851	471,623	672,788	580,853	539,924
Aruba	552,819	591,474	481,775	556,090	403,924
Bahamas, The	3,078,709	3,078,534	2,970,659	2,861,140	1,913,250*
Barbados	563,588	539,092	647,636	597,523	470,245
Cayman Islands	1,798,999	1,923,597	1,715,666	1,553,053	1,144,948
Dominica	301,294	379,643	354,515	463,355	381,587
Dominican Republic	289,805	303,489	384,878	417,685	374,284
Jamaica	1,135,843	1,386,994	1,179,504	1,088,901	658,485**
Puerto Rico	1,315,079	1,338,019	1,437,239	1,392,624	618,857***
Saint Lucia	394,364	359,593	610,345	619,680	478,346
YEAR	2005	2006	2007	2008	2009p
St Maarten	1,488,461	1,421,645	1,421,906	1,345,812	956,657
St Vincent and the Grenadines	69,753	106,474	144,555	116,709	101,616
US Virgin Islands	1,912,539	1,903,533	1,917,878	1,757,067	1,217,006

Source: *Caribbean Tourism Organization, 2009*

* Figures for January to July ** Figures for January to August *** Figures for January to May p All other figures for January to September

North America and Europe are the main sources of visitors to the Caribbean. The United States of America has traditionally been a dominant North American supplier, given the Caribbean's comparative advantage in terms of geographical proximity, and a relatively high frequency of cheaper and more direct flights.¹² Since the 1970s, the United States share of visitors to the Caribbean has declined from a high of 64% to about 55% by the mid-1980s, and to approximately 52% by 2004 (*ECLAC, 2009f*). Subsequently, the Gulf war and recession in the United States in the early 1990s saw a significant shift to European visitors to the Caribbean, from 17% in 1990, to 26% in 1999. The United Kingdom

is a dominant source of European visitors to the Anglophone Caribbean, while Spain remains a major supplier to the Hispanic destinations of Cuba and the Dominican Republic. Other European source countries, albeit in significantly smaller quantities, include Italy, Germany, France, Sweden and Norway.

Over the last five years, there have also been significant increases in Canadian visitors to the Caribbean, with an average share of 10%. Furthermore, given the long standing United States economic embargo of Cuba, Canada is that country's largest source of visitors from North America. The level of intra-Caribbean visits to friends and relatives (VFR), as well as visitors from the South American mainland continues to be insignificant. Table 7 below shows the composition of Caribbean tourist arrivals by main markets for selected countries for 2007.¹³

Quite apart from the Caribbean's demonstrated capacity to attract a significant share of world tourist arrivals relative to its size, the dominance of the tourism sector is further borne out by its impact on key economic indicators such as contribution to GDP, employment and the generation of foreign exchange. In 2001, the contribution of tourism to GDP ranged from a low of 6.9% for Curacao to a high of 95.2% for the British Virgin Islands (*Piraszewska K., 2006*). Estimates of GDP contribution for selected Caribbean countries prepared by the World Travel and Tourism Council (WTTC) in 2008, also show the lowest GDP contribution being 4.4% for Suriname, while the highest was 73.5% for Antigua and Barbuda. Moreover, as many as 16 out of 23 countries generated upwards of 20% of their GDP from tourism and travel related activities.

The role of the tourism sector in employment assumes even greater importance. According to WTTC estimates, in 2008/2009 Antigua and Barbuda earned the highest share of employment, 80.6%, from the tourism sector, compared to Suriname where only 4.0% of the labour force was employed in 2008. Tourism, as an employment generator, is also particularly crucial for countries such as Anguilla (67.6%), Aruba (78.6%) the Bahamas (60.4%) and Barbados (43.7%). The majority of Caribbean economies depend on tourism to provide employment for more than 20% of the workforce. GDP and employment estimates for selected countries are summarized in table 8, below.

Table 7: Tourist arrivals and shares by main markets: 2007 (Source CTO)

United States		Canada		Europe			Other		TOTAL
Destination	Tourist	Share %	Tourist	Share %	Tourist	Share %	Tourist	Share %	
Antigua and Barbuda		30.1	10,489	4.0	115,448	44.1	57,152	21.8	261,786
Aruba	520,385	67.4	25,673	3.3	67,353	8.7	158,662	20.6	772,073
Bahamas	1,263,678	82.7	100,340	78,697 6.6	87,170	5.7	76,538	5.0	1,527,726
Barbados	133,519	23.3	52,981	9.2	250,773	43.8	135,664	23.7	572,937
Belize	152,567	60.6	16,655	6.6	34,173	13.6	48,260	19.2	251,655
Cayman Islands	231,865	79.5	17,355	6.0	20,267	7.0	22,016	7.6	291,503
Cuba		0.0	660,384	30.7	924,025	42.9	567,812	26.4	2,152,221
Dominican Republic	1,080,066	27.1	587,370	14.8	1,387,476	34.9	924,670	23.2	3,979,582
Dominica	21,477	28.1	2,610	3.4	10,743	14.0	41,685	54.5	76,515
Grenada	27,136	21.0	6,017	4.7	41,792	32.4	54,173	42.0	129,118
Guyana	68,861	52.4	19,508	14.8	9,686	7.4	33,432	25.4	131,487
Jamaica	1,132,532	66.6	190,650	11.2	288,894	17.0	88,709	5.2	1,700,785
St. Kitts and Nevis	68,586	55.7	7,076	5.7	14,623	11.9	32,876	26.7	123,161
Saint Lucia	113,433	39.5	18,640	6.5	88,828	30.9	66,506	23.1	287,407
St. Vincent & the Grenadines	26,642	29.7	6,745	7.5	23,454	26.2	32,796	36.6	89,637
Trinidad and Tobago	180,557	40.2	51,411	11.4	82,511	18.4	134,973	30.0	449,452
US Virgin Islands	612,197	86.5	6,017	0.8	14,881	2.1	74,934	10.6	708,029

Table 8: Tourism GDP and employment for selected Caribbean countries: 2008/2009

Country	Share of tourism in GDP (%)	Share of tourism in total employment (%)
Anguilla	65.8	67.6
Antigua and Barbuda	73.5	80.6
Aruba	67.1	78.6
The Bahamas	50.0	60.4
Barbados	39.0	43.7
Belize	29.7	29.8
Bermuda	12.0	14.3
British Virgin Islands	37.4	45.2
Cayman Islands	29.1	35.1
Cuba	9.6	8.2
Dominican Republic	15.9	13.8
Dominica	24.5	22.4
Grenada	25.0	23.7
Guyana	10.9	9.0
Jamaica	27.0	23.7
Puerto Rico	5.7	5.6
Netherlands Antilles	23.1	30.6
St. Kitts and Nevis	31.7	32.2
Saint Lucia	37.4	37.1
St. Vincent and the Grenadines	29.1	26.0
Suriname	4.4	4.0
Trinidad and Tobago	12.8	16.2
US Virgin Islands	37.4	44.8

Source: *World Travel and Tourism Council (WTTC), 2009*

Most Caribbean countries being small open economies, trade and the generation of foreign exchange are critical for their economic and social well-being. Earnings from tourism are therefore very important in this regard, and foreign exchange earnings are generated primarily through visitor expenditures. Among Caribbean destinations, the Dominican Republic collected the largest share of tourist earnings in 2008, having generated an estimated US\$ 4,176 million (UNWTO, 2009d). Significant shares of earnings were also recorded for Puerto Rico (US\$ 3,644 million), Cuba (US\$ 2,267 million), the Bahamas (US\$ 2,153 million) and Jamaica (US\$ 1,984 million).

Travel and tourism are projected to contribute US\$ 28.4 billion dollars worth of visitor export earnings to Caribbean economies in 2009, representing 18.6% of total Caribbean exports (WTTC, 2009). Tourist earnings for selected Caribbean countries from 2006 to 2008 are presented in Table 9 below.

Table 9: International tourist receipts for selected Caribbean countries: 2006 to 2008
(US\$ million)

Country	2006	2007	2008*
Aruba	1,080	1,255	1,412
The Bahamas	2,056	2,187	2,153
Barbados	1,057	1,119	1,192
Cuba	2,127	2,141	2,267
Dominican Republic	3,917	4,064	4,176
Jamaica	1,870	1,910	1,984
Puerto Rico	3,369	3,414	3,644

Source: UNWTO, 2009d

* Projected figures

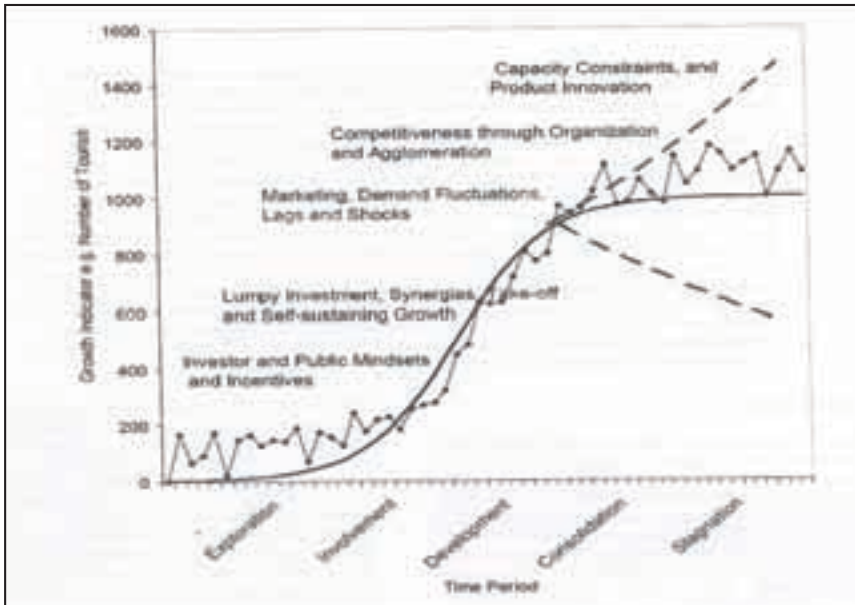
Apart from these direct benefits, the tourism sector also influences fiscal policy in the Caribbean through its impact on public sector investment, tax policy and spending. While it is extremely difficult to disaggregate data for specific public sector spending on tourism for Caribbean countries, Pattullo (1996) notes that since the 1960s, many governments have

undertaken enormous public sector investment programmes in order to create the necessary 'ecological bubbles' upon which a modern tourism sector is based. Such investments include the development of modern airports, expansion and/or upgrading of roads, water and sewerage systems, electricity and telecommunications, and port and related berthing facilities for cruise ships. Further elements of fiscal policy directed towards the tourism sector include the granting of tax holidays and other concessions on the import of materials and other start-up equipment for hotels, as well as exemptions from land taxes and other capital gains during operation of the tourism enterprise. Substantial operational investments are also made by many governments in the promotion of the destination in international markets.

Given the apparent success in the development of its tourism sector over the past three decades, a key question that arises is, what factors account for the competitiveness of Caribbean tourism relative to the rest of the world?

In this paper, the assessment of Caribbean tourism competitiveness is based on Butlers' Tourism Area Life Cycle (TALC) model and its application to the Caribbean by De Albuquerque and Mc Elroy (1992) and ECLAC (2009f). Butler's model posits that over time, a tourism destination follows an S-shaped growth path which involves six stages, these being: exploration, involvement, development, consolidation, stagnation and then rejuvenation or decline (Cole, 2007). Figure 4 below summarizes the essential elements of the model. The determination of each stage is based on the performance of some major tourism sector performance indicator, such as changes in the number of visitor arrivals, growth in the number of rooms, or changes in the level of public investment in the tourism sector.

Figure 4: Butler's Tourism Area Life Cycle (TALC) Model



Source: Cole, 2007

In the exploration stage, a small number of visitors make irregular visits to a destination, ostensibly because they managed to discover some unique or very different natural or cultural attraction. There is very limited public investment in tourism at this stage, so that visitors' enjoyment of the destination depends heavily on close interaction with locals. Impact of tourism on the destination is very low during the exploration stage.

With the increase in the number and regularity of visitors, the destination enters the involvement stage of the life cycle, with the first signs of formally organized facilities and services for tourists. Interaction between visitors and locals continue to be high or may even increase, as specialization among visitor service providers begins to emerge. Tourism businesses and other institutions providing travel services, destination marketing, and industry associations also begin to develop, and may even begin to lobby governments to provide public infrastructure such as transportation and communications systems necessary for the further development of the tourism sector.

The destination enters the development stage when it assumes the characteristics of a well-defined tourist-market area which is supported by

significant advertising. During this stage, contact with locals, as well as the control of tourism sector development begins to decline, as formally locally provided facilities are replaced by larger and more elaborate internationally branded services. This phase also sees the development and marketing of specially packaged natural and cultural attractions, and the provision of man-made imported facilities.

The consolidation stage is next in the life cycle, and becomes apparent as the *rate of increase* of visitors begins to decline. By this time, tourism has become a major driver of economic activity, and development and marketing strategies are now oriented towards extending the visitor season, as well as the tourism catchment area. While most major international franchises in the tourism sector are likely to be represented, there are no new introductions of international business, and longstanding enterprises begin to lose their ratings and appeal. This is also the stage where social discontent related to the presence of visitors begins to manifest itself, as local residents begin to be frustrated by the deprivations or restrictions which might be necessary in order to host tourists.

This development signals the onset of the stagnation stage, where peak visitor arrivals would have been met and surpassed, and the destination begins to show signs of exceeding its social, economic and environmental carrying capacity. At this stage, the destination is largely dependent on repeat visitors, and the number of surplus beds per period will begin to increase in spite of considerable efforts to attract visitors. A large number of contrived attractions, either in the form of events or man-made facilities, are common at this stage, accompanied by frequent changes of ownership of the tourism plant.

As indicated by Butler (2006), after stagnation, a destination may move along two possible pathways. These are decline or rejuvenation. In the decline stage, the destination is no longer able to compete with newer or emerging areas, and will increasingly attract short stay or itinerant clients such as weekenders and day trippers. Property turnover is very high in this stage, and if rejuvenation does not occur, tourism facilities begin to be replaced by non-tourism enterprises, as the destination begins its retreat from tourism as a dominant economic sector. By way of example, hotels may convert to condominiums, convalescent homes, or conventional long term housing.

A destination may, however, enter a rejuvenation phase of the tourism life cycle, and Butler points to two brand strategies for attaining this. The

first is to undertake a substantial investment in man-made attractions, typically including casinos, theme or heritage parks, or other related enterprises. The second is to focus on heretofore untapped natural resources, which may be allied to specialty sporting and or recreational events. This approach usually requires a joint partnership effort between the government and the private sector in order to be successful, but offers the promise of extending the long run sustainability of the area as a tourism destination.

The Butler model provides invaluable insights for policymakers and private investors involved in the development of the tourism sector, as it holds up to question the apparent notion that a tourist destination can be expected to experience growth indefinitely. The model, however, also reflects the underlying variables which drive tourism activity at a destination over time.

ECLAC (2009f) points to a number of exogenous and endogenous factors which determine the location and rate at which a destination progresses along its life cycle. Among the exogenous determinants are: geographic location, environmental assets, natural beauty, cultural diversity, and heritage. Likewise, the endogenous factors include man-made embellishments to the destination such as: availability of tourism facilities that make tourism destinations attractive, low-cost structures that make them price competitive, and strong rule of law and order that guarantee public safety and enhance international image. All of these factors are deemed to be strongly linked to a tourism destination's competitiveness reflected in terms of attractiveness, efficiency, productivity, and development potential. Moreover, the factors which determine the stage of the tourism life cycle are considered to be equivalent to those which determine a destination's competitiveness (ECLAC, 2009f).

What then are the competitive parameters and related life-cycle stages of Caribbean tourism destinations? Several researchers (Craigwell, 2007; Dwyer and Kim, 2003; ECLAC, 2009a) have examined this issue. The WTTC has also elaborated a comprehensive analysis in order to derive a Tourism Competitive Index (TCI).¹⁴

ECLAC (2009a) used the framework elaborated by Craigwell and Dwyer and Kim in a study of Caribbean tourism competitiveness, and identified the following seven factors as key:

- Price competitiveness advantages
- Infrastructure advantages

- Environmental advantages
- Technological advantages
- Industrial organizational advantages
- Social advantages
- Exogenous advantages

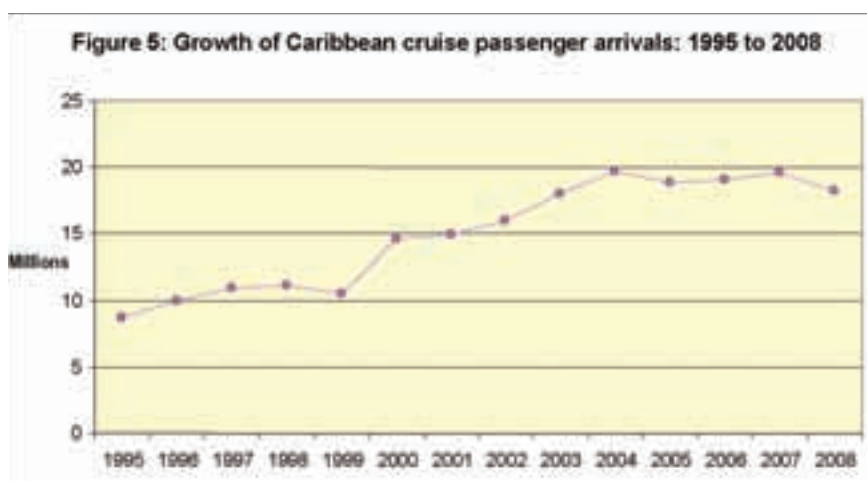
From these factors, a matrix of macroeconomic, social, industrial and environmental, and historical/heritage variables were identified and used to estimate an econometric model of competitiveness. The main findings of this study were the following:

- Real exchange rate depreciation could serve to increase Caribbean tourism competitiveness with respect to stay over visitors from Canadian source markets. This was however, not the case with visitors from Britain;
- Increases in long haul transportation costs, reflected in increased oil prices, reduce Caribbean tourism competitiveness, particularly for Canadian and British source markets. Close proximity to the United States, however, may enhance Caribbean competitiveness in this market relative to other destinations;
- Former Spanish colonies appear to have a competitive advantage over former English colonies in the Caribbean;
- Factors such as government consumption, trade openness, labour market rigidities, exposure to natural disasters and the prevalence of AIDS all strongly undermine Caribbean tourism competitiveness;
- Positive factors which influence tourism competitiveness in the Caribbean include population density, domestic credit to the private sector, increases in gross fixed capital formation, and the number of telephone mainlines in use;
- Significantly, real income growth in Caribbean tourism source markets is not significant in influencing tourism competitiveness.

Craigwell (2007), in a slightly different model specification, suggested that the capacity of a country to attract stay over visitors depends on three critical factors: (1) technological advantage; (2) industrial organizational advantage; and (3) price advantage. Based on these factors, he identified travel cost as a significant variable in regional tourism competitiveness, with the Caribbean having a lower competing capacity in source markets that

are further away from the region. Additionally, Craigwell found a negative Capital-output ratio which he interpreted to mean that capital investment in the Caribbean was not ‘directly aimed at increasing tourism capacity’ and was possibly crowding out investment and therefore undermining tourism competitiveness. Unlike the ECLAC study, however,

On the basis of the above findings, the performance of the Caribbean in recent decades indicates that the subregion possesses some degree of competitiveness.¹⁵ Relative to the rest of the world, the Caribbean subregion has enjoyed a stable share of approximately 2.9% of world stay over tourists since 1970. The capacity of the Caribbean to attract stay over visitors has been even more apparent in the Americas Region.¹⁶ While the Americas share in the global market has fallen by approximately 25% since 1970, over this period the Caribbean has increased its share *within* the Americas from 9.9% to 17.3%.



Source: Based on figures from CTO, 2009

The cruise sector is also a major segment of the Caribbean tourism market. Since 1974, the Caribbean has seen a steady growth in cruise arrivals and today, leads the world in terms of the cruise visitors. Figure 5 shows growth trends for cruise passenger arrivals since 1995.

As noted earlier, while the overwhelming majority of visitors originally came to the Caribbean from the United States of America, over time the Caribbean has also shown its competitiveness by increasing its market

share from Europe since 1970. Table 10 summarizes performance in this regard since 1970.

Table 10: Market shares by source market: 1970 to 2004

Year	United States	Canada	Europe	Caribbean	Other
1970	64.288	4.490	7.362	-8.116	24.774
1980	58.514	7.319	11.930	9.478	14.120
1981	58.218	6.828	11.331	9.493	14.145
1982	59.203	6.374	10.814	9.178	14.116
1983	61.944	6.849	9.756	10.763	12.273
1984	61.976	7.814	9.421	8.788	10.025
1985	62.193	7.541	9.149	8.427	12.330
1986	55.088	6.654	8.697	8.165	21.134
1987	54.392	6.123	9.892	8.584	21.428
1988	54.121	6.370	11.926	8.250	18.999
1989	52.223	6.033	12.838	6.899	20.656
1990	57.668	6.600	17.239	7.036	11.594
1991	59.472	6.887	18.735	6.169	7.871
1992	59.606	6.590	19.022	6.279	8.612
1993	57.762	6.233	19.607	6.439	10.119
1994	56.675	5.834	21.639	6.498	9.413
1995	55.836	5.966	22.298	6.517	9.403
1996	52.128	5.801	23.603	6.565	11.951
1997	51.689	5.416	24.965	6.428	11.365
1998	50.921	5.578	25.616	6.590	11.456
1999	49.740	5.623	26.313	6.334	11.735
2000	51.573	5.966	25.517	6.198	10.609
2001	52.509	6.443	24.746	6.854	10.104
2002	53.328	6.701	23.647	6.978	9.471
2003	52.281	7.356	24.560	6.556	8.825
2004	52.495	7.978	24.264		8.708

Source: ECLAC, 2009f.

Hence in summarizing the status of the Caribbean with respect to stages in the tourism life cycle and its related competitiveness, it is important to note the conclusions of the ECLAC competitiveness study, which observes that Caribbean competitiveness in stopover tourism has stagnated or begun to decline. This is the case since the subregion has not managed to increase its share of stay-over visitors over a period of

almost 40 years. This is not inconsistent with the results of the Butler TALC analysis undertaken by De Albuquerque and Mc Elroy (1992) for the Caribbean, in which it was concluded that many Caribbean tourist areas are now mature destinations. This is evidenced by the increase in the number of man-made attractions which continue to be offered to visitors, including music (Jazz) festivals, carnivals, heritage programmes, and sporting activities (cricket world cup, sailing regattas, golfing, cycling and soccer tournaments).

Additionally, the rate of change of ownership of properties is evidence of the classical stagnation/post-stagnation phase as suggested by Butler. Some destinations such as Cuba, the Dominican Republic, the Bahamas, Jamaica, and Barbados have demonstrated varying degrees of competitiveness in moving upwards towards rejuvenation, or in avoiding sector decline. Smaller destinations such as Antigua and Barbuda, the British Virgin Islands, St. Maarten, and Dominica have achieved distinguishing performances in specific niche markets such as yachting, diving and ecotourism. Belize has also emerged as a vibrant Caribbean destination, thereby proving its competitive capacity in the cruise and nature tourism markets.

Given this reality, the paper now examines the Caribbean response to the crisis with a view towards assessing the implications of the crisis to the future evolution of its tourism sector.

III. Impact of the Global Economic Crisis and the Caribbean Response

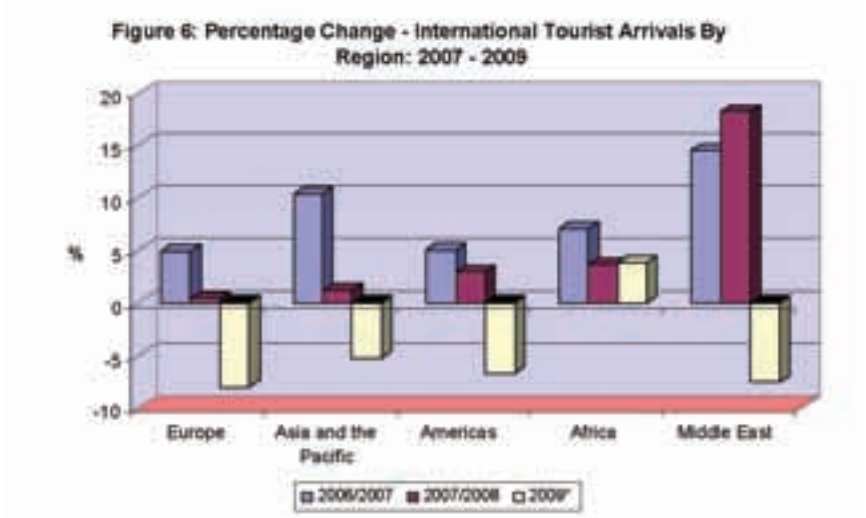
Since October 2008, the global economy has experienced substantial economic turmoil, occasioned by the failure of the international financial system to fulfil its role of efficient credit allocation. The impact of this failure has negatively affected developed and emerging economies alike, and governments have responded with haste to shore up both national and international financial markets as a means of re-energizing struggling economies. The tourism sector within the Caribbean has also been impacted and governments have also sought to provide broad-based stimulus interventions in order to minimize the impact of the crisis.

According to UNWTO (2009e), international tourist arrivals grew at a sustained rate of 7% on average between 2004 and 2007 with a peak in global

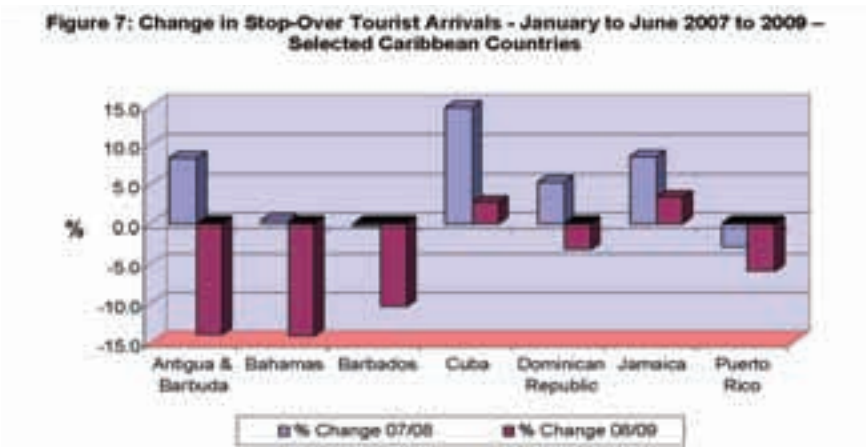
arrivals of 924 million in 2008. Such spectacular growth rates were severely curtailed with the onset of the global economic crisis from the final quarter of 2008. This crisis resulted in a fall in international tourist arrivals by 7% during the first eight months of 2009, with preliminary figures suggesting a slowing of the decline towards the end of the year. On that basis, UNWTO projected an overall annual decline of 4% for 2009. Alongside declines in arrivals, international tourism receipts are also estimated to decline by 6% in 2009, from a high of US\$ 944 billion in 2008.

The contraction in the global tourism market has its genesis in the financial crisis which first began to manifest itself as a credit crunch in United States financial markets in 2007. Through the mechanism of the United States housing and asset markets, this credit squeeze spread to Europe, Asia and the Pacific, and eventually the wider global market. These developments, coupled with rising global commodity prices, particularly energy and food, as well as the failure of many major financial institutions, triggered rising unemployment, and a deterioration of business and consumer confidence. Ultimately, increasing job losses as well as uncertainty about future incomes resulted in a dramatic fall off in international travel and related tourism activities.

While the impact of the decline in international tourist arrivals was felt worldwide, it was most severe in the Middle East, the Americas, and Asia and Pacific Regions. In the Middle East, previously high growth rates of 18.2% over the 2007-2008 period fell away sharply to a negative growth rate of 7.6% by August, 2009. At the same time, the Americas Region¹⁷ also experienced a sharp drop in arrivals, from a growth rate of 2.9% in the previous fiscal period, to—6.7% by the end of August 2009. The Asia and Pacific Region also recorded negative growth in arrivals of 5.3% up to August 2009, compared to an overall growth rate of 1.2% for the 2007-2008 period. This decline was also apparent for Europe, where the growth rate in arrivals, as at August 2009, was—8.0% compared to a positive rate of 0.4% in the previous period. Only in case of the Africa Region, was the growth rate of international arrivals largely sustained, with figures of 3.6% in 2007-2008, compared to 3.8% in the first eight months of 2009. These changes in international arrivals are summarized in figure 6.



Source: Based on UNWTO data.



Source: Based on CTO data.

Several Caribbean countries also experienced significant contraction as a result of the global economic crisis. In the case of Antigua and Barbuda for instance, growth in tourist arrivals declined from 8.3% over the 2007/2008 period to—14.0% between 2008 and 2009. Similar trends were observed for the Bahamas, where arrivals fell by 14% from 2008, and Barbados, where arrivals declined by 10.5% between 2008 and 2009. Smaller reductions in arrivals were also recorded for the Dominican

Republic (3.2%) and Puerto Rico (5.9%). Only in the case of Cuba and Jamaica, were there no absolute declines in arrivals; however, both countries experienced significantly lower growth rates of 2.7% and 3.4% respectively, over the 2008 to 2009 period (figure 7).

The effects of the crisis were also felt in the Caribbean cruise subsector, although not to the same degree as in the stay over subsector. For instance, among 21 cruise destinations, significant falls off in arrivals were recorded for six countries between 2008 and 2009. Most of these countries include the mature cruise destinations such as Jamaica (-15.3%), Puerto Rico (-15.0%), the United States Virgin Islands (-9.9%), St. Maarten (-6.6%), and Cayman Islands (-2.1%) (CTO, 2009). The largest decline was recorded for Martinique (-19.9%).

Table 11: Cruise passenger arrivals—2008 and 2009

Destination	Period	2008	2009	%Change
Antigua and Barbuda	Jan-Oct	427,263	539,924	26.4
Aruba	Jan-Oct	403,845	441,288	9.3
The Bahamas	Jan-Oct	2,264,860	2,602,321	14.9
Barbados	Jan-Dec	597,523	635,746	6.4
Belize	Jan-Dec	597,370	705,219	18.1
Bermuda	Jan-Sep	246,373	266,381	8.1
Bonaire	Jan-Sep	95,615	148,058	54.8
British Virgin Islands	Jan-Jul	398,267	355,065	-10.8
Cayman Islands	Jan-Dec	1,553,053	1,520,372	-2.1
Curacao	Jan-Oct	239,208	310,158	29.7
Dominica	Jan-Oct	251,460	381,587	51.7
Dominican Republic	Jan-Aug	348,923	374,284	7.3
Grenada	Jan-Sep	181,165	229,415	26.6
Jamaica	Jan-Dec	1,088,901	922,349	-15.3
Martinique	Jan-Dec	87,079	69,749	-19.9
Puerto Rico	Jan-Nov	1,230,420	1,045,459	-15.5
St. Lucia	Jan-Nov	512,600	584,451	15.0
St. Maarten	Jan-Oct	1,024,178	956,657	-6.6

St. Vincent & the Grenadines	Jan-Oct	70,206	104,781	49.2
Trinidad and Tobago	Jan-May	23,667	83,713	253.7
US Virgin Islands	Jan-Dec	1,757,067	1,582,264	-9.9

Source: *Caribbean Tourism Organization*

In spite of the crisis, the Caribbean demonstrated its robustness as a cruise destination by registering *increases* in cruise passenger arrivals in fifteen countries. Such increases ranged from a high of 253.7% in Trinidad and Tobago to a modest 6.4% for Barbados. Dominica (51.7%), Belize (18.1%), Curacao (29.7), Grenada (26.6%), Saint Lucia (15%), and Saint Vincent and the Grenadines all showed significant positive growth during the period, thereby underlining Caribbean comparative advantage in attracting cruise passengers. Table 11 summarizes the performance of the cruise sector in the Caribbean over the 2008 to 2009 period.

Global tourism expenditures also mirror arrival trends, but the impacts on expenditure are more marked in periods of economic crises (UNWTO, 2009d). This is because of the high positive income elasticity of travel and leisure, where consumers forego vacations with the loss of income as unemployment rises during the crisis. This pattern was also very much in evidence during 2009. As noted by UNWTO, receipts from global tourism were estimated to have contracted by approximately 10% in real terms during the first half of 2009. This compares to a 1.8% *increase* in international expenditure for 2008, an increase that resulted in an estimated US\$ 944 billion in tourism receipts for the same year, as noted above. The significance of the impact of the global economic crisis is made all the more apparent when it is considered that for the period 1990-2008, receipts from global tourism grew at an average rate of 4.0% per year in real terms.

While no regional analyses are as yet available, performance results for 47 of the top 50 destinations in terms of receipts show 38 of these countries recording declines for the first six months of 2009. Among those countries experiencing the sharpest slump from 2008 were Saudi Arabia (-36%), the Russian Federation (-24%), Thailand (-23%), the United States of America (-18%), Mexico (-18), and Belgium (-17%) (UNWTO, 2009c).

Based on figures available for nine destinations, UNWTO estimates year to date percentage falls in international tourism receipts to the Caribbean Region ranging from 26.2% for Bermuda, to 2.8% for St. Maarten. Significant declines were also projected for larger destinations such as Cuba (-11.7%), the Dominican Republic (-7.1%) and Jamaica (-6.1%). These projections, summarized in table 12 below, reflect the general experience for the Caribbean since 2008, and demonstrate the clear impact of the global financial crisis on the Caribbean tourism sector.

**Table 12: International tourism receipts: (US\$ M)
for selected Caribbean countries**

	2007	2008	% change 2008/2009*
Aruba	1,255	1,415	-10.4
Bahamas, the	2,187	2,153	-10.0
Bermuda	568	431	-26.2
Bonaire	110	121	-8.9
Cuba	2,141	2,267	-11.7
Curacao	327	378	-11.1
Dominican Republic	4,064	4,176	-7.1
Jamaica	1,910	1,984	-6.1
St Maarten	662	663	-2.8

Source: United Nations World Tourism Organization (UNWTO, 2009e)

* 2009 Year to Date Estimates

A. Caribbean Stimulus Response to the Crisis

By way of response, most Caribbean governments implemented broad-based macroeconomic policies rather than sector specific initiatives in order to mitigate the impact of the economic crisis. In an initial global assessment updated by UNWTO in September 2009, stimulus measures for recovery in the tourism sector were grouped into eight categories, as follows:

—Fiscal —Marketing —Monetary-Employment —Public-private partnerships —Regional cooperation —Towards green economy —Travel facilitation.

From this assessment, ten of the thirty-four CTO countries reported specific response measures in only the first five areas. A summary of their

actions is presented in table 13 below. Marketing efforts to stimulate falling arrivals were the most frequently reported (Aruba, Antigua and Barbuda, Bahamas, Barbados, Jamaica, Puerto Rico, Dominica Republic and Saint Lucia) as the crisis deepened, while fiscal initiatives, such as increased public expenditure or reduced taxes in the tourism sector, were applied in four countries.

Table 13: Stimulus measures adopted by Caribbean economies in response to the crisis

Country	Measure					
	Fiscal	Marketing	Monetary	Employment	Public Private Partnerships	Regional Cooperation
Aruba		X				
Antigua & Barbuda	X	X		X		
Bahamas	X	X	X		X	
Barbados		X	X	X		
Grenada	X					
Jamaica		X	X		X	
Puerto Rico		X			X	X
Dominican Republic		X			X	X
Saint Lucia		X				
St. Vincent/ Grenadines	X		X			
Trinidad and Tobago ¹⁸	X					

Source: UNWTO, 2009b

Efforts to shore up tourism sector employment were undertaken in both Antigua and Barbuda and in Barbados, two Caribbean countries where the tourism sector is a larger generator of employment. Monetary policies were applied in four countries in the form of new credit lines, particularly to small and medium-sized enterprises. Many countries implemented measures to offset the decline in government revenues.

The main fiscal interventions were to increase fiscal spending in order to stimulate economic activity: Jamaica allocated J\$2.5 billion for roads and drainage works in November 2008; the Barbados government secured debt financing for infrastructure improvements. Other fiscal measures included the reduction value-added tax on selected foods and utilities, or deferral of specific taxes for determined periods, as in the Bahamas, Barbados, and Jamaica. Additionally, with the collapse of CL Financial and Stanford,¹⁹ many fiscal interventions were undertaken by several Caribbean governments to protect jobs and reduce financial sector losses. Such countries include Suriname, Guyana, Trinidad and Tobago, the Bahamas, Barbados, Saint Lucia and Antigua and Barbuda. The overall effect of these policies was increased fiscal deficits and public debt for many Caribbean economies. Barbados, Belize, Guyana, Jamaica and Suriname all increased domestic and external borrowings, while Trinidad and Tobago and the Bahamas engaged in deficit financing of their national budgets.

Given the central role of financial entities in the recent global economic crisis, most monetary and financial management policies focused on stimulating domestic credit availability, managing liquidity, as well as enhancing the regulatory framework for more prudent management of the financial sector. In the Bahamas, legislation was approved to strengthen controls of money-laundering and terrorist financing; in Jamaica, the government adjusted the time period related to non-performing loans from 90 to 180 days in order to provide some mortgage relief to clients. Efforts to raise public financing were also undertaken, as in the case of Barbados where two bond issues were made in order to inject development financing into the economy. Further, several central banks, including Trinidad and Tobago and Barbados, reduced their minimum reserve ratios, in order to increase the money supply in these economies. In Jamaica, a major monetary intervention was the increase in interest rates across the full spectrum of open market instruments, a measure reflecting the significantly increased cost of securing credit during the crisis.

Generally, Caribbean economies implemented no special exchange rate measures to confront the crisis. The exception here was Jamaica which undertook explicit measures to moderate the depreciating trend in its currency by selling US\$ 432 million during the final quarter of

2008. With respect to trade, most regional economies signed on to the European Union (EU) Economic Partnership Agreement (EPA), a post-Cotonou trading arrangement between EU and African, Caribbean and Pacific (ACP) countries. Although Guyana initially hesitated signing the agreement, citing the prevailing economic crisis as a basis for the deferment, it eventually signed it later in the year. Specific trade related responses were, however, recorded for Dominica, which reduced tariffs for selected food items, as well as Saint Lucia, where the Common External Tariff and other consumption taxes were suspended for nine imported articles.

The ECCU countries sought to respond to the crisis as a group, by undertaking an overall medium to long-term joint economic stabilization programme. This programme details a combination of several initiatives which are to be implemented over the long term. Among the main elements are fiscal reform, debt management, and public investment.

The agricultural sector also benefited from specific interventions. The government of Guyana implemented a “Grow More” campaign under an expanded Agriculture Export Diversification Programme, and Rural Enterprise and Agricultural Development Programme.

IV. Future Evolution of the Tourism Sector in the Context of Caribbean Development

In embarking on a discourse of the future evolution of the tourism sector in the Caribbean, a number of critical imperatives must be taken into account. These relate to the prevailing macro-economic challenges; the current social dynamics; the need for environmental sustainability; and issues of natural vulnerability and the looming threats of climate change. The recent global financial crisis also serves to highlight the need for a reengineered development strategy in order to secure previous economic gains, as well as stimulate future growth. While the focus of this paper is on the tourism sector, the long term future of the Caribbean depends on the structural, macroeconomic, and institutional adjustments which must be made in order to enhance the current global comparative advantage in tourism, as well as in identifying other avenues for economic growth. In this section, the broader structural challenges are first examined, after which the options for the future development of the tourism sector are discussed.

A. Structural Challenges

On the basis of the factors which have influenced economic growth in the Caribbean over the past four decades, the Caribbean has made good progress until the early 1990s. Since that time however, it has experienced low growth rates as a result of a changing international trading regime and declining foreign direct investment. These factors have operated to create a limited fiscal space for the pursuit of future economic development strategies (*ECLAC, 2009c*). A recent assessment by the World Bank (2008), notes that today, the Caribbean has a very low level of integration into the world economy, a situation which reflects its overall low level of competitiveness. This, in turn, is a result of factors such as ‘high costs of doing business, labour market rigidities, tariff dispersion and trade costs’ (*World Bank, 2008*).

With respect to trade costs, for instance, the Caribbean is a higher cost exporter compared to similar developing countries. In 2008, the cost of exporting a container exceeded US\$ 1,000 for Antigua and Barbuda (\$US 1,107); Belize (\$US 1,800); Dominica (\$US 1,478); and Jamaica (\$US 1,750) (World Bank, 2008). In fact, among Caribbean countries in 2008, Trinidad and Tobago had the lowest export cost per container of \$US 693. These figures do not compare favourably with economies such as Malaysia (\$US 432); Mauritius (\$US 728); Thailand (\$US 615) and Vietnam (\$US 669). Cost inefficiencies were also reflected in terms of time, with the number of days for container imports averaging 26 in 2008,²⁰ compared to 14 for Malaysia, 16 for Mauritius, 22 for Thailand, and 23 for Vietnam. Table 14 below, summarizes some of these costs for the Caribbean, and compares them with other emerging economies.

**Table 14: Selected business costs:
Caribbean and comparable developing countries**

Country	Cost to export (US container) in 2008 \$ per	Time for import (days) in 2008
Caribbean		
Antigua and Barbuda	1,107	19
Belize	1,800	26
Dominica	1,197	18
Dominican Republic	815	13
Grenada	820	23
Haiti	1,650	53
Jamaica	1,750	22
St. Kitts and Nevis	750	17
Saint Lucia	1,375	21
St. Vincent and the Grenadines	1,770	16
Trinidad and Tobago	693	26
Comparators		
LAC Average	1107	26
East Asia Average	775	25
Country	Cost to export (US container) in 2008 \$ per	Time for import (days) in 2008
Hong Kong, China	525	5
Malaysia	432	14
Mauritius	728	16
Singapore	416	3
Thailand	615	14
Vietnam	669	23

Source: Summarized from World Bank, 2008

Considering labour markets, low total factor productivity (TFP) has been identified as a critical constraint to growth for the Caribbean, especially since the decade of the 1990s (Kida, 2006; OTF Group, 2005). A recent study by Kida (2006), noted that, while total factor productivity growth achieved a respectable measure of 2.1% to 2.6% between 1981 and 1990, and accounted for up to half of total output growth in that period, the median country average of TFP for the Caribbean was—0.4% per year during the decade of the 1990s. It is this sizeable decline in productivity growth which is deemed to have been fundamental to the growth slowdown in the Caribbean in the 1990s.

Kida further observed that it was increases in capital per worker, rather than labour productivity, which explained the significant levels of growth during the 1980s to early 1990s. Falling TFP appears to have been extended into the decade of the 2000s as borne out by a further study by ECLAC (2009). During this period, TFP declined from 0.9% to 0.5%.

Table 15 summarizes changes in TFP for selected Caribbean countries over the decades of the 1980s and 1990s, while table 16 summarizes changes from 1971 to 2007.

Table 15: Total Factor Productivity growth rates, 1980-2000

Country	1980s	1990s	Change
Antigua and Barbuda	4.6	1.6	-3.0
Barbados	-	0.7	-
Belize	2.1	1.0	-1.1
Dominica	4.5	1.1	-3.4
Grenada	4.2	2.0	-2.2
Guyana	-6.3	2.7	9.1
St. Kitts and Nevis	0.4	2.6	2.2
Country	1980s	1990s	Change
Saint Lucia	5.0	-0.3	-5.3
St. Vincent and the Grenadines	4.4	0.5	-3.9
Trinidad and Tobago	-3.1	1.1	4.2
Regional Median	4.2	1.1	-2.2

Source: Kida, 2006

Table 16: Total Factor Productivity and contribution to GDP growth for the median Caribbean country: 1971 to 2007

	Contribution to GDP Growth in Percentage Points			
	GDP Growth	Physical Capital	Labour	TFP
$\alpha = 1/3$				
1971-1980	5.0	1.9	0.4	2.7
1981-1990	5.1	1.4	2.3	1.3
1991-2000	3.2	0.8	1.6	0.9
2001-2007	3.5	1.9	1.2	0.5

Source: Summarized from ECLAC, 2009c Note: α is a proxy for the share of Capital in national income.

Apart from declining TFP, the Caribbean is also characterized by relatively high wages. While no comprehensive comparisons of international wages have been cited, several researchers (OFT Group, 2005; World Bank, 2005; Kida, 2006) identify this as a major challenge. Indeed, Kida points out that high and rising wages are particularly responsible for slowing growth in the service sector from the mid 1990s, since it has outpaced productivity growth. Moreover, given the regime of fixed exchange rates employed by many Caribbean small States, the use of exchange rate policy to attenuate for high wages is largely not available to policymakers.²¹ Ultimately, relatively higher wage rates, along with declining total factor productivity, are considered to be critical structural constraints to enhancing future competitiveness of the Caribbean in the medium to long term, especially in the key sectors of tourism and services.

Weak public institutions and inefficient governance are additional structural constraints to the future growth of the Caribbean. This reality is apparent from the status of public debt as well as fiscal deficits accumulated over the past decades. A measure of performance in this area can be found in the public institutions indicator of the Global Competitiveness Index prepared by the World Economic Forum. This indicator assesses five variables: (1) voice and accountability; (2) rule of law; (3) control of corruption; (4) regulatory quality; and (5) government effectiveness.²² According to Kida (2006), while the Caribbean ranks relatively highly on the first variable, it scores 'below par on all other indicators'.

For instance, from a rank score range of -2.5 to 2.5, only Barbados (1.36) and the Bahamas (1.10) attain scores greater than 1 for the 'rule of law' variable. No other Caribbean country attained a higher ranking score for any other variable of this index.

This assessment portends another emerging structural challenge related to the evolving social dynamic of crime and violence in the Caribbean, a challenge that is especially important to the future sustainability of Caribbean tourism. As noted by the World Bank (2007), crime is now regarded as the number one social issue for much of the Caribbean, and poses a serious threat to growth and development, through its deterrence of both foreign and domestic investment. The transshipment of narcotics between the major drug producers on the South American mainland, and major consumers in North America, has contributed to the rapid proliferation of conventional and organized crime in the Caribbean, with the result that the Caribbean now has the highest rate of homicides globally, with an average of over 30 per 100,000 (*World Bank, 2007*). Other forms of violent crime have also increased in recent years, especially violence against women. Apart from the drug trade, other factors which have operated to facilitate the growth of crime include: the Caribbean's extensive coastlines and territorial waters relative to land mass, and the limited capacity to effectively police same; limited capacity of its law enforcement systems; and small criminal justice systems.

As the dominant economic sector, tourism is especially susceptible since the impacts of crime on this sector readily ripple through domestic economies. The World Bank lists losses of tourism receipts among the top eight socio-economic costs of crime in the Caribbean, as it reduces tourist arrivals, and discourages tourism sector investment. The World Bank also cites specific studies²³ which indicate that crime was a main source of discouragement for visitors to certain Caribbean destinations and that, in some cases, property crime tended to be disproportionately directed at tourists.

Yet another key structural challenge for the Caribbean relates to vulnerability to natural hazards. Such vulnerability manifests itself in the occurrence of an array of natural events such as hurricanes, earthquakes, floods, volcanoes and storm surges in coastal areas. ECLAC (2009), in an assessment of the impact of natural disasters on four Caribbean countries, notes that over the period 1980 to 2004, some six million persons were

affected, with damages estimated at US\$ 5.6 billion. Further, more than 8,000 lives were lost due to the occurrence of natural events. These impacts for the four countries are summarized in table 17 below.

**Table 17: Impact of natural disasters on four selected countries:
1980-2004**

Country	Dead	Affected	Impact in US\$
Cayman Islands	2	35,389	3,432,000,000
Grenada	39	142,000	899,000,000
Jamaica	582	1,844,138	192,286,000
Haiti	7,410	3,761,508	1,112,114,300
TOTAL	8,033	5,783,035	5,635,400,300

Source: ECLAC, 2009b

Because of the small size of most Caribbean States, most settlements and economic activities are established on coastal zones. This is especially true for the tourism sector where beaches and related built development such as hotels, marinas, and water sports constitute a major share of the sub-region's tourism infrastructure, and are therefore subject to significant damage and loss from natural events. For instance, it is estimated that of approximately 420 places of accommodation on the island of Barbados in 2007, 90% were sited on the coastline (Association of Caribbean States (ACS), 2007). Moreover, the typical tourism establishment in the Caribbean is located within 800 metres from the high water mark (*World Bank, 2000*).

With respect to tourism sector losses, the case of Grenada is instructive, as 50% of all tourism assets were destroyed with the passage of Hurricane Ivan in 2005. Additionally, total losses to the sector were estimated at US\$ 94 million for the 2004-2005 winter tourism season²⁴ (*ACS, 2007*). Similarly, the passage of Hurricane Noel was estimated to have cost the Bahamas millions of dollars in 2007.

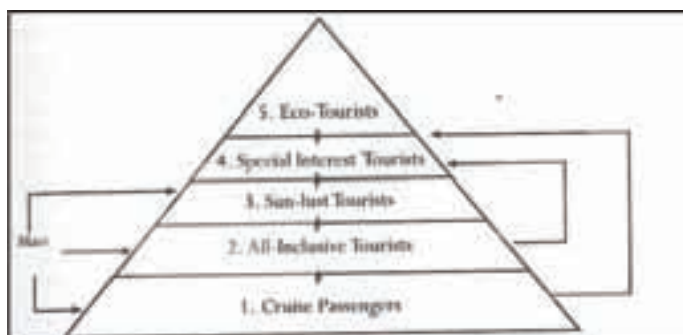
B. Future Options for Tourism

The broader social and macroeconomic picture elaborated above, leads to the inescapable conclusion that major structural changes are required for the long term sustainable growth of the Caribbean. The Caribbean development experience over the past four decades suggests that the

tourism sector now offers the best opportunity for restructuring the sub-region's export sector.

What then are the options for the future development of the tourism sector in the Caribbean? Several analyses (*World Bank, 2005; Mc Bain, 2007; the United Nations Conference on Trade and Development (UNCTAD), 2007; IMF, 2008; OTF Group, 2005*) contend that future economic growth, and by extension, future development of the tourism sector, will depend on the Caribbean enhancing its competitiveness through economic integration. With respect to the tourism sector, this position has been positively articulated by Erikson and Lawrence (2008), who argue that "expanding the competitiveness of the Caribbean services sector beyond tourism is a way to draw on the strengths of the Caribbean while creating more sustainable economic growth". In this regard, two broad sets of options are apparent. The first relates to strategies for enhancing the value of the current tourism product by strengthening the value chain through linkages with other sectors. The second relates to the expansion of the tourism sector into a total service economy by the addition of new services, technologies, and public and private sector investments.

In the case of enhancing the current product, Meyer (2006), points out that increasing backward linkages requires increased collaboration and usage of other economic sectors in a tourism destination such that the whole economy is stimulated, and synergistic effects are created between heretofore disconnected sectors. This clustering approach as described by Mc Bain (2007), obtains where there is a 'geographic concentration of interconnected companies in a particular field, linked by commonalities and complementarities'.²⁵ In the long run, increased linkages with the tourism sector can reduce the level of import content through substitution of foreign imports of both goods and services, with locally produced supplies. Strengthening linkages therefore is an imperative, in the diversification of the sector from its classical sun, sea and sand model to more strategic niche tourism. This has been recognized by Jayawardena (2007), who observes that, given the diverse offerings of the Caribbean, it is necessary to divide the market into key segments which reflect the special interests of various sub-groups of travellers. Jayawardena proposes the Pyramid of Tourism Segmentation (POTS) model as a relevant segmentation framework for the Caribbean (figure 8).

Figure 8: Pyramid of Tourism Segmentation (POTS) Model

Source: Jayawardena, 2007

This model has 5 main segments thus: (1) Cruise Passengers; (2) All-inclusive Tourists; (3) Sun-lust Tourists; (4) Special Interest Tourists; and (5) Eco-Tourists. In this model, the first three segments constitute the 'mass tourist' segment for which the Caribbean became renowned up to the 1990s. Future sustainability and growth of the sector however, requires greater investment to attract special interest, as well as eco-tourists. For while these are smaller segments, they offer the prospect of attracting more seasoned, higher income visitors, who are committed to a more intimate experience of the location, engage in more direct spending in the local economy, and are more likely to undertake return visits to the destination. This is especially important given the high level of leakages from the sector, as well as the Caribbean's relatively high labour costs, and lower labour productivity.

Special interest tourism includes a number of sub-categories such as cultural and heritage tourism; adventure tourism; community based tourism; health tourism and agro-(or agri) tourism (Jayawardena, 2007). While many of these areas overlap, both agro-(agri) tourism and health tourism seem to offer particular advantages for the Caribbean. In the case of agro-tourism, the potential of a specialized domestic agriculture²⁶ to supplement the high food import content to the sector has been noted (Mc Bain, 2007). More importantly, given the long history in the export of tropical commodities, there is also the potential to include its agricultural heritage as part of the tourism experience offered to visitors to the Caribbean. Such experiences could include working exhibits of tropical food processing (sugar, cocoa, cassava), visits to local farms, and

specialty food processing facilities (spices, chocolates, coconut candies and oils, rums), and participation in traditional farming and fishing activities. The agricultural heritage could also be further promoted through the mounting of food festivals in which the highly varied Caribbean gourmet can be presented to visitors.

Another specialty tourism sector which holds much promise for the Caribbean is in the health and wellness subsector. The services include health spas, the provision of herbal treatments, alternative medicines, and other healthy lifestyle offerings. The Caribbean year round warm weather, pristine environment and generally relaxed lifestyle is ideal for the provision of rehabilitative and recuperative services.

The clustering approach to the future development of the sector could also be extended to include the handicraft sector which could become a significant supplier of interior elements to the hotel and restaurant sector. These could include furniture, furnishings and décor elements such as drapery, wall hangings and paintings, ceramics, upholstery, cushions and rugs, bathroom furnishings, lamps and lighting fixtures, specialized prints, place mats, and napkins and napkin holders, tablecloths and other bathroom furnishings. With an estimated stock of 225,245 rooms in the Caribbean as at the end of 2009, (*Smith Travel Research, 2010*), this represents a significant market for the supply of artisanal products. What will be required are the necessary supply chain arrangements, quality management, negotiation and contractual arrangements which will enable Caribbean artisans to participate competitively in this sector. This implies the need for renewed policy towards enhancing the competitiveness of small and medium-sized enterprises in the Caribbean.

With respect to the expansion of the tourism sector into a total service economy, this is a *sine qua non* if Caribbean economies are to remain competitive and sustainable over the long term. Indeed, the time has come to embrace the idea of developing a more comprehensive service economy in which tourism is but one such subsector. This is especially important, given the Caribbean's relatively high production and service costs, its exposure to external economic shocks and its vulnerability to natural hazards. This approach has been extensively elaborated by Erikson and Lawrence (2008) who identified a range of high end specialty services which can better generate income and employment, stimulate and sustain innovation, and further enhance inter-sectoral linkages in order to bolster the regional economy. Among the services identified were yachting

and boating, wellness, education services, banking and finance, and information and communications technologies.

While yachting and boating services have been developed to varying degrees in the Caribbean, this subsector represents a complex of economic activities, with tremendous potential for the extension of the service offerings of the sector. Data on this subsector are extremely scarce, and the most recent estimates on the sector show earnings ranging from US\$ 3 million to US\$ 5 million for Dominica to US\$ 100 million for the British Virgin Islands²⁷ (*ECLAC, 2004*). Yachting is considered to include a complex of activities for sustaining charter boating and cruising, such as charter operations, marinas and ancillary services, haul out facilities, provisioning, marine services, sail making, engine repair and electronics. Expansion of this sector offers prospects for enhancing earnings and employment, while linking to the local heritage of indigenous sea craft building, and the development of general seamanship of the Caribbean.

The provision of education services is another avenue through which the Caribbean can broaden its services offering. In this regard, it has already proven its potential through the success of St. George's Medical University in Grenada, Ross University in Dominica, and the Ross Veterinary School in Saint Kitts. These institutions contribute both directly to the generation of incomes, and indirectly through the introduction of technologies and other synergies with the local economies, while providing excellent natural and social ambience for learning, research and intellectual reflection. The Caribbean has the potential to attract other types of learning institutions and, particularly in the English-speaking countries, there is potential for the establishment of English language academies, business programmes, maritime training institutes, and creative arts training. Indeed, given the sub-region's long standing experience in tourism, the establishment of tourism business schools which target candidates from the global hospitality sector could be a strategic investment in diversifying the regional services sector. Such institutions will draw on other traditional tourism services such as travel, accommodation, and boarding services, all of which can readily connect to the traditional tourism sector infrastructure. To achieve this however, public sector investment in ICT will be a critical requirement for success.

The collapse of CLICO and Stanford International Bank as a result of the global economic crisis, has shaken investor confidence in Finance and Banking as a prudent subsector for future expansion of the services sector

in the Caribbean. The Caribbean has been particularly successful in the offshore banking sector, and should further examine this area as a possible source of future growth. As noted by Erikson and Lawrence (2008), future efforts in this area should be in the growing outsourcing industry through the offer of support services such as transaction processing, finance, human resources, and investment banking analytics.

A final, but by no means exhaustive area for consideration in the evolution to a full service economy, is in the area of information and communication technologies (*ICT*). While the Caribbean has made initial forays into this sector through its largely unsuccessful efforts with the establishment of call centres, the strengthening of back office services in areas such as Internet gaming, and software development, can also be important pursuits in the transformation of the regional services sectors. *ICT* holds the potential to enhance even the current tourism sector by improving customer reach, supporting the deployment of dynamic marketing campaigns, improving inventory management, and improving the overall service offering (*UNWTO, 2009a*). *ICT* can also strengthen small and medium sized enterprises so that they can more efficiently participate in the tourism sector cluster and value chain, thereby improving overall economic competitiveness. The OTF Group (2005), provides a comprehensive treatment of the role of *ICT* in improving economic competitiveness and integration in Caribbean economies.

V. Conclusion

The Caribbean development experience up to the 1990s fostered the emergence of tourism as the main economic driver for most Caribbean economies. Since the 1990s, the sector has faced many challenges and, having competed globally for more than three decades, the evidence now suggests that Caribbean tourism is beginning to lose its global competitiveness.

The challenge has been exacerbated by macro-economic constraints such as high fiscal and current account deficits, large public debt, and high natural vulnerability, manifested through increased frequency of natural events. The global economic crisis has also added to the imperatives for adjustment, as it has shown the Caribbean to be precariously dependent on the tourism sector.

Further to this, the crisis has amplified the weakness of the region's institutions, reflected in a generally low level of competitiveness in areas

such as the rule of law, control of corruption, weak regulatory frameworks and poor public service delivery.

Given additional prevailing structural challenges of high labour costs, low labour productivity, small economic scale, along with rapidly emerging social challenges, the global economic crisis has signalled the need for the Caribbean to explore a broader service economy as a medium to long term development strategy. This approach offers the opportunity to better link other economic sectors to the tourism product, and to enhance the long term competitiveness of the Caribbean.

In order to achieve this however, strong efforts are required to strengthen the human resource base, improve strategic public infrastructure such as telecommunications, and further develop regulatory and governance frameworks for targeted areas. Indeed, ICT should be recognized as a key element in a renewed development strategy, as it offers the prospects of enhancing service efficiency, developing new opportunities, and reducing human resource costs. It is the basis of the new knowledge economy, for which an expanded service sector provides an important long term development framework.

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NOTES

1. The Lewis model was a major departure from neo-classical economics at the time since it did not regard labour as scarce. Instead, Lewis posited that under the prevailing development circumstances, the modern sector used capital intensively, and was focused on the production of industrial goods. This contrasted with the traditional sector which was larger, with low levels of capital and capital accumulation, and possessed a large quantity of excess labour. In setting up the model, Lewis affirmed that the marginal productivity of labour in the traditional sector was zero, and that both sectors faced diminishing marginal product. See Stolyarov (2009), for an extensive treatment of the Lewis Model.
2. Perez notes that the approach was applied from as early as 1950 until 1986 in Puerto Rico, and was known then as 'Operation Bootstrap'.
3. Exceptions are Guyana, Suriname and Jamaica where the extraction of minerals such as bauxite and metals such as gold (Guyana and Suriname only) were significant economic contributors, and Trinidad and Tobago, whose economy has been dominated by the extraction of oil and natural gas.
4. Losses here are measured by the Total Preference Margin which is the percent of the trade-weighted average world market price of the country's exports.
5. Some countries such as the Bahamas, Jamaica, the Dominican Republic, the United States Virgin Islands, Aruba and Barbados had already developed mature tourism sectors by the 1990s. The decline in other sectors, however, increased the relative contribution of tourism in these economies that, by deliberate development policy, assumed increased importance in absolute terms in economies such as Saint Lucia, Grenada, St. Vincent and the Grenadines, Trinidad and Tobago, and Guyana.
6. These include nation states such as The Bahamas, Barbados, Cuba and the Dominican Republic, as well as specific local destinations and dependencies such as Cancun (Mexico), Puerto Rico (USA), Aruba and Curacao of the Dutch Antilles, and Martinique (France).
7. Figures up to September 2009, except where otherwise noted.
8. Direct flights are generally more readily available from United States gateways such as Miami, Atlanta and Phoenix to destinations in the northern Caribbean (Bahamas, Jamaica, Puerto Rico, Dominican

Republic). However, flights into the southern Caribbean typically have at least one or two stopovers before final destinations.

9. This is the year for which latest annual figures are available.
10. This TCI has been built around eight dimensions: price competitiveness, infrastructure development, environmental quality, technology advancement, degree of openness, human resources, social development, and human tourism indicators. In 2007, generation of the index has been assumed by the World Economic Forum, which, since then, has generated indices for 124 countries. The relative income was found to be positive, indicating that increased growth rates in tourism source markets resulted in enhanced competitive gains for the tourism sector in SIDS countries.
11. See ECLAC (2009f), for a comprehensive treatment of this issue.
12. The UNWTO defines the Americas Region to include destinations in North, Central and South America, as well as the Caribbean.
13. The Americas Region includes the Caribbean.
14. Although not reported by UNWTO, Trinidad and Tobago provided a financial stimulus of TT \$25 million to the Tobago Tourism Sector, to support upgrades of facilities.
15. CL Financial with headquarters in Trinidad and Tobago, and Stanford International Bank based in Antigua and Barbuda, are two of the most spectacular casualties of the global economic crisis in the Caribbean. CL Financial Limited is a holding company for Colonial Life Insurance Company Limited (CLICO). In 2008, it was the largest conglomerate in the Caribbean with 70 companies in 32 countries, and assets exceeding US\$16 billion. Stanford International Bank was reputed to control up to US\$ 8 billion in assets at the time of its collapse. Over the past year, the Trinidad and Tobago Central Bank and the Eastern Caribbean Central Bank have each assumed control of both financial institutions.
16. This is an average for Latin America and the Caribbean.
17. Note that the larger economies such as Jamaica, Trinidad and Tobago, Guyana and Suriname all have flexible or managed floating exchange rates. A fixed exchange rate prevails for the Bahamas, Barbados, and the Eastern Caribbean States (ECS). Monetary policy for the ECS is set by the Eastern Caribbean Central Bank.
18. Variable descriptions: 1. Voice and Accountability—political, civil and human rights, and freedom of the press; 2. Rule of Law—quality of policy and law enforcement and likelihood of crime and violence;

3. Control of Corruption—control on public power for private gain, petty and grand corruption and state capture; 4. Regulatory Quality—absence of red tape and market unfriendly policies; 5. Government Effectiveness—competence of bureaucracy and quality of public service delivery.
19. See Dunn and Dunn, (2002); Albuquerque and Elroy, (1999); Alleyne and Boxil, (2003).
20. January-April, 2005.
21. Michael E. Porter, as cited by Mc Bain, 2007.
22. While the Caribbean has suffered significant decline in its traditional export agriculture (sugar, bananas, cocoa), there continues to be potential for the supply of higher valued exotic produce and food to very specialized tourism niches in the region. Such supplies include tropical fruits, roots and tubers, organically produced vegetables, and condiments.
23. These figures are estimates for the years 1998 to 2000.

SECTION II

Beyond Survival: The Future of the Caribbean

CHAPTER 15

Future Focus: A New Diplomacy for Market Access

Kenneth O. Hall and Myrtle Chuck-A-Sang

ON THE EVE of the 21st century, the Caribbean found a sympathetic articulation of its views and interests in the speech of the United Nations (UN) Secretary-General Kofi Annan, prior to the Seattle Meeting of the World Trade Organisation (WTO), in September 1999. Recalling that developing countries had been told over and over that free trade was good for them by those who claim to be “helping them by introducing new conditions for restrictions on trade”, he noted they had done so at great cost. He continued:

“Even so, the fact is that rich countries have cut their tariffs less than poor ones. They are happy enough, it seems, to export manufactured goods to each other. But from developing countries they still want only raw materials, not finished products. As a result, their average tariffs on manufactured products imported from developing countries are now four times higher than those they levy on products which come mainly from other industrialised countries. Not only tariffs, but quotas and ‘anti-dumping’ penalties are used to keep Third World imports out of first world markets, especially in sectors where poorer countries have a competitive edge, such as agriculture, textiles and clothing. In some rich countries, it seems as though emerging economies are assumed to be incapable of competing honestly, so that whenever they do produce something at a competitive price, they are automatically accused of dumping.”

In reality, it is industrialised countries that are dumping their surplus food on world markets a surplus generated by subsidies worth \$250B every year and thereby threatening the livelihood of millions of poor farmers in the developing world, who cannot compete with subsidised imports.

“The free global market, like free national markets, needs to be underpinned by shared values, and secured with effective institutions.

I proposed a global Compact between business and the UN, under which we will help corporations to act in accordance with internationally accepted principles of human rights, labour standards and environmental protection.”

Reduction of Distortions in Global Growth and Development

At the Seattle Meeting (which the Caribbean with like-minded countries approached from a perspective of ‘review, repair, and reform’) the Caribbean contributed to exposing the uneven process of global growth and development and the undemocratic nature of the WTO process for a new round of global trade negotiations. They opposed any final document in whose formulation they were not a party. Jointly taken with countries in Latin America and Asia, this position was decisive, according to Sir Shridath Ramphal, in contributing to the failure of the WTO September Meeting. That meeting was an “evidently flawed process of negotiations, or process steeped in the culture of dominance by the powerful and the exclusion of the voices of the great majority”.²⁸

The Caribbean position at Seattle drew on its experience of the workings of the WTO on the banana issue, and the limited representation afforded the Caribbean States in the dispute settlement process. But awareness of the widening disparities between the rich and the poor also played a part. C. Douglas Lammis, in a Panos Opinion Piece²⁹ expressed this well when he observed that: Whereas the yearly increase in per capita income of the 20 richest countries in 1986 was US\$298.08, for the poorest 33 countries with an average growth rate of 3.1 per cent, the per capita increase was only US\$8.37. This means they would need an annual growth rate of 110.4 per cent to have an equivalent performance. If growth figures remained unchanged, they would need 127 years to achieve the income level of the rich in 1986. There was considerable evidence that the world

economic system is designed to transfer wealth from the poor countries to the rich countries, he added. A big part of the economic wealth of the rich countries is wealth imported from the poor countries. Where would wealth be imported from to create the same condition for all? The world system generates and runs on inequality. It is therefore against this backdrop that diplomatic efforts need to be pursued. It will give diplomacy part of its motive force, Lammis concluded.

One of the countries in the Caribbean that best articulates this concern over the uneven process of growth and development has been Guyana. After some initial reluctance, it was supported by other Caribbean Community (CARICOM) countries in its advocacy internationally of a New Global Human Order. At the first ever South Summit of Heads of States and Government (*Havana, April 2000*), President Jagdeo told the Group of 77 and China of the need to address the glaring distortion in global growth and development and the bold practical steps needed to achieve global equity and push for fundamental reform of the international economic and financial framework to make it more democratic and responsive to current needs. He called for an improvement in the delivery mechanisms of concessions like the Cologne initiative for Highly Indebted Poor Countries (HIPC); more participatory and transparent processes in WTO; redefining the concept of reciprocity; special and differential treatment for small and weak economies; the “digital divide” to be addressed through a South Conference on Knowledge and Technology; creation of a Development Council that would be on par with the Security Council of the United Nations. He reiterated a call for a New Global Human Order with specific aims: elimination of the debt burden; eradication of poverty; promotion of growth with equity; the mobilisation of new and additional resources for development³⁰.

The Caribbean saw its advocacy of a New Global Human Order supported in the South Summit’s final Declaration. Moreover, the Declaration reinforced at the inter-regional level a number of major Caribbean concerns affecting market access that were negotiated in the final text:

- Reaffirmation of traditional UN principles (*CI.4/5*);
- Reversal of disparities between developed and developing countries (*CI.8*);

- Equitable representation of developing countries in international governance of financial architectures (CI.10);
- Concern to minimise financial and cross-sectoral instability (CI.12);
- Advocacy of an international Solidarity Fund (CI.16);
- Strengthening of trade preferences for developing countries (CI.17);
- Appropriate treatment of agriculture in WTO agenda (CI.20);
- Improved responsiveness of the Trade Related Aspects of Intellectual Property Rights (TRIPS) to the need of developing countries (CI.20);
- Rejection of new conditionalities of market access (CI.21);
- Rejection of unilateral action in the matter of so-called harmful tax (CI.29);
- Fulfilment of commitment to support Small Island Developing States (SIDS) (CI.35);
- Rejection of the “right of humanitarian intervention” (CI.54).

In supporting the Havana Programme of Action, the advocacy of the Caribbean was reinforced in respect of the following:

- Improved market access or elimination of protectionist measures, especially concerning textile and clothing, and agriculture;
- Flexible graduation procedures in respect of access to concessional funding;
- Completion of work on the vulnerability index for small States;
- Reform of the WTO and international financial architecture;
- Recognition of the movement of natural persons in the regime of services;
- Revitalisation of South/South Co-operation.

In respect of future strategies to be pursued by Caribbean Diplomatic efforts, Clive Thomas observed:

“Our human resources, and ideas they generate, are therefore ultimately the key to our future. Creating societies in which we are all involved, and where development is therefore, people-centred, empowering, and knowledge-based, is the only secure way to build

a future for the peoples of CARICOM in our present age of rapid globalisation and irresistible liberalisation worldwide.”³¹

In the new context, he argued:

“Competitive powers and the ability to innovate new and better products are now so inextricably combined that both are absolutely indispensable for the continued survival and prosperity of all economic enterprises—including national economies . . . Only societies geared towards research and development, innovation, and the pro-active pursuit of change and renewal in a knowledge-based development strategy, will be in a position to exercise control over their future direction.”³²

Professor Clive Thomas also emphasized the positive factors the Region needed to exploit in the new context. He noted that the Region, by global standards, is blessed with a rich, impressive diversified resource endowment—more bio-diversity per 1000 km, than in any other Region of the world; abundant potential energy sources; forest and wood products; precious metals, especially potential gold deposits in the Guiana Shield; excellent recreational climate vital in an age when travel tourism has become the world’s largest and fastest-growing economic sector; existing and likely networks of global communications and transport; situated in a time zone in which the world’s largest concentration of revenue activity is located. He observed that the Region’s human resources are outstanding on a per capita basis in areas including: literature, sciences, information technology, academia, music, sports, and entertainment. He further noted that the Region’s huge Diaspora has acquired tremendous knowledge and skills living and working in some of the most flourishing regions of the world. Finally, he concluded that institutional resources are no less impressive, with the University of the West Indies (UWI) being considered one of the best universities in the world.

Professor Thomas, however, warns that most of the Region’s achievements have been—

“propelled by externally driven initiatives led by multilateral agencies, donor governments and private transnational firms which have led to the liberalisation of trade, finance, foreign exchange

and the inflow of foreign private investment, aid and technical assistance. The consequence of this has been that inadequate attention has been paid to the human, social and environmental costs of these achievements, and their long run sustainability."³³

Most of the achievements, he argues, have been grounded in reaction and, more often than not, crisis reaction to events occurring elsewhere, adding that most of the efforts of government in response to the relentless pressure for change have focused on "special pleading" which is meeting with increasing external resistance and "fatigue". There was therefore need, he concluded, for new approaches.

In this regard Richard Bernal, during UWI (Mona) Academic conference on the "Caribbean in the 21st Century" in 1999, called for "ossified ideas" and "sacred cows" to be re-examined and for regionalism to accommodate different speeds of integration, different strategies and reinvented ideas with a focus on niche diplomacy.³⁴ The Region must, through its foreign service, set goals for its strategic repositioning, employ specialised human resources, use modern technology, revamp the deployment of missions to reflect new priorities and improve co-ordination of national agencies involved in external relations. He was supported in this call by Anthony Maingot who identified select thematic issues which the new 'niche diplomacy' should address.

Repeatedly, however, it has been the then Prime Minister Arthur of Barbados who articulated at the level of Heads of Government, the pressing need for a new conceptual framework for internal development as well as external relations: sensitivity to the special vulnerabilities of small States; the necessity of an effective State in creating conditions for development of an internal market as well as capacity for competing in the international environment in new areas of potential comparative advantage, especially services; the need for the market to be managed judiciously; science and technology harnessed to production and productivity; universal IT education to develop human resources for the 21st century services industries and the required strategies; new approaches to inclusive governance beyond majoritarian principles, including social contracts to promote growth, stability and equity. Clive Thomas has recently reinforced the need for new emphases when he stated:

“Creating societies in which we are all involved, and where development is therefore people-centred, empowering, and knowledge-based is the only secure way to build a future for the peoples of CARICOM in our present age of rapid globalisation and irresistible liberalisation world-wide”.³⁵

Address Seaspaces Issues with Urgency

The emergence of a new law of the Sea (1994 Convention on Law of the Sea with Jamaica as the seat of the Seabed Authority) has added a major conflictual dimension to the existing set of border controversies. Here the potential for overlapping claims in respect of resources of the 200 mile Exclusive Economic Zone (EEZ) threatens to generate new disputes. This situation has arisen because, for Caribbean States, the seaspaces are in many cases several times the size of the country land space and, in any event, a potential source of untold fisheries and mineral wealth. The large number of overlapping boundaries calls for a regime of agreed delimitations or consideration of appropriate co-management for resource exploitation of the important “commons” involved. In this regard, preventive diplomacy should work in the direction of accommodation of the interests of these States.

The Pressure for Niche Diplomacy Facing the Caribbean

The range of issues is so wide that experts have called for focus on “niche diplomacy” a select cluster of issues of strategic economic value.³⁶ Indeed, the range of issues, meetings and committees is such that vital interests cannot be secured in the absence of structured CARICOM co-ordination. In response to this concern, the Caribbean Regional Negotiating Machinery (CRNM), established by the Region to spearhead relevant trade negotiations, has been of practical value. But international pressures to know the boundaries and scope of WTO dispensations and obligations, to have the resources for legislative enactments, follow-through on notification, and negotiation of new issues, are major forces with which the Region will have to contend.

Intriguingly, repositioning diplomacy must also contend with the revitalisation of divisive factors emerging with virulence as never before. Ethnic fragmentation or insecurities have become vocal and insistent at national levels, requiring new diplomacy to outflank internal interest

groups who articulate their positions in opposition to Government interpretations of national interest. The fact is that the unifying factor of diplomacy is also undermined by the electoral results of the Westminster System which are being increasingly questioned for reasons that they exclude large population sectors from participation, decision-making and development, increase their alienation and resistance and often do not cater to ethnic insecurities.

Re-examine the Washington Consensus as a Small State Development Paradigm

The so-called Washington Consensus as the paradigm for development, involving structural adjustment, took hold in the Region in the early 80s and elicited a specific collective response at the level of Heads of Government through the Nassau Understanding. Many countries seemed to have felt, nonetheless, that access to multilateral financial institutions as well as markets in the United States and Europe required conformity with the prescriptions of the Washington Consensus. During the years since, several studies had indicated that the model was not universally applicable and productive, particularly with respect to the negative social consequences that were more often than not the aftermath of adopting certain stabilisation measures.

- It was in 1999, however, that a deep analysis of the implications for CARICOM of pursuing the Washington Consensus model was undertaken.³⁷ Through this Study, an attempt was made to find an accommodation with the prevailing Consensus in a manner that would address the Region's peculiar needs rather than those of any ideology. In the context of the diplomacy of securing capital market access, the Study addressed the following issues: the application of conventional approaches to adjustment and stabilisation in small States which are seeking to deepen economic and monetary integration; whether there was a basis for a 'collective adjustment response' by CARICOM states; whether small States in the throes of adjustment and stabilisation are more or less amenable to domestic monetary management and enhanced monetary co-operation; the specific roles which the private sector should play in the adjustment process at the regional level; whether the social impact of adjustment on vulnerable groups could be addressed at the regional level and

whether there were opportunities for addressing this challenge through multilateral negotiations and programme structures; the identification of regional institutions/structures which could be more beneficially utilised to propel and sustain the adjustment process in small economies to enhance their future effectiveness; and the role of multilateral agencies directly or in conjunction with the international capital markets in structuring safety nets or capacities for quick responses to shocks for small States.

- The Study recommended that second generation adjustment and stabilisation agenda should focus on achieving supply-side responses so as to provide for sustained economic growth and development. In this respect, the major challenges facing CARICOM were identified as: ensuring more definitive treatment of the issue of smallness than that provided by per capita income criterion, given that in CARICOM States smallness and under-development are intertwined; improvement of the institutional environment for the operation of markets and for contract execution, thereby requiring the development of State institutions that are robust and can discharge the vital mandates of the mass of the population; recognition that short-term objectives of stabilisation could be consistent with the adoption of growth-enhancing reforms; the need to rely more heavily on the domestic financial system and further integrating the regional capital market; and maximising the gains from deeper integration within the context of the path towards the Single Market and Economy on which the CARICOM States have embarked.
- CARICOM countries supported the ensuing items in a Plan of Action which required the following implementation steps: accelerating rates of growth through targeted levels of savings and capital accumulation to reduce disadvantages of small size; production strategies that are consistent with the targeted growth rates; streamlining the institutional framework to remove variations between CARICOM States; restructuring tertiary education; and establishment of a Working Party under the leadership of the CARICOM Secretariat and including the Caribbean Development Bank as co-leader to formulate an implementation and assistance programme.

In 1999, CARICOM countries also addressed the issue of the use of “vulnerability” to provide leverage for accessing differential treatment and concessional funding. They needed both the Commonwealth and the World Bank to secure support for a Task Force to consider the major challenge to ‘small States’ in the era of globalisation. The Task Force produced a Report entitled “Making Small States Less Vulnerable: Supporting Development During Globalisation”. CARICOM States were unequivocal in their rejection of its methodology and conclusions. The following deficiencies were identified:

- (i) The Report employed a methodology of analysis and presentation which allowed it to side-step the issue as to whether small States are different;
- (ii) The Report used a single factor, population, to define small States. It also used a relatively small population size, 1.5 million, as the cut-off point. This therefore excluded Jamaica from consideration;
- (iii) The Report did not address the very important issue of multi-island States;
- (iv) The Report included a section on the World Bank’s strategy and measures but there was no assessment of the effectiveness of the instruments; no clear recommendations to the Bank, particularly in terms of additional access by small States to resources or to assist in dealing with economic shocks;
- (v) The recommendations for dealing with natural disasters are not fully developed;
- (vi) The Report recognised that the critical challenges to the small States small size, adverse terms of trade, declining aid and susceptibility to natural disaster were inherent in the external environment and hence were not subject to control by the small States. Yet, in terms of addressing the challenges, the Report placed great emphasis on domestic policies;
- (vii) Open trade policies and specialisation were posited as means to overcome the disadvantages of scale and small domestic market size, while in the analysis it was clear that the volatility and vulnerability of small States were due, in significant measure, to the already high trade to GDP ratio and to the degree of specialisation in production;

- (viii) The Report pointed out that changes in the international trade regime had moved the terms of trade against small States, yet there was no discussion or recommendation on what might be done to avoid such impacts in new rounds of international trade negotiations, except for the assertion that “longer periods of adjustment to new trading arrangements might be necessary”;
- (ix) The Report posited that “creating a new special category of States would not be advisory” without argumentation to support that important assertion; and
- (x) The Report highlighted and demonstrated several down-side impacts of globalisation on small States but only posited some “good” opportunities for small States inherent in declining communication and transportation costs. It failed to recognize that these “good” opportunities would also be available to large States.

The critique was sent to the President of the World Bank and Prime Minister Arthur subsequently communicated the Region’s concerns with the World Bank Team. The Region received the support of the Minister of Finance of Canada, whose delegation in 2000, allowed Prime Minister Owen Arthur to address the Meeting of the Bank on the revised Report. The governments felt that the original Report could have prejudiced efforts at negotiations in the Free Trade Area of the Americas (FTAA), as well as impact on the design of programmes. The diplomatic approach agreed on, was as follows:

- consultations with other small states on the Caribbean position;
- vigorously impressing on the international community the justification of special conditions along the lines given to least developed countries;
- identification of a team of officials to track the issues and develop responses;
- ensure the additional work to be done addressed the interests of the Region.

Development of Co-operation Relationships and Resource Mobilisation Capacity

In their efforts to promote the social well-being of their peoples, Caribbean Governments have had to secure arrangements that would alleviate the pressures of post-independence development. They negotiated the type

of structured framework agreements that ensured that metropolitan governments, in Europe in particular, provided them with concessional assistance and secure markets. This has meant in return, in respect of specific issue areas, close policy convergence with developed countries.

The prospects of increased, as distinct from targeted aid overall, look dim. Japan has emerged as the single most important donor worldwide. However, the Caribbean at the regional level is yet to tap this source significantly. The expected peace dividend has not emerged in global relationships. Not only is the Caribbean affected by the emergence of Eastern Europe as competitors for Europe's attention and aid, but its favourable position in this field during 1975-1989, has also been affected by the evolution of the aid commitment, as well as the widening conflict management and peace-building agenda of the United Nations and its leading Western Nations. First of all, as noted by Jos Jonckers,³⁸ aid has always been a complex compromise between altruism and self-interest. Affluent countries have been interested in assisting others when there was a possibility of strengthening their international leadership, their security, general leverage in international institutions and their export interests. Aid was seen as helping to safeguard the 'capital' they had invested in their various territories by buying the goodwill of leaders. Secondly, the break-up of the USSR and the collapse of communist rule has served to unleash inter-ethnic conflict and inter-state wars requiring urgent attention to avert a possible Third World War and the undermining of Pax Americana.

Today, the aid compromise between self-interest and altruism on account of increasing skepticism and aid fatigue', has tilted in favour of self-interest, which has been reinforced by widespread adoption of democratic and capitalist market principles. This latter tendency has seen the use of a number of conditionalities to severely constrain government policy autonomy. Donors apply conditionalities through a variety of ways, including the promotion of themes such as good governance, private sector leadership, privatisation, structural adjustment, public sector reform, reduction of the state, respect for human rights, and multi-party electoral democracy. Designed to affect the composition and behaviour of the state in developing countries, the agenda for development co-operation is heavily weighted towards thematic priorities connected with private investment promotion and enterprise, protection of the environment, women in development, and the invigorating role of civil forces of society in keeping the state in check.

The frame of expectations of the Caribbean must therefore also take into account the fact that after more than a decade of development, co-operation pursued within a policy framework supportive of structural adjustment *à la* World Bank, the countries collectively still have serious weaknesses with which to contend. As is noted of Africa, for more than a decade, growth has been significantly less than in the 1970s; investment has fallen; export earnings by commodities have fallen; the public sector has been significantly weakened; the area of exclusion has increased. Odoardo Como³⁹ might have noted the extent of exclusion in the Caribbean as he did in respect of Africa. Exclusion is increasing: exclusion from growth; exclusion from employment; and exclusion from basic services. The inability of the state to satisfy the expectation of the population seems ever greater. The prospects of South/South Co-operation have been seriously affected by the relative deterioration of circumstances in Africa, where overall growth was half what it was in the 1970s; investment fell by 53 per cent between 1980 and 1989; the real price of certain primary products (cocoa, coffee and tea) fell by 50 per cent; the debt ratio (foreign debt/Gross National Product (GNP)) exceeded 109 per cent in 1991.

So, in striving to consolidate its position in the 21st century, the Caribbean must confront a less supportive environment characterised by aid fan, and skepticism about their potential for development in keeping with three emerging trends: (1) increasing bias toward pure humanitarian aid; (2) greater business-oriented aid in which priority is attached to measurable outputs, impact, efficiency, rates of return, and export results; and (3) support for regionalism, which favours aid aimed at encouraging nations to form groups, partly to strengthen donor leverage by homogenizing members of the groups in terms of policy orientation, encouraging them to adopt a common policy framework capable of providing an appropriate host environment for donor's own influence in the global economy.

Because the prevailing market capitalism/structural adjustment paradigm is so embedded in the development co-operation relationship today, effective positioning requires governmental awareness of what weaknesses the model introduces and the need to overcome them. In this regard, it has been noted that market approaches are apt to increase unemployment and the numbers of marginalised people. Social disparity tends to be increased and therefore the requirement to meet its cost is increased. Because the effects of social disparity have to be minimised by

internal transfers from the active 'winning' section of society in order to mitigate social instability, governments need to have deliberate policies aimed at effective management of the impact of marginalisation, resulting from the free market model's shortcomings. If Caribbean societies do not develop a capacity to make compensation transfers, many people will not break out of their poverty-inducing situation, leading to the weakening of society through other forms of dislocation: political extremism, drug addiction, drug trafficking, and alienation from the political system. These would be serious weaknesses for the development of viable Caribbean societies in the 21st century.

The Caribbean can, however, make development co-operation into a strategic asset if it seeks to render it as enabling as possible. It must ensure that more people lead productive lives and are provided with access to appropriate means. A significant portion of the most vulnerable segments of the population must be provided for. It must seek ways to encourage the production of a larger pie in order to do so, and ensure that market capitalism and globalising capital 'without borders' make a contribution to empowering people within borders by facilitating effective democracy and disparity-reducing policies. The Caribbean must, in this regard, be prepared to make conscious policy choices for development with a human face. The Caribbean should also be careful how it uses competitive tactics familiar to other nations seeking a place in the changed environment by, for example: avoiding environmentally destructive tourism; unsustainable tropical forest logging; and the importation of industrial pollution. It may also be noted that an investment-at-all-costs policy could result in a high cost of investment to the national economy and to future generations by diverting scarce resources to low priority areas. Investment aimed at immediate profit at all costs may be extremely destructive and must be borne in mind when seeking to expand the Caribbean share.⁴⁰

A decade ago, Caribbean countries could boast of the predictability of 'aid' resources and indicative planning figures. The aid volume today is conditioned by perceived capacity to perform against specific criteria. Aid programming is heavily dependent on what is called policy dialogue, upstream dialogue and tranching. In respect of tranching, aid is secured and allocated in portions based on meeting specific performance criteria. Europe, one of the partners of the Caribbean,

increasingly places cooperation within the conditionality context of the themes of: sustainable development; integration with the world economy; reduction of poverty, and consolidation of democracy. In many respects, this amplifies the pressures extended by the donor community to direct attention to these issues. In accommodating these themes in its negotiation of development co-operation, therefore, the Caribbean must seek to optimise the gains from aid by more insistence on the application of principles of coherence, convergence, co-ordination, and complementarity for donor/development support. This insistence should go hand in hand with efforts to promote a productive partnership between key actors nationally, regionally and internationally. Overall, the Caribbean's productive management of resource mobilisation and its perceived absorptive capacity would be critical in positioning for leveraging continuing flows of aid.

One dimension that must be addressed is that of diversifying sources of aid. As the US declines in terms of being a source of aid, Asia must have a new prominence in Caribbean efforts. In this regard, it must consider targeting specific sources, including the following: Singapore, both as model and as a source of technical assistance; Japan, which is yet to break out of the policy confines of bilateral aid and develop approaches which can deal with capacity-building at the regional level; and, China, the potential economic power of the 21st century with its access to Hong Kong, Taiwan and overseas Chinese capital. Efforts must be made to increasingly diversify aid possibilities into new Asian sources (including new forms of co-operation such as trilateral arrangements) aimed at technical co-operation in human resource development; informatics biotechnology; software development; and services delivery systems. India is a potentially good source in this respect. Can the Caribbean develop Asian links through the Asian diaspora in the Caribbean and use the potential of what has been called this dynamic minority? Indeed, Asia is very clear that, though different from the native American model of capitalism, its variant is very effective, has a more communitarian or human face in many respects, and is worthy of emulation. The awareness of other variants and models of market capitalism increases strength in identifying options and policy alternatives attuned to creating less unequal and more stable societies for the future.

Promote a Wider Economic Space for Co-operation

A decade ago William G. Demas, conscious of the global trend to free market liberalisation and full reciprocity, as well as the dominance of a single superpower, argued against suggestions that Caribbean countries should seek secure market access in the form of trade preferences and financial aid, in return for handing over sovereign power to either a metropolitan power or the United States. He rejected such absorption strategies and scenarios as akin to recolonisation and limited sovereignty, arguing that the Region should think more deeply about its identity and future direction. Preservation of this identity required diversification of market access opportunities through establishment of economic, trade (as well as political relations) with as many countries as possible, while recognising that because of geographical location and size, the Region will always have significant trade and economic ties with North America, especially the United States. However, he argued that full reciprocity across the board in trade between the Region and other countries should be avoided for the purpose of creating space for economic development.

More importantly, he contended that consolidating this identity required greater market access opportunities, and must be based on building the Caribbean Community (including the proposed Single Market) as an important part of the regional diplomatic agenda. The Single Market, he urged, should be integrated in “a Caribbean archipelago market” of some thirty million people. But market-oriented initiatives must, more fundamentally, be aimed at maintenance of sovereignty as a greater requirement of psychological independence (cultural and intellectual). Accordingly, the Region should project an image to the world of its culture and civilization based on ideals adapted to its own circumstances and history. This should cover: strengthened political democracy; upholding human rights (including social and cultural rights); improved work and business ethic; a role for the state as well as an entrepreneurial private sector; a people-centred development process; wide application of science and technology to production; and protection of the environment. Political unity and economic integration of the Caribbean archipelago should be pursued as ends in themselves, as well as a means of achieving national development and greater effective sovereignty.

Drawing on this vision and having set the goal of establishment of a Single Market and Economy in 1989, the Heads of Government brought the first component into force in 2006.

The Caribbean Single Market and Economy is expected to be pulled by the strength of Trinidad and Tobago, Jamaica, and Barbados, which provide about 80 per cent of the economic locomotive through the dynamic of trade. If the potential of Cuba, the Dominican Republic, Suriname, Guyana and Belize could be exploited along with the potential of the other territories and states of the Caribbean Basin in ever-widening circles of co-operation, the Caribbean can build, not only more economic space for production, but critical size for industries.

Central to CARICOM's sense of positioning, however, is Cuba, with a population of ten (10) million. With the Helms-Burton law seeking to limit non-US economic business reaches into Cuba, the Caribbean faces a major test of the effectiveness of its diplomacy in finding a way to help the process of integrating Cuba into hemispheric relations. The projection of its strength, by coordinated effort, will measure the Caribbean's power of engagement and capacity to bring Cuba and the United States to a sense of accommodation. This would help remove restraints on initiatives for constructive business and economic relations, and facilitate co-operation in drug-trafficking, regional freight movement and fisheries management. Cuba would then be better poised to realize its potential and the Caribbean better placed to exploit Cuba's strength as a technical co-operation partner in critical areas such as health and bio-technology. Cuba's re-emergence must be projected as a win-win prospect for the Caribbean. Caribbean diplomacy will determine whether a wider economic space including Cuba could be constructed in the medium term, without diminishing economic co-operation and market access. Links with Cuba appear to be essential in creating a dynamic Caribbean core among Caribbean Basin countries, and could be important in establishing relationship with Europe beyond the year 2002. Cuba's sugar and tourism could be more capable of accommodating the growth needs of the Caribbean if looked at within a broader framework of economic and technical co-operation.

A Final Word

This Study has sought to identify what the Caribbean must do and indeed is already doing, in many cases, to position itself not simply for better market access in the 21st Century, but to achieve as well, dramatic improvements in the standard of living of its peoples through a renewed examination of political, social and economic policies. In the several decades since independence, the region has confronted a series

of challenges to its development. The chronicle of some of them in the Study, serves to demonstrate that although the issues may vary and the conditionalities may seem unrelated and *sui generis*, they all stem from the same source, the same global development paradigm that has been in existence for far too long now. History to date, has clearly demonstrated that this development framework has not served to bridge the gap between the rich and the poor, either of nations or of people.

Hopefully, the Study has served to create a greater awareness and understanding of the contextual framework in which countries, such as those of the Caribbean, are constantly striving for survival, for improvement in the standard of living of their peoples, for economic and social justice, and for a fair share of the world's finite resources. The experience of the Region, since independence, has provided all the valuable lessons and highlighted the nature of the responses needed to meet the challenges to its own development. These responses, which are essentially coping mechanisms, will always be available to the Caribbean, as the Study reveals, so long as the world remains governed by the extant development paradigm. Coping however, can never be a satisfactory solution, nor one on which to place hopes for a brighter future.

In the 1970s, the demand for a New International Economic Order went unheeded even though, as Professor Denis Benn in his authoritative analysis of the process clearly demonstrated, the call for such an Order was valid and the prescriptions being recommended would have led to a more just and equal world.⁴¹ At the beginning of the 21st Century, the Caribbean is once again in the forefront in its challenge to the international community to recognise that the current path of interstate relations will continue to lead to a development that is not sustainable, that remains inequitable and will be one which will continue to bring little relief to the vast majority of the world's population which, increasing annually, survive in conditions of abject poverty.

The extant development paradigm does not take adequately into account the fact that the world's resources are finite. The call for a New Global Human Order on the other hand recognises the infinite capacity of the human resource component and the tragedy of wasting it in the name of development. Surely the future for the Caribbean, indeed for the world as a whole, lies in the development of this human capacity as a *sine qua non* for any development programme or indeed, any global development paradigm.

Even as we continue to address and overcome the many new and varied challenges in the manner described in this Study and as we continue to struggle for survival as developing countries within the context of how the world is being organised and managed today, it is incumbent upon us to look beyond our current circumstances and take those incremental steps that will lead to the creation of a New World Order—one of social and economic justice and one in which the world's infinite human resource capacity is nurtured and developed for the good of all mankind.

NOTES

1. See Ricky Singh's article, "Caribbean 'happy' with WTO's failure" *Sunday Guyana Chronicle*, Monday, December 6, 1999 p. 2.
2. See the *Guyana Chronicle*, January 16, 2000.
3. See report in *Takuba News*, February/April 2000, Issue No. 20
4. See Professor Clive Thomas' article "Achievement and Non-Achievement: CARICOM's future" *Sunday Stabroek*, May 21, 2000, p. 17A.
5. Ibid.
6. Ibid.
7. See Ricky Singh's article, "Knocks for CARICOM and its diplomacy" in the *Guyana Chronicle* Saturday, April 29, 2000, on a Report on a presentation by Ambassador Richard Bernal.
8. See Professor Clive Thomas' article "Achievement and Non-Achievement: CARICOM's future" *Sunday Stabroek*, May 21, 2000, p. 17A.
9. See Contributions by Anthony Maingot, and Richard Bernal in *Contending with Destiny*, edited by K. Hall and D. Benn, published by Ian Randle Publishers, Kingston, 2000.
10. See Study entitled: "Adjustment and Integration of Small Economies: A Caribbean Community Agenda.
11. See Jos Jonkers, *Courier*, May-June 1995.
12. See Odoardo Como, *Courier*, May-June 1995.
13. 75 percent of global direct investment went to twelve (12) countries in recent years and the peace dividend disappeared partly in the increase in UN resources devoted to peace-keeping from US\$278 million to US\$3.5 billion in five (5) years.
14. See Professor Denis Benn's *Multilateral Diplomacy and the Economics of Change*, Kingston: Ian Randle Publishers, 2003.

CHAPTER 16

Journalism for Caribbean Development: New perspectives in the Age of Economic Globalisation

Canute James

THE CHANGES BROUGHT about by the alterations in the global economy, and the impact these are having on the regional economy, are challenging those who present information on business and the economy. Regional journalists are being required significantly to change their perspective in order to be effective in informing about the causes, consequences and meaning of the changes from increasing economic globalisation.

Increasingly deregulated markets, and the region's move towards liberalised commerce and the creation of its own common market, demand that the journalists change their appreciation of, and approach to informing about the region's business.

Economic globalisation has created in emerging economies such as those of the Caribbean, an almost instinctive fear of change—a negative gut reaction to developments that are seemingly beyond control. This is compounded by uncertainty as to whether globalisation will bring adverse or positive consequences. As in defining the phenomenon, there is a debate about whether it offers opportunities for exploitation and the further debilitation of the weak, or whether there are opportunities that can be exploited by the weak.

To a significant degree, the region's position, articulated by its policy makers, is one of concern about the impact of globalisation on the small,

open economies. The fear is of being overwhelmed and of becoming a straw in this maelstrom of rapid global change.

How do Caribbean journalists reflect this change? The business journalist in the Caribbean does not have to think about the direction in which to go. His role has been significantly altered by the new demands created by economic globalisation. Increasingly, there is little need for, and no informational value gained by a defence of a sectoral or national interest. Instead, the business journalists must present information that offers some context, interpretation and analysis. Straightforward delivery of a series of facts and figures is inadequate.

This is not to deny that the business journalist has a parochial responsibility. The argument is that this parochial responsibility must have a global perspective. The business journalist in a region of emerging economies that is confronting the changes caused by economic globalisation must, with context, interpretation and analysis, explain to parochial constituents that some recent developments have had little to do with their efforts to improve the quality of their lives, and more to do with far away developments over which they have no control.

There is little merit to suggestions by some regional business leaders and policy makers that business journalists should adopt a “new position” in dealing with the impact of economic globalisation. This is too radical an approach that would deform the essence of the role of the journalist. The position of the business journalists in dealing with economic globalisation should be no different from the position on any other issue.

Essentially, the journalist should continue to stand in the centre, and should apply the same values that are demanded in reporting on other issues.

The change that is demanded is not of position, but of perspective. The readers, listeners and viewers must be offered the context, the interpretation and analysis that allow them to come to rational conclusions.

Acquiring the equipment to make this change demands from journalists and their managers a wider view of how they could become efficient. Some journalists unwisely dismiss suggestions of a changed perspective as not worthy of consideration, and contend that the “global village” is a fanciful concept of the industrial world that has little relevance to emerging economies, such as those in the Caribbean. Others, with some justification, argue that managers are unwilling to invest to effectively meet the new demands.

Media managers contend, also with reason, that limited resources are frustrating their efforts to prepare journalists. Yet all agree that the change must be made. All must accept that preparing for the change must be seen as an investment, not a cost.

Changing perspective is the first of two fundamental steps that the business journalists must take to effectively provide context, interpretation and analysis in reporting on the impact of economic globalisation. The other, equally important, is to escape from a notion—a psychological trap, some argue—of how the region can be “helped” in the new economic dispensation.

Emerging economies in the Caribbean, at a peculiar point in their development, clearly face different challenges from economic globalisation, than do more mature economies. As emerging economies have a developmental deficit, information about them traditionally has been fashioned and presented within a developmental context.

This approach, termed “development journalism”, has been for long the basis of reporting on business and the economy in emerging economies.

Some commentators, including de Gale, in discussing the relevance of “development journalism”, contend that development is a valid social goal and that the media have a contribution to make towards it, that is: the media are expected to actively pursue this role. She argues that a development journalist must give the facts, interpret them and draw conclusions, which must then be promoted, that is, brought home to the people in a way they will understand.¹

Consideration of the relevance of developmental journalism to today’s Caribbean must eschew the fundamentalist approach of others, like Chalkey. In defining the essence of the development journalist, he says the main task is firstly, to inform, with a secondary task being to interpret the facts contained in the information. He argues, however, that the development journalist is set apart from others, such as political reporters and crime reporters, by a third task: a “positive” and “promotional” one.²

The debate has been, at times, vitriolic. Looking inwards and adopting a parochial position was advocated by Vilanilam, who concluded that the media in a “developing country” should concentrate on the problems facing that country rather than on attempting to attain journalistic standards of “economically well-developed nations.”³

This is countered by Kariithi’s denunciation of the “anti-poverty” approach that fashioned a type of journalism aimed at promoting national

development. “Developmental journalism was a highly impoverished kind of journalism, with minimal effect on changing poverty, but a real role in perpetuating or even exacerbating it.”⁴

These arguments were echoed in the debates in the 1970s, and in which the Caribbean was an important participant, about the New World Information Order or the New World Order in Communication. It was not long after this, however, that questions were raised about the value of this approach in dealing with changes in the global economy.

In examining the merits of a new order that was relevant particularly to emerging economies, Hoover explained that the advocates of this order said that communicators could contribute to national development when they concentrated on national issues. The journalists’ national territory could adopt a global perspective only after they had the resources and opportunities to be equal partners in a global dialogue.⁵

“Principal voices in the debate pointed out that severe imbalances in the distribution of global information resources and expertise often resulted not in a global village of equals, but a global oligarchy of rulers (the nations and institutions of the North) and subjects (the nations and institutions of the South),” explained Hoover.

Similar questions were raised about the approach that Caribbean journalists and the region’s media should adopt. Lent was particularly harsh on acceptance in the Caribbean of what he described as the “verbiage . . . about Third World nations finding their own developmental paths, and in the process, de-emphasising some of the outside influences.”⁶

He discounted the value of the media presenting development messages “on topics of life or death consequences” to as many people as possible, without including foreign values or attitudes.

Although this was not its primary intention, many of these issues were addressed by the MacBride Commission, created by the United Nations Educational, Scientific and Cultural Organisation (UNESCO) in 1976, and chaired by Sean MacBride, an Irish diplomat. The commission was charged with examining the issues affecting a more balanced global communication order. It was mandated to study global communication issues and to propose methods of reducing the North-South communications divide.

The MacBride Commission’s final report was released in 1980. Among its 82 recommendations were those devoted to eliminating the media imbalances between countries; protecting the rights of journalists;

reducing commercialism in the media; use of the media to aid oppressed people; and the freedom of the press and freedom of information.

Some of the commission's conclusions are relevant to any discussion on development journalism, and approaches to be used by journalists in emerging economies in reporting on business and the economy.

One recommendation of the Commission was for the development of comprehensive national communication policies linked to overall social, cultural and economic development objectives.

"Every country should develop its communication patterns in accordance with its own conditions, needs and traditions, thus strengthening its integrity, independence and self-reliance."⁷

Seeming to presage the changes in approach demanded of journalists in emerging economies in dealing with economic globalisation, the Commission said also that readers and listeners in developed and developing countries would be better served if the conventional standards in news selection and reporting were assessed to provide a more comprehensive account of events.

"The inescapable need to interpret unfamiliar situations in terms that will be understood by a distant audience should not blind reporters or editors to the hazards of narrow ethnocentric thinking."

In the Caribbean in the 1970s, "development journalism" found a champion in Michael Manley, a former prime minister of Jamaica. "Jamaica is going to have to be mobilised, perhaps for the first time, in 1977," he said. "Hence all who claim to lead, and you are now numbered in our ranks, have a duty to understand and guard the process."⁸

Many of these arguments about the relevance of development journalism to the Caribbean have appeared inconclusive. Lent referred, with little enthusiasm, to the position of a senior Guyana government official, that all media must be used to support development, and that a government could not leave to chance matters such as media ownership and content.⁹

Examining the situation in Jamaica, Lent observed: "Manley has been more cautious, saying freedom of the press is subject to the question of social responsibility and that the national interest should be the overriding concern of the media."

Moving from Manley's vision of the media as a vanguard of the process of economic development and mobilisation appears to be a difficult transition, according to Hughes. He suggests that this challenge is made

difficult for the Caribbean journalist who is caught between providing business and economic information that is relevant and beneficial to the reader, while not wanting to appear to be putting a gloss on developments that are perceived to be deleterious to the national economy.¹⁰

He argues that a country may appear to be paying too high a price with the dislocation caused by the changes created by economic globalisation. The suggestion is that, albeit subconsciously, the reporter is unwilling to neglect a “developmental” role that supports his or her “national” territory, in favour of one that tries to explain the causes and potential benefits of these changes.

“The benefits come over a longer period after the adjustments,” says Hughes. “It is therefore difficult to win support for globalisation unless a vision can be presented. It is hard to sell job losses and factory closures as being good things.”

A more fundamental structural problem exists in the region’s newsrooms, suggests Caroit. Aspects of economic development that demand a degree of adequacy in reporting on business and the economy not only neglect the basics of presenting information that can assist in development, but also does little in offering interpretations of contemporary developments.¹¹

Caroit supports this with the observation that the presentation of relevant information on how economic globalisation is affecting a national jurisdiction is deficient, because it is often left mainly to articles written by non-journalists and experts such as economists or civil servants.

Clearly, the processes of market liberalisation and national economic growth are not mutually exclusive. Any agenda that attempts to promote a notion of national development may also reflect favourably on attempts to open markets. However, the debate must take account of changed perspective the journalists in emerging economies, such as the Caribbean, must have in order to be relevant and effective.

There can be little argument that, at the start of the 21st century, the role of the business journalist in emerging economies has changed significantly—or rather, it has been changed for the business journalist.

If the journalists see themselves as defenders of sectoral and national interests, then they deny, and ignore at their professional peril, the impact of globalisation, regardless of whatever interpretation is given to this phenomenon.

NOTES

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2. Chalkey, Alan. "A Manual of Development Journalism." Thomson Foundation. 1968.
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5. Hoover, Stewart M. "All Power to the Conglomerate. If Information Is a Commodity, What Price Is International Understanding?" Centre for Media Literacy, Winter 1993.
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8. Manley, Michael. Letter to Canute James, on his appointment as editor of the Jamaica Daily News. December 30, 1976.
9. Lent. Ibid.
10. Hughes, Wesley. Director General, Planning Institute of Jamaica. Interview, June 19, 2003.
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CHAPTER 17

The Future of CARICOM in a Changing International Environment

Havelock R. Brewster

“Let unity of all kinds be appraised, no less than the prospects of disunity”

(A.N.R. Robinson)

Introduction

I HAVE BEEN asked to speak today on the future of the Caribbean Community (CARICOM) in a changing international environment. However, in thinking about this matter, it seemed that the future of CARICOM is likely also to be influenced by its own revealed shortcomings. External events are unfolding so rapidly that one may go astray even in trying to situate one's views in the context of recent debates. Looking ahead is a much more hazardous thing than it used to be, though, strangely, it seems that the more hazardous it is, the more certain some people are about what will happen in the future. For myself, I cannot claim to have a satisfactory knowledge of the contemporary details of CARICOM, so it is only with some indulgence on your part that I venture to open this discussion today.

Contemporary models of Caribbean Integration

It might be useful to begin by reviewing the characteristics and expectations of the basic options that currently seem to be on offer in respect of Caribbean integration. There appear to be four models. The first one might be called the national model of Caribbean integration, as revealed by the behaviour of the individual Member States. In this model, there is a strong, more or less open-ended commitment to Caribbean integration,

to the point of advocacy of unitary statehood among some Member States. However, individual States actually behave as if economic development and political independence would be best secured through individual state efforts. Derogations from and delays in implementing CARICOM regimes and in furthering accepted regional objectives and commitments, while pursuing often contradictory policies at the behest of the IMP and the World Bank, are some manifestations of this approach.

The fact that the expected results of this model have not been attained, as yet, is attributable, from the standpoint of its adherents, more to the inclement external environment and the political difficulty of implementing the appropriate domestic policies, than to the failure to perfect CARICOM regimes. This model looks to what CARICOM can contribute, additionally, to the efforts of the individual States. Apparently, individual Member States are not convinced that CARICOM can be or necessarily must be the collective saviour of the region. Nor do they see much evidence that foreign enterprises, international organizations and the big powers are or will be less ready to do business with them separately—the Caribbean Basin Initiative and the more recent Enterprise for the Americas Initiative being cases in point.

This model, to my mind, expresses a realistic perception of the Caribbean and cannot be dismissed simply as hypocritical or superficial.

The second is the CARICOM model. It views Caribbean integration as the best path to achieving economic and political viability, survival and development of the region, given of course, good political and economic management. This model is associated with persons who have not only made major intellectual contributions to Caribbean integration, but practised it, as former Secretaries-General of CARICOM and Attorney-General of the West Indies Federation. The “simple and irrefutable” reason for holding this view about Caribbean integration, to quote from William Demas (1991), is that “we are all so small (including the “biggest” member countries) that we need to achieve economies of scale and “critical mass”. For Alister McIntyre (1987), the proposition was exemplified in this way: “might not the . . . lesson of Grenada not be that when the chips are down, regionalism offers the only possible path for survival and progress?” While Ramphal (1987) found the “true realpolitik for small developing countries like Caribbean States . . . in maximizing regional independence in a wholly hard headed manner taking account of the reality of superpower politics and the threat to internationalism”.

What the CARICOM model seems to be saying, essentially, is not only that the Caribbean whole is substantially and decisively greater than the sum of its parts, but that “when the chips are down” we cannot rely sufficiently on political and economic relations extending beyond the West Indies for survival, independence and progress. This model does not of course deny, in fact it promotes, the idea that CARICOM may secure benefits from relationships of lesser but varying intensity, particularly with the European Community, North American, Latin American and the rest of the Caribbean. This model foresees the eventual creation of a unified economic space providing for free internal trade and common external protection, together with co-operation, coordination or common services, in a widening range of functional areas of common interest like foreign policy, the judiciary, education, health, monetary policy.

The third is the American model. It was put forward recently by Richard Fletcher and Robert Pastor (1991). It views Caribbean integration, coupled with appropriate domestic policies, as desirable and necessary. However, this is not because it can itself be the savior of the region, but because it is the most attractive means available for getting greatly enlarged trade, aid, financial and debt relief benefits from the United States by being admitted into a North American Free Trade Area (NAFTA). Implicitly, Caribbean integration, without the prospect of incorporation into NAFTA, is hardly worthwhile, because even CARICOM's five million people amount in Gross Domestic Products (GDP) terms, as the authors say, to less than that of Dade County, Florida. This American model directly challenges the CARICOM model in asserting that the economic size of the area does, in fact, fall very far short of the critical mass required for efficient production; that the rationale for Caribbean integration is solely economic; and that the superpower threat, far from being an awesome prospect, is probably popularly welcome.

The fourth is the World Bank's model (1990). Like the American model, this one offers little or no positive benefits from Caribbean integration as such. In fact, the costs could be greater than the benefits, and probably already have been, according to its adherents. The reason is that CARICOM is still far too small to be the source of large, dynamic benefits, while development behind protective barriers and discriminatory policies is costly. It is, in turn, a logical extension of the American model in that the greatest benefits are foreseen from Caribbean integration into the world economy, not merely into a North American economy.

This approach requires essentially liberal and non-discriminatory trade policies and market-based, structural adjustment, macroeconomic policies of the kind promoted by the International Monetary Fund (IMF) and the World Bank. In this model, therefore, Caribbean integration is foreseen as a process based on export-led growth that would progressively converge toward regional free trade and the disappearance of external protection, or at most, the maintenance of a very low common external tariff. However, it foresees some advantages from the regional co-ordination of policies in such fields as payments clearing, monetary policy, and taxation. An interesting feature of this model is that it anticipates regional economic integration being strengthened as a result of, rather than as a facilitating condition for, Caribbean integration into the world economy. This would come about through vigorous competition among the individual States.

But CARICOM already has an agenda for the implementation of its integrating regimes, in particular free trade, a common external tariff, industrial integration and fiscal incentives. Also, the individual States have their own derogation from CARICOM regimes and different schedules and sequences for the implementation of Bank/Fund structural adjustment programmes. In the World Bank model, therefore, individual States would proceed at their own pace towards eventual convergence in regional free trade and very limited common external protection. One might thus sympathize with the World Bank if it felt that its model of Caribbean integration is more in harmony with that of the behavior of the member governments than that of CARICOM itself.

With hindsight, I ought perhaps to make a passing comment on a model that dates back to the mid 1960s, since I was myself associated with it, together with Clive Thomas (Brewster and Thomas, 1967). It is often referred to as production integration, though that is an oversimplification. Our approach to integration was based on the observation that the absence of linkages in the production structures of the individual West Indian States severely limited their capacities to generate income and employment since the multiplier effect of any investment was necessarily very small. Furthermore, in the absence of such production linkages one could not expect to find significant, manageable relationships among policy variables. Production and policy dis-articulation went together. The only way to overcome this was to plan productive activities on the basis of the more diverse resource endowment of the region taken as whole.

This was in the days before protectionism, globalization and market forces assumed the proportions they now do; before technology became so predominant a factor in production relative to economies of scale; before access to international finance was as limited as it now is; and before the enormous debt burden that the region now carries. While the strategy may have had something to recommend it then, these opportunities would no longer seem to be open. I see little or no prospect for a Caribbean integrated industrial regime in the present-day world. Economic progress in the future would probably be on terms that narrow, rather than widen, the scope for discretionary policy management. In the rest of my lecture, I will, in effect, be arguing that none of the contemporary models of Caribbean integration are credible or realizable.

The Changing International Environment

During the course of this decade, a choice will have to be made in respect of the options for Caribbean integration. The evolving global context inevitably will influence the choice to be made, even if internal factors continue to play a role. Perhaps the most influential feature of the international environment is the process of world integration that is taking place at three distinct but interrelated levels—at the level of transnational corporations, of regional economic communities and of the multilateral trading system.

Transnational corporations are increasingly undertaking their operations—the sourcing of finance, raw materials, services and technology; production and assembly, marketing and distribution; research and development—on the basis of what is most advantageous on a worldwide basis. This development has been facilitated by information technologies that permit all these elements to be linked up and controlled globally (Organisation of Economic Cooperation among Developing Countries (OECD), 1991, United Nations Centre for Transnational Corporations (UNCTC), 1991).

Hence, the phenomenon is often referred to as globalization. In this process, technological innovation determines competitiveness. Frequently, it entails the merger of companies or even non-equity cooperative arrangements; sometimes the dismemberment and reconstruction of firms. It also takes the form, especially by Japanese corporations, of establishing production and R&D facilities in host countries. Apart from its economic advantages, such as lowering unit costs and improving the

quality of products, this process of globalization has been a means of avoiding protective barriers.

Those barriers are also being overcome through the creation and expansion of regional economic communities, such as the North America Free Trade Area among the US, Canada and Mexico, the single market of the European Community and the European Economic Area incorporating the EC and the European Free Trade Association (EFTA). Recent developments elsewhere include the decisions to convert the Association of Southeast Asian Nations (ASEAN) into a South East Asian Free Trade Area, to create new groupings in Latin America like the Rio Group and the Common Market of the South (MERCOSUR) and link old ones like the Central American Common Market (CACM) and the ANDEAN Group; to establish an African Economic Community; a Black Sea Economic Zone; a Baltic Sea States Organization; and a Central Asian Islamic Common Market.

The creation of wider economic spaces, particularly in the developed world, offers their Member States the security of exchanging trade and other economic concessions in a manner that would ensure a relatively 'fair' distribution of gains among Member States, whatever might be the strength of their respective competitive advantages, in contrast to the likely results of genuine free-for-all multilateralism. These regional economic spaces are thus a convenient means of overcoming not only protection among States but the enormous complexity and virtual impossibility of negotiating meaningful multilateralized trade liberalization.

Equally, they can serve the United States (US) and the European Community (EC) as an effective brake to Japanese competition. We may well expect, therefore, that the EC will seek to expand the trade liberalization arrangements of the European Economic Area, not only to Eastern Europe but eventually to all of Africa; and that the US will want similarly to extend the NAFTA to all of Latin America.

Japan may eventually have no alternative but to integrate into a South Asian Economic zone, despite their understandable reluctance to do so without the US, given their huge trade surplus with that country and the rest of the world. If the US and the EC cannot cope with Japanese competition, even after substantial exchange rate re-alignments, Japan would be put in its place by the closing of the doors not only to America and Europe but eventually—via expanded economic communities—to Latin America and Africa. As a recent article in the international press

put it (Clark, 1992) “Eventually, the United States and Europe are going to have to think hard whether they can afford the luxury of free trade with Japan. A North American-European trade bloc, in which Japan was free to build factories but to which it could not export, would produce virtually all the benefits of free trade without much of the current trauma. If the Japanese are unhappy with this, invite them to form their own economic bloc in Asia. A Malaysian proposal is on the table. Instead of trying to bury it, the United States should encourage it”. The same concern in respect of Europe’s ‘blunted competitive edge’ *vis-a-vis* Japan was recently expressed by Jacques Delors, President of the EC to the European Parliament.

However, the vulnerability of Japan and fear of a backlash also come across in a new, more sympathetic attitude towards the Southern development cause. At the same time, a natural extension of its interest in South—East Asia to a rapidly liberalizing China would have enormous economic and political balance of power implications. Whether this is merely a smoke-screen in its conflict with the US and the EC or the recognition of an opportunity to establish a new and genuine partnership with the South, remains to be seen. In any event, the question arises as to whether the South cannot exploit to its own advantage an emerging clash between Japan and the US-EC.

One could not, therefore, view the current General Agreement on Tariffs and Trade (GATT) Uruguay Round as genuine multilateral trade negotiations. Globalization and wider economic spaces are, in effect, taking care, or can do so, of the remaining protectionism among the developed countries in the industrial sectors, technology, finance and services. The MTNs then are, in effect, a bilateral negotiation between the US and EC on agriculture; and one between the US-EC-Japan and the developing world in which the promise of concessions in the old trade areas of textiles, clothing, tropical products, steel, etc. is set against Northern demands in respect of the new areas of investment, intellectual property and services.

In multilateralizing what for the most part is increasingly the practice among the developed countries with respect to these new areas, the developing countries are drawn into a highly unequal regime, while their demands with respect to the old trade areas can be largely ignored. For the developing world then, these so-called multilateral negotiations are essentially an exercise in damage-limitation that, hopefully, would protect them, to some extent, from the abuses of aggressive unilateralism, such as

the Super 301 and Special 301 provisions of the United States Omnibus Trade and Competitiveness Act. On the whole, one might take even more literally than intended the assessment of the GATT Director-General that “the philosophy (of the Organisation) is not about free trade but about market openings”.

Coinciding with these developments are the dramatic changes in the balance of world power, following the breakup of the Soviet Union and the dismantling of the Warsaw Pact, the renunciation by East European States and virtually all of the former USSR of atomic weapons and hostile intentions toward the West, their conversion to market capitalism and their economic collapse. But, the declared commitment of the United States to global security and peace as part of a new world order, embracing as well the precepts of collective responsibility, democracy, human rights and the free-market, hardly dampens the tremors emanating from US President Bush’s boast that the United States “won the Cold War” and is now “the undisputed leader of the world”.

The extent to which the rest of the world, particularly the developing countries, can rely on the good faith of a self-appointed hegemon, however benevolent his intentions, is already forebodingly unpredictable. The new world order was inaugurated, not by the display of an ingenious and determined new capacity for peacekeeping, but by a devastating war involving massive human destruction. That order has vested collective responsibility in a Security Council in which four of five permanent seats are still to be occupied by European peoples, in an exclusive atomic weapons club, and in ‘rented coalitions’. In the new world order, respect for national sovereignty, although inscribed in many United Nations instruments, can no longer be taken for granted, not even as a principle to be theoretically defended.

Democracy has taken on very elastic meanings, as applied to Haiti, Algeria, Georgia, Yugoslavia, Ireland, Canada, South Africa. Human rights have been selectively interpreted for occurrences in Iraq, Saudi Arabia, Palestine, Israel, China, the United States, Germany, and in respect of Haitian, Vietnamese, Kurdish, and East European refugees. The free-market encompasses, with hardly a blush in the industrial countries, heavily regulated exchange rates, interest rates and labour flows, extensively managed trade, massive agricultural subsidies, investment incentives for depressed regions, huge social security provisions, industrial, marketing and financial conglomerates of global proportions.

But, perhaps most foreboding from the developing world's standpoint is that global security in the new world order is not viewed as directly related to the need for economic security. Nevertheless, ironically, US Vice—President Quayle, in linking his country's NATO commitment to the EC stance in the GATT Uruguay Round, could state, in modifying what he meant, that for the United States "there is a linkage between economic security . . . and military security". On the whole then, we are seeing a new world order in the making that is defined, interpreted and implemented, without consultation, and according to the changing convenience and interests solely of the United States but with the positive acquiescence of the Western Europe, Russia and the former communist East European States.

Implications for Caribbean Integration

What then might be the implications of these changes for Caribbean integration in the international environment—in the world economic and trading system and in the new balance of world power with its attendant new world order? Turning first to the economic and trading system, I foresee the following tendencies:

Firstly, access to external finance, technology, research and development, and markets would be increasingly tied to arrangements determined by global competitive advantage. These are unlikely to correspond to a CARICOM conception of Caribbean integration. A unified regional market would not be considered a decisive advantage, while resource complementation and linkage are unlikely to make for competitive advantage on a global scale. This suggests that such CARICOM regimes as regional free trade, the common external tariff and the regional industrial programming scheme would be of lesser value in promoting development than concerted CARICOM-wide efforts to promote the kind of economic and human development policies, physical and technological infrastructure and services that would be internationally attractive.

While such a dependent and inevitably disarticulated pattern of development may bring increased benefits, it is unlikely to enhance the economic policy-making capacity of Caribbean States. It would, therefore, be desirable that the adoption of such an approach to economic development should, at the same time, set in train the kind of policies at the CARICOM level designed to upgrade indigenous skills and research

capacity, and infrastructure, following the example of South East Asia and India (*Encarnation, 1989*).

Secondly, in respect of the wider economic communities that are emerging, neither CARICOM nor its Member States may have any real alternative to association with them. However, despite the relatively liberal access that already exists to the markets of the BC and North America, especially through the Lomé Convention and the Caribbean Basin Initiative, there has been little or no impact on the location in the Caribbean of substantial industrial production facilities originating from those destinations. The future terms of association with those groupings will doubtless stress to a greater extent liberal access conditions for investment rights of corporate establishment, for technology, other intellectual property and services, of the kind being sought multilaterally through the GATT Uruguay Round. These regimes with North America and the EC will obviously take precedence over intra-regional arrangements. There will thus be an even greater need than in the past, to ensure that the region develops a strategy to get the best from the concessions it gives and receives, in terms of their contribution to structural development, including expanded and diversified exports with significant domestic retained value. This point underlines the advantage of a collective CARICOM negotiating strategy, and of approaching bargains with the EC and North America in future in terms of an evaluation of their comparative advantages.

Thirdly, an indiscriminate unilateral opening up of CARICOM to the world economy at large would not seem to represent the best strategy since, as argued earlier, a genuinely free, multilateral trading system does not actually exist. Moreover, as long as overall competitive advantage among Japan, the US and the BC continues to diverge, trade balances remain unadjustable, and relative exchange rates continue to reflect political compromise and volatile financial flows, a free multilateral trading system is impracticable. Caribbean countries, therefore, should be cautious about offering multilateralizable concessions, especially in a GATT whose scope is to be greatly enlarged. There is a clear need then, for a CARICOM approach to such issues. A targeted strategy would involve formulating a trade and economic agreement with Japan, as a complement to those with the BC and North America. One indication of the potential is the fact that whereas North America accounts for 52 per cent of CARICOM's \$5 billion imports and the EC for 17 per cent, Japan accounts for only 3 per cent.

Without the kind of CARICOM-wide cooperative efforts envisaged above, particularly those concerned with the development of human resources, physical infrastructure and enterprise in multilateral trade and economic relations, a fearful prospect lies ahead. This is that the world integrating forces may bypass the Caribbean altogether. These countries may not be able to offer any competitive advantage at all in the industrial globalization process. The widening European and American economic areas may have little more than a diminishing historical interest in them. Multilaterally, their prospective concessions may be of little or no attraction to others. Realistically, the Caribbean's main assets, apart from its people, are a semi-strategic location, good weather and beaches, and a couple of raw materials. In this scenario, the region's longer-term economic future could be very bleak indeed.

Moving on to issues of world power, we in the Caribbean, are familiar with American hemispheric, if not world, order, only recently in the Grenada and Panama episodes. But new, greater and more widespread insecurities are arising, especially because the scale on which it is exercised seems to be frighteningly unmatched by the hegemon's capacity within his own State for wise and predictable leadership, moral legitimacy, the practice of human rights, and creative rehabilitation for the casualties of the market.

Internationally, as alluded to earlier, we have already witnessed selective interpretations of sovereignty, collective security and responsibility, democracy, human rights and the free-market. Who knows what tomorrow may bring? For example, in respect of the use of the Caribbean Sea, air-space and atmosphere, boundary disputes, trade, tourism and residence, capital flight, migration, narcotics, money laundering, toxic materials, arms trafficking, and so on? The potential sources of foreseeable conflict are many. And if, as we are reminded by Pastor and Fletcher, there are renegade or pariah states to shatter our sense of security, we may equally lose sleep over the bully on the block.

Some people in the Caribbean, it seems, do not feel much, if any, discomfiture in living in the shadow of a country that describes itself as the undisputed leader of the world. But security in surrender, if we can call it that, like the proverbial gilded, or not so gilded, cage historically has never been a sustainable, wholesome and creative way of living for any people. The fate of the indigenous North American peoples are a living

and abhorrent testimony to this, as was the fate of much of Eastern Europe and Central Asia. In the final analysis, overwhelming concentrations of power, whether military or economic, defy the law, established by no less an authority than the purest capitalism, that world welfare is best secured in a competitive equilibrium where there is no one predominant force. There placement of one kind of world structure by one of even greater power concentration, albeit benign by self-proclamation, and the emergence of a capitalism of black-hole density is a deeply disquieting situation, especially for those living on its perimeter. The spectre of anew imperialism is not a matter to be taken lightly.

As large economic communities develop all over the world, with cultural affinity and kinship as their core and geographic contiguity their boundary, the Caribbean finds itself in a uniquely exposed situation as the world's most vulnerable group of States. The room for manoeuvre is small, but it is not totally absent. In this environment, CARICOM of the future may have to be less concerned with the essentially purposeless coordinating of reactions to traditional foreign policy issues as defined by others, and more with cooperating to create a strategy of external relations aimed at enhancing and projecting our collective identity and legitimizing alternative arenas for international deliberation and conflict resolution.

Possible future orientations for CARICOM

CARICOM Performance

Before offering a few ideas on the possible future orientation of CARICOM in the changing international environment we inhabit, I should return to a statement made at the beginning, that the revealed shortcomings of this attempt at integration will equally have an impact on the course of events. For while leading regional statesmen and bureaucrats and even some country politicians call for the process to be advanced, it remains doubtful how beneficial the Community arrangements have actually been.

On the whole, the results seem to have been disappointing and according to World Bank studies (1990), they may even have been negative and will continue to be a brake on the development of the individual Member States. In fact, CARICOM's exports of manufactured goods, the category most dependent on trade, increased to the rest-of-the-world two and a half times faster than to the region itself since 1973. Intra-regional exports of manufactured goods have hardly increased from 5 to 6 per

cent of total exports since CARICOM was established. In the fields of functional co-operation, setting aside those common services whose origins were independent of Community arrangements, like the University, co-ordination has widened in scope, but not in decisional depth. Foreign policy co-ordination has been a feature mostly of trade and economic negotiations with the EC and Canada, though common positions have been adopted with respect to a few isolated issues in the United Nations, World Bank and IMF. A Community increasingly expensive in terms of effort and resources cannot stagnate indefinitely. It must either retrench or find a new dynamic for growth.

A New Dynamic-The First-Best

That new dynamic could be found in exploiting first-best options. The first-best means arrangements that are better than all other alternatives considered on a world-scale. They could, for example, be unique, or the least-cost, or the no-alternative option.

The last of these require some explanation. They are solutions to problems that necessarily require regional co-operation, such as in respect of commons, public goods, or complementary resource. Regional commons are commonly shared benevolent or malevolent resources such as the sea, airspace, the weather, disease, pest infestation. Regional public goods are goods or services which if not provided regionally, would not be provided at all, such as regional security, high technology and advanced scientific training and facilities. Complementary resources are resources that are unlikely to be exploited other than through regional arrangements that combine them with other resources, such as arable land or hydroelectric potential.

My proposition is that if integration arrangements initially conform to the first-best there ought, in principle, to be no objective reason for hedging on commitments or renegeing on them. But the present CARICOM arrangements may be characterized as of the second-best, that is, they have been entered into because there seemed to be obstacles to the best, such as external protection, uneconomic scale and cost of production, while as a consequence, involving net costs for some Member States.

A second-best rationale for integration will always lack real conviction and will fail because people will gravitate to the first-best when it becomes available to them, whether it entails solutions at a level larger or smaller than the Community. Or, they will give only lip-service to such options

out of passing political convenience. By contrast, the regional endeavours that have taken strongest root have actually been those in which there was a firm conviction that they were the best possible or for which there was no alternative, as for example, cultural festivals, sports, university education, all developed outside the formal Community context, and economic negotiations with the EC.

The first-best then, should be the real test for orienting Caribbean integration in the future, though, of course, not even this approach will be completely free of conflict. With this concept in mind, I would like now to sketch out the broad policy orientations I foresee. Details and blue-prints of constitutional instruments are of course, beyond the present effort. The main protagonists for Caribbean integration have always stressed enlarged size as its principal rationale and some have also made much of 'good government' as its justification. However, size as represented by CARICOM would fail by our test of the first-best. And the good government argument simply does not hold water, when one considers the dismal record of many large countries.

I believe the best, the unique, most lasting rationale for Caribbean Community is cultural identity and kinship. This has even greater relevance these days when, as I mentioned earlier, there seems to be a strong worldwide tendency toward racial and cultural affinity, even if it is combined with the pragmatic pursuit of economic opportunities. In such a world, shrinking but exclusive, West Indians are even more isolated than before, stranded, as they are, between an unknown, introverted Latin south; a familiar, unwelcoming, Anglo—Saxon north; and a very distant, mysterious East and West. But of whatever racial composition or origin, West Indians recognize and respond to their identity wherever they are. Some have suggested that we should view ourselves in a broader historical, Latin American context. But I do not feel this is truly authentic and am yet to be convinced that the typical West Indian feels any real identification with Guatemalans, Colombians, Venezuelans or Argentines. This is not to mean, however, that special, mutually advantageous relationships should not be forged with our neighbours.

A West Indian Commonwealth

West Indian identity needs to be enhanced through forms of expression that people can respond to and value with pride, self-esteem and confidence. The centre of this might be a West Indian Commonwealth

(other designations are possible—the West Indies, the West Indian States, the United West Indian States, the Commonwealth of West Indian States, and so on). The term ‘Community’ has come to be associated with ‘organization’ rather than statehood, otherwise it might have served this purpose.

This is not the place for a legal and constitutional discussion. Suffice it to say, that, within recent times, we have become aware of rather elastic concepts of statehood, sovereignty, and citizenship; and of the fact that what really matters in the end is what a people want themselves and can get others, not necessarily the entire world, to recognize for those purposes that are most important to them. For example, we saw a lot of this being favourably entertained by the Western powers when the USSR was breaking up, before Gorbachev’s downfall and the creation of the Commonwealth of Independent States. We saw it again in the imaginative proposals that were being made for a disuniting Yugoslavia. Even here in the West Indies, Dominica has come up with a daring, if not altogether wholesome, concept of, ‘provisional economic citizenship’.

A West Indian Commonwealth, or whatever name it assumes, might thus be an evolving, indigenous concept. In providing for ‘Member States’, it could equally have the ingenuity to provide for ‘member-citizens’. West Indians would thus have dual citizenship, that of the state from which the individual originates as member-citizenship of the West Indies Commonwealth. This would actually be similar to arrangements in the Swiss Confederation where a person is first a citizen of the republic of his origin, by virtue of which he is also certified as a citizen of the Confederation. However, the difference would be that the West Indian Commonwealth would initially have a more limited, though evolving jurisdiction and external recognition than the Swiss Confederation, now 700 years old. Its member-citizens would similarly have less comprehensive, though expanding, rights and obligations than Citizens of the Swiss Confederation.

Since a West Indian Commonwealth would presumably not have initially a unified army, parliament, foreign policy and judiciary, it may not be recognized by the big powers as a unitary state for such purposes as adherence to international treaties requiring parliamentary ratification, such as those conferring membership in the United Nations and other intergovernmental organizations, or for purposes of immigration and financial obligations. In this connection, it is of interest to note that the

Commonwealth of Independent States has, at the present time, a unified army, while the United States judiciary is not unified at all levels.

The lack of full external recognition is, for some purposes, not a great inconvenience, while, for others, it is a distinct advantage, like having many votes and staff-members in intergovernmental organizations, while speaking with one voice. But for most purposes, those that are most esteemed and confidence building, such a concept would be fully acceptable externally. For example, it could be recognized for purposes of ambassadorial accreditation, international or bilateral trade negotiations, commercial representation, intraregional travel and even for entering some other countries on the basis of reciprocal agreement, participation in the Olympic Games, World Cup football, other international sports competitions, cultural festivals, all non-treaty international conferences, agreements and organizations, and all nongovernmental organizations, as well as for most identification purposes.

William Demas (1991), expressed the view that “it is very difficult to think of some form of togetherness that is entirely novel. The real choice seems to be either deepening CARICOM into a confederation that is stronger than it now is *or* a Nation State that at least at the beginning is loosely Federal”. In this view, togetherness is either closed marriage or some sort of open visiting relationship, an option which, I dare say, must seem slightly eccentric to most West Indians. However, a concept of statehood and sovereignty that is not fixed, indivisible and wholly externally determined could widen the options that are open to the West Indies.

Institutions of a West Indian Commonwealth— Two Levels of Commonwealth Institutions

A West Indian Commonwealth might have at its apex a Council of Heads of Government (as does CARICOM presently) with a regularly rotating Presidency (a feature of the Swiss Confederation and the EC). The Commonwealth could have two levels of institutions. At the first level, Commonwealth Ministries (Departments or Commissions), could be vested with executive decision-making powers in defined areas delegated by the States, acting under the direction of the Council. These bodies could be headed by Commonwealth Ministers (Commissioners) appointed by the Council. Non-elected heads of ministries responsible to elected bodies would not be without precedent, even in the West Indies.

This is also a feature of the United States Federal Government as well as of the EC. It is now time to consider graduating, in a phased manner, some of the 'functional' activities of CARICOM to the status of Commonwealth bodies, and adding some others. Ironically, the only area in which a form of decision-making at CARICOM level is presently foreshadowed is the Common External Tariff, a matter which will be discussed later. The following areas might be candidates for Commonwealth status:-

- External multilateral trade relations (such as with GATT, EC, NAFTA and other regional groupings, and Commonwealth bilateral trade negotiations, for example, with Japan, China, India);
- Regional security (including arms, narcotics, international fraud, terrorism);
- Regional air and maritime transportation;
- Common services (such as natural disaster prevention and relief, specialized medical services, telecommunications, intellectual property, meteorology, law of the sea, environment);
- Advanced education, training and research;
- International sports, culture, heritage and tourism;
- Court of Appeal;
- Parliamentary Assembly.

A few words of explanation are needed in respect of this proposal, bearing in mind that we are talking of West Indies Commonwealth, i.e. unifying-state, executive decision-making bodies. Some of these activities, for example, external multilateral trade relations and culture, heritage and sports could involve Commonwealth external missions, replacing in some instances individual State missions, such as those to the EC in Brussels and to the specialized international organizations in Geneva/Vienna/Rome. And, lest it should be thought that I am proposing a new, increased regional bureaucracy, the idea would be to bring together the individual State bureaucracies in these fields into unified regional capabilities under common direction, but not necessarily entailing the move of staff to the headquarters location of these Commonwealth bodies. Moreover, since we are dealing with what, for our purposes, is a unifying State, these Commonwealth (and other regional) bureaucracies would not have special diplomatic status.

A West Indian Court of Appeal has already been proposed and an Assembly of Parliamentarians approved. The executive responsibilities of the new Commonwealth Ministries proposed above would make the Assembly a meaningful arena for substantive debate, and direct popular consultation. Apart from a membership drawn either from the individual States parliaments, or directly elected, such a West Indies Commonwealth Parliamentary Assembly should find ways of including a Consultative Assembly drawing upon various interest groups and individuals eminent in different fields. For example, those who have received high honours in their individual States might be automatically eligible for membership in the West Indies Commonwealth Parliamentary Consultative Assembly.

Inter-governmental Institutions

Collective Identity, Security and Foreign Policy

At the second level, could be various intergovernmental institutions that, while not vested with executive decision-making powers, could perform advisory, coordinating or cooperative services and other useful activities. These bodies could meet, as they do presently in CARICOM, at the relevant ministerial level. Examples of such bodies are those for health, education, labour, agriculture, and so on. However, the main issues at this level concern the future of foreign policy co-ordination and of the present economic integration arrangements.

As indicated earlier, the increasing isolation of the West Indies is giving rise to a more urgent need to project its collective identity and widen the security arena. This could be a task for a more positive approach to regional foreign policy co-ordination which so far seems to have given greater emphasis to reacting to international and regional events. It is a task that could entail variable levels of co-operation, including some joint actions, though I do not feel that the first-best conditions, such as were set out earlier, are now present for graduating foreign policy to Commonwealth status.

The possibilities are many. Beginning at the level of the United Nations, the Non-Aligned Movement, the (British) Commonwealth and the African-Caribbean—Pacific Group of States associated with the EC, a clear need has arisen to find renovated rationales and mechanisms to enhance the expression of collective responsibility and military and economic security for the developing world, and indeed for ensuring

some measure of equilibrium in the world as a whole. Acting at such a level should not be intimidating, for the force of ideas and diplomatic capabilities are not constrained by small size, especially at this time when the need remains so conspicuously under-fulfilled. It would not be the first time that the West Indies would have played an influential and even critical role on the international stage.

At the regional level, we need to give thought to the means and strategy by which our collective identity and profile could be more visibly and systematically projected in the GAS, the Latin America and Caribbean Economic System (SELA), the Rio Group, the Inter-American Development Bank (IADB) and the Economic Commission for Latin America and the Caribbean (ECLAC). There are possibilities too, in policy-groupings as we have seen recently in respect of the Amazon Summit and the Alliance of Island States in respect of the environment and climate issues. Looking ahead, the Alliance need not, for example, be confined to climate negotiations; while a caucus of Small States (those with a population not much greater than that of Jamaica) could also be a useful family for the West Indies to foster, especially such purposes as international negotiations in respect of air and maritime transportation, the disposal of toxic materials, quotas in International Commodity Agreements, the Law of the Sea, etc.

A regional foreign policy also entails reaching out in a positive manner to those lands from which the forbears of the great majority of our population came. Both West Africa and India have a place in the international community that is a good deal more secure than that to which the West Indies can aspire. Both Nigeria and India are, for example, potential permanent Members of the Security Council. We have made a great virtue out of creolisation, at the expense of pluralism. The challenge now would be to build on that foundation by projecting both creatively, in a manner that enjoins kinship in a broader genealogy, while respecting the distinctiveness and unity of the society and culture that we have created here.

Finally, we should no longer neglect the opportunities that may exist for formalizing our economic relations with Japan (and in course with India and China). Not only are there likely to be substantial advantages of such a relationship but it could provide a healthy degree of competition and improve leverage we have in respect of our economic relations with the BC and with North America.

The Common Market

Turning to the trade and economic side of the inter-governmental machinery, I should like to take up the two major current issues, the Common Market and Monetary Union. Nothing further will be said here about industrial integration (including fiscal incentives), since, as I have already indicated, it seems that the opportunities in these areas that might have been present twenty-five years ago are no longer present, and can be regarded as having been overtaken by global economic developments.

While CARICOM has long established the principle of a free trade area (FTA) among Member States, reportedly there still exists a number of illegal restrictions and derogations from the regime. Presently, those Member States with stable exchange rates (in particular Barbados) seem to have the greatest difficulty in fully implementing free trade in regionally competing industries, as would be expected, given the massive devaluations that have been occurring in other Member States. However, the dilemma is that since regional transactions, especially in local value-added terms—and setting aside petroleum, an internationally priced commodity which is independent of the integration arrangements—are such a tiny proportion of CARICOM total international trade—about 3 per cent—exchange rate parities cannot be influenced to any significant extent by them—even if a number of specific products in stable currency Member States are placed at a disadvantage in the absence of continuing protection.

CARICOM has also established the principle of a common external tariff (CET) and set a date for its entry into force which has so far not been fulfilled. Basically, the idea is that a common level of external protection would contribute to stimulating regional protection. Thus, a differentiated level of tariffs has been provided for. From rest-of-the-world origins, the tariff is higher for goods that compete with regional goods than for those that do not. This is further differentiated, with a relatively higher tariff for final goods than for inputs of primary, intermediate and capital goods. To illustrate the general principles:—the tariff on intermediate goods, as well as on final goods, would be 30 per cent if they were competing and 10 per cent if they were noncompeting.

However, perhaps a more noteworthy feature of the regime are the enormous complexities arising from a bewildering number of approved departures from the tariff structure—rules for determining duty exemptions, special arrangements in response to particular concerns, special arrangements in respect of GECS countries, Belize and Montserrat, and

for temporary shortages of supply. In addition, the distinction between competing and non-competing goods in all categories, except perhaps capital equipment, defies meaningful and consistent application. It would be no exaggeration to say that, for the most part, it would be impossible to predict what the external tariff would be for any product, in any Member State, at any point in time, let alone whether it would be common to all, some or no Member States.

The matter is further complicated by the fact that the CARICOM Secretariat recognizes that the CET, if you can call it that, would have to be “managed as a dynamic and flexible instrument responding to economic development in the Region, and in the international economy”. The sheer impossibility of negotiating such a labyrinth of derogations and continuous changes over time among twelve Member States may have persuaded CARICOM to vest authority over the CET in the Common Market Council and not the individual Member States. Of course, since the individual States make up the Council, the decisiveness and coherence of the process are still far from certain.

Evidently then, one must anticipate a continuing need for an impressive and doubtless growing bureaucracy, together with a large investment of time, effort, and resources in servicing and regulating the application of this regime. I am doubtful that it is worth it. To begin with, for reasons mentioned above, plus the fact of variable changes in exchange rates, and differences in local value-added and transport cost, the actual application of an external tariff that is of comprehensive trade coverage and that confers common effective protection on the whole region is a certain impossibility. Moreover, liberalization commitments to the *IMF/World Bank* under structural adjustment programmes could cut across CARICOM’s structuring, scheduling and sequencing of the CET.

Perhaps most importantly, even if the CET could be implemented perfectly, as the intended 10 to 20 per cent differential in tariff rates, there is little reason to believe that it could represent a critical or decisive advantage in making decisions about the location of productive activities in the region. In the context of that objective, such a tariff differential is relatively insignificant compared with the broader macro-policies, human, financial, natural and infrastructural requirements of development. A CET could, however, play a role in negotiations with other trading partners or communities and with enterprises. The prospect of using up so much time, effort and resources in what is certain to prove an essentially

unproductive exercise, is a matter which, to my mind, the authorities need to take seriously.

On the whole, therefore, my approach to the Common Market, the Free Trade Area (FTA) and the CET would be a minimalist one. In the case of the FTA, to establish a tariff-quota only for products presently benefiting from derogations, free trade being applicable to the product beyond the volume thus established. In the case of the CET, to establish an agreed minimum (rather than a maximum), say 15 per cent, for all products below which the external tariffs of the individual Member States should not fall—mainly for purposes of external trade negotiation at the regional level and for cases where a relatively small margin of protection might be needed to safeguard actual or potential regional industries. In other words, only a minimum of effort and resources would be devoted to the management of Common Market regimes and affairs.

Before closing the discussion on the trade side, there is a possibility I should like to point to which offers benefits that are much underrated. The ratio of the average to total value of imports for CARICOM is 0.08, a figure that has remained more or less unchanged for the last twenty-five years and is the lowest for any economic grouping in the developing world. This is one piece of *prima facie* evidence that significant economies may be gained from cooperative approaches and increased efficiency to at least some categories of imports, including motor vehicles, air and maritime transportation, insurance, particularly in the context of trade negotiations with large blocs like the EC, NAFTA and Japan. A variety of techniques are available to the private sector if it is more firmly urged and organized to realize such economies. A conservative estimate of such savings would be ten per cent of the total import bill, that is to say, more than five times the domestic retained value of intra-regional trade in manufactured goods.

Monetary Union

The commitment of West Indian governments to monetary union remains somewhat ambiguous, but, strictly, seems to rest on the authorization given at the meeting of Heads of Governments in Kingston, in 1990, to study the matter. The West Indian Commission, however, in its Progress Report went so far, on the basis of advice from the region's most eminent fiscal and monetary practitioners, as to recommend the establishment of an independent regional Caribbean Monetary Authority and the taking

of immediate steps towards the goal of a common Caribbean currency. Nevertheless, I will venture a dissenting view on the matter, thus setting aside discussion of what would be the best strategy for the implementation of a monetary union, the aspect that has been most prominent in the regional deliberation and literature.

The underlying circumstances do not seem to provide a strong justification for monetary integration. The relative importance of intraregional transactions is very small and, as mentioned above, it is even smaller (3 per cent) than the gross trade statistics suggest. Capital and labour mobility is even less significant. On average, 60 per cent of GDP, and a higher percentage in some Member States, is earned from exports to external currency areas, principally the US. The region's production structures are almost completely unlinked. By contrast, 60 per cent of the EC's trade is intra—Community and 71 per cent is with greater Europe, while less than 9 per cent of its GDP is derived from non-European sources. But, even in the EC, the case for monetary union has not been free of doubt.

While many may agree that these facts dampen the case for monetary union (which incidentally would have to include commercial banking policy), they, nevertheless, find that its justification lies in the more dynamic advantages of cementing, hastening and deepening regional economic integration, in the stability which it can bring to exchange rates, inflation and the balance of payments, in lowering exchange transactions cost, greater convenience and regional symbolism (*Codrington, Hilaire, Robinson, Samuel, 1991*). Its feasibility is exemplified by reference to the experience of the Organisation of Caribbean States (OECS) states and the African countries participating in the CFA zone. Of course, one should equally recognize that the dynamic effects of those monetary unions in furthering economic integration in their respective regions are conspicuous only by their absence.

However, these justifications are not too convincing, in my view. For all the reasons given above, it would be difficult, at this point in time, to foresee the region attaining substantially higher degrees of economic integration as measured by intra-regional transactions; and, paradoxically, some of the advocates of monetary union are those who see the most dynamic potential of the region, in terms of outward export orientation. If stability *vis-a-vis* the rest of the world is needed, a proposition that is itself questionable at this time of massive mis-alignments, it is attainable

without monetary union (indeed, has been attained in some Member States), and at lower costs in terms of the effects of constrained national policy actions.

Nor is stability among Member States necessarily an over-riding virtue in itself, given the tiny share of intra-regional total transactions, and the large divergences that exist among West Indian economies. To illustrate this by just one measure, whether or not there is a real basis for it, the per capita GNP of Barbados is 15 times that of Guyana and 6 times that of Jamaica (there is, by contrast, a fairly high measure of convergence among the OECS states). Savings in exchange transaction costs are small, and may not be taken by itself as a serious justification for monetary union. In any event, such economies, increased convenience and regional symbolism can be secured, to some extent, by methods that do not entail monetary union, a common or single currency.

On the whole then, it does not seem to me that a sound case has been made that the costs in terms of constrained discretion in national policy-making at this stage are outweighed by the immediate and likely near future benefits of monetary union. For the latter are themselves based on assumptions about the relative importance of dynamic gains from regional economic integration, which have neither been demonstrated nor seem credible in the world as it is.

What then would be the desirable priorities in respect of Caribbean monetary economy? First and foremost, there is a need to find rational means and guidelines for determining efficient levels for the alignment of West Indian rates of exchange, whether to the US dollar or to some basket of currencies, and for adjustments to them, as needed, from time to time. Secondly, there is a need to work out what are the best mixtures of money supply, fiscal, banking, other macroeconomic and sectoral efficiency policies that would secure exchange rate, balance of payments and socioeconomic objectives.

These are needs not only of the Member States with unstable currencies but those with stable currencies. For example, in the unstable cases of Guyana and Jamaica, the need for and beneficial effects of the apparently large gains in so-called international competitiveness, as measured by changes in real effective exchange rates, have been rather dubious, as Thomas (1991) and Girvan (1992) have shown. But in the stable cases of Barbados and Trinidad and Tobago, there have equally arisen questions about the loss of international competitiveness and its sustainability. While

in the other stable case of the OECS monetary union, the fixed exchange rate system, it seems, has been far more viable for those Member States like Antigua whose tourism natural resources have attracted relatively large foreign investments, than for the others.

Institutional Alternatives for Economic Co-operation

The institutional alternative I foresee on the economic side would involve using the regional bureaucracy to stimulate and organize co-operation among the responsible actors, particularly in fields of macroeconomic and exchange rate management and industrial and export development. It is clear, for example, that the responsible national officials could get a great deal more from regular, in depth, consultations and research on macroeconomic and exchange rate policy and outlook analysis. This process should gradually build up to a more disciplined acceptance of guidelines and co-ordination of policy, whenever generally advantageous. In this context, for example, it is possible to foresee eventually the use of agreed criteria in determining the need for and extent of exchange rate adjustments, and progress towards the creation of a mechanism that would help to limit the extent of arbitrary and unjustified divergences among regional exchange rate policies.

It would be equally advantageous for the national associations of manufacturers, commercial and tourism enterprises, to get together to work out concerted programmes of co-operation for attracting new export industries to the region. One could foresee, for example, packages of prospective industries in all the Member States being targeted in joint, cost-effective, and attractive endeavours aimed at securing investments from the US, Western Europe, Japan and South East Asia.

Conclusions

In this lecture, I have argued that the CARICOM and other models of Caribbean integration currently being offered are neither credible nor realizable. The shortcomings of the existing approach as well as far-reaching changes in the international environment imply a more discriminating evaluation of regional initiatives as well as greater enterprise in the pursuit of common, joint or co-operative actions and policies towards the rest of the world, selectively. Above all, they call for much enhanced regional efforts in the development of human resources and physical infrastructure.

In adopting such an orientation, the new dynamic should arise, as it did not in the past, from exploiting first-best options—the unique, the least-cost or the no alternative—being examples. At once, we can say that the best, unique, most lasting rationale for Caribbean Community is cultural identity and kinship, which has also been the unifying force in other groupings of countries. It needs to be enhanced by building up the self-esteem and confidence of our people.

At the centre of this identity would be a West Indies Commonwealth, providing for member-citizenship, concepts that modify, to our advantage, while allowing for selective external acceptability, fixed and indivisible concepts of statehood, sovereignty and nationality. Its institutions would exist at two levels—one vested with executive, decision-making powers in defined areas delegated by the States (basically in areas meeting the first-best test, like multinational trade relations, regional security, various common services). The other would be intergovernmental institutions, performing advisory, coordinating or co-operative services, but without executive decision-making powers (areas like economic and foreign policy that do not presently meet the first-best test). Reviewing, in this light, Common Market and Monetary Union commitments and aspirations, they seem to be neither workable nor desirable. A proxy to the FTA and the CET arrangements is proposed, involving a simple trade-off between the costs and benefits of imperfections in these regimes.

On the economic side, the institutions needed should be designed more for a role in catalyzing and organizing those responsible for action at the national level, than in planning and managing supra-national regimes. One example concerns the organization of greater efforts in respect of consultations and research on regional macroeconomic and exchange rate management, leading in time to agreed policy criteria and eventually to a mechanism for limiting arbitrary or unjustified divergences. Another example concerns regional programmes for the promotion of new export industries, involving the national enterprise associations in launching joint and cost-effective endeavours in targeting new external investments based on regional packages of prospective industries for the Member States generally.

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END NOTES

1. This lecture was prepared on the occasion of the 20th anniversary of the establishment of the Economics Faculty at the Cave Hill Campus of the University of the West Indies, where the author was the first Professor of Economics. The views expressed are not attributable to the institutions to which he is affiliated.

CHAPTER 18

CARICOM Beyond Thirty: Connecting With The Diaspora

P.J. Patterson

IN ORDER TO commemorate its 30th Anniversary, the Caribbean Community (CARICOM) decided to undertake a year-long programme of activities throughout our Region. Our central theme in these Distinguished Lectures: 'Towards the Further Enhancement of Caribbean Civilisation'.

Although this is the seventh in the Series, it is the first being delivered outside our immediate borders. Although I am in Brooklyn, I know of no West Indian who would not here feel truly at home.

I regard this as a special privilege for several reasons.

As one who was then engaged at the Ministerial level in the architectural design of the Caribbean Community and as a witness to the signing of the Treaty of Chaguaramas in 1973, I am proud that we now represent the longest surviving model of regional integration in the developing world. I am pleased, as the incumbent Chairman, to inaugurate, by virtue of this Lecture, a new chapter to forge a close and dynamic partnership between all the people of the Caribbean—those who dwell within our shores and those of the Diaspora who currently reside abroad. By fortuitous coincidence, I am here at a moment when a son of the Caribbean, Honourable Julian Hunte, Foreign Minister of Saint Lucia, has been chosen to preside over the 58th General Assembly, when the United Nations is faced with its most serious challenge to promoting a global order where all mankind can dwell on a single Planet in peace and harmony—where through collective decisions we can create a global economic system that ensures the equitable sharing of the resources of Mother Earth. We cannot subscribe to a world where might is right and the strong are free to break every rule and hallowed

practice of international Law. We must resist any global economic system which allows the rich and powerful to condemn those who are small and weak, to a perpetual state of poverty and underdevelopment. The united voice of the Caribbean will join the chorus of developing countries who are assertive in the demand for a just, peaceful and equitable world where we are no longer expected to be satisfied with the crumbs that fall from the Masters' tables. It is most appropriate that here in New York, I should remind this audience that when we speak now of Caribbean people, Haitians are not just our neighbours, but they are full members of the family, for the Caribbean Community of which I speak is no longer Anglo-centric. Having embraced Suriname within the Community nearly 10 years ago, we have now welcomed as our newest Member, a nation of six million people. Haiti was the first black Republic in the Western Hemisphere, a nation which was born in the overthrow of slavery and colonial rule. It was an achievement of immense significance in the history of the Caribbean and symbolized its unrelenting quest for freedom and equality.

On the verge of the celebration of its bicentennial of independence, we salute Haiti and the Haitian people and their achievements. They have struggled many years over a long and difficult road in a hostile world of discrimination. Today, Haiti faces enormous challenges for economic and social development. Indeed, it is in dire need of international assistance but, over recent years, the donor community has imposed a virtual embargo on assistance and cooperation with Haiti which has severely damaged its prospects. Now that Haiti has subscribed to the fundamental principles on which the Community rests, CARICOM seeks to assist them in the process of building those institutions which are required to ensure a true and lasting democracy. We cannot condone their isolation which would only breed further poverty and misery for the Haitian people.

Mr. Chairman,

The concept of forging closer links between the countries of the Caribbean is more than a century old. The birth of CARICOM, 30 years ago, signalled the intention of its founders to combine the existing and potential resources of a people who share a common vision and history in order to realize their promise and possibilities. Since then, as is the case in much of human experience, the integration movement has witnessed progress but also suffered reverses. No one can pretend that all our aspirations have been fulfilled, nor that the institutions and machinery

for implementing decisions have been flawless. But what remains incontrovertible is that if regional integration was an option three decades ago, there is absolutely no valid alternative today. Nowhere else on the Planet is there a region where the encounters between people of different cultures have been as challenged to make sense of human existence in modern times as in the Caribbean. The encounters between Africa, Europe and Asia and they in turn with the indigenous Native Americans (Caribs, Arawaks, Tainos) have resulted in a dynamic interplay so as to produce a new and unique people, shaping what many of us describe as a Caribbean civilization.

It was a French Caribbean author, Edouard Glissant, who wrote the Caribbean 'as no myth of origin' What it enjoys is a myth of relations. So whether African, Caucasian, Indian, Chinese, Lebanese, Jew or the various mixtures which exist, 'all a we is one'. Based on this premise, I assert that the job of building the kind of Caribbean Society we desire is not restricted to those who are physically located within the geographic confines of the Caribbean Sea.

The 'people' boundaries of CARICOM are not confined to the physical boundaries of our regional homelands. The living boundaries of CARICOM are to be found wherever CARICOM nationals or their progeny reside and work. As the incumbent Chairman, I bring you the clear message that the West Indian diaspora communities abroad are within the demographic and cultural boundaries of CARICOM. We want to have overseas West Indians fully engaged with the rest of us in consolidating Caribbean regional integration.

The time has come for both sides of the connection, the diaspora and home region, to work together to realize the full potential of a dynamic relationship. But that effort has to be grounded in a proper understanding and knowledge of this connection. Those of us who are physically based in the Caribbean need to deepen our knowledge of the diaspora: Equally, the diaspora needs to know and understand itself and be conversant with all the developments back home.

Studies and Research on the Diaspora

Several scholarly studies have been done of Caribbean intra-regional and extra regional migration, the well-spring of the West Indian diaspora. These studies document the different waves of migration that have taken place from the West Indies since the nineteenth century.

Of course, when one looks at trends in the different diaspora communities which were born out of West Indian migration, interesting differences in patterns become apparent.

We are seeing important contrasts between the dynamics of the West Indian diaspora community in the United Kingdom, on the one hand, and those of the community in North America on the other. Following the strong wave of West Indian migration to the United Kingdom from the 1950s into the early 1960s, the introduction of restrictive immigration laws choked off the flow considerably. In later years, significant numbers of West Indian immigrants in the UK relocated to Canada and the United States. There has been remigration, back home to the West Indies, especially of persons who have reached retirement age.

In contrast with the trends in the United Kingdom, it is the West Indian Diaspora community in North America, especially the United States, that reflects the greatest ferment in terms of growth and potential. In 1990, the number of immigrants in the United States who were born in the Commonwealth Caribbean was nearly 787,000. About 78% of this number were under the age of 50 years, and 61% had high school education or above. So this was a community which would have been engaging in dynamic economic and educational pursuits up to the present. The West Indian diaspora does not consist only of those who actually migrated from the Caribbean. Second and third generation progeny, born in the host country, are an important component of the diaspora, depending on their socialization and their general life experiences.

Forces behind West Indian Migration

Apart from the numbers, what are the considerations that make the West Indian diaspora and its original home region mutually important to each other? The underlying social and historical forces that shaped West Indian societies have resulted in their citizens displaying a high propensity to migrate. Every human being is driven by an innate need to survive. Faced with a social and economic milieu that historically lacked the capacity or the interest to create adequate space for everyone, many West Indians have been constrained from the earliest of times to seek opportunities outside their countries and their region.

They moved to the tobacco and cane-fields of Cuba. They helped to build the Panama Canal. They are to be found in many countries of Central America. They have moved in great waves to Europe, Canada

and the United States to overcome the colonial legacy; in response to the dynamics of demography, and the existing constraints of human, financial and institutional resources. We will only stem the tide, when we expand our economies, increase professional and job opportunities and accentuate social mobility fast enough to satisfy the growing expectations of our people. All this can be spurred from the benefit of the added synergy to be gained from regional integration and progressive social policies which will, in time, substantially reduce lack of opportunities as a push factor. Even then, as we move to create a Free Trade Area for this Hemisphere, we must accept that persons will continue to move across national frontiers. Our approach to the development of our human resources must take this into full account. We must accentuate our training particularly in those areas of high external demand so that we produce enough Doctors, Nurses, Teachers, Security Officers, Engineers to satisfy our domestic requirements and yet cope with the pull factor of attractive competing job opportunities abroad.

The Connection between Diaspora and Homeland

Given the circumstances of migration, what will keep a diaspora engaged with its homeland or home region? I think we must distinguish between a 'passive' diaspora and an 'engaged' diaspora. The 'passive' diaspora simply reflects the objective fact of the existence outside a country or region of people who had their origins in our homeland. They are not characterised by a persistent backward glance towards home. In contrast, the hallmark of the 'engaged' diaspora is the persistence of 'connectedness' through time with home or with the idea of home. The 'connectedness' of the 'engaged' diaspora manifests itself through one or more of several ways. The first factor, independent of all other considerations, concerns the purely emotional. Most West Indian migrants retain a special place in their hearts for the village, the town, the city, the country, or indeed, the region where, in common parlance, his or her 'navel string is buried.' This evokes the notion of rootedness, not only in concrete material terms, but also of the soul and the psychic dimension of being. The process of socialization in migrants' homes and in West Indian groupings overseas also serves to imbue second-generation and third-generation members of the West Indian diaspora with this sentiment.

There remains an emotional attachment to sustain connectedness. A substantial proportion of West Indian migrants leave dependent relatives

or other financial obligations behind. Many migrants retain a strong interest in social, political and economic affairs back home.

Indeed it was from this great city that the visionary and prophetic Marcus Mosiah Garvey spread the gospel of Pan Africanism and espoused the dignity of the black race. W. A. Domingo launched from here the Jamaica Progressive League as a forerunner to the Peoples National Party and before the Barbados Labour Party was spawned. These factors which help sustain the connection of West Indian migrant groups with home are also the engine behind another interesting phenomenon in West Indian migrant behaviour: namely, the relative frequency with which many members of the diaspora move back and forth between the host countries and their original homelands. This is particularly so for those migrant groups that are located in relatively nearby areas such as the Eastern and Southeastern seaboard of the United States. Flying home to the Caribbean from these areas is a matter of anything from 1½ hours to 5 hours. When this easy access is combined with the increasingly frequent appearances of West Indian popular musicians and other performers before diaspora audiences, we have a powerful force at work helping to sustain connectedness and keeping the West Indian diaspora fully engaged.

Existing Patterns of Engagement Between Diaspora and Home

Numerous charitable initiatives are undertaken every year by groups of West Indian nationals, highly organized or spontaneous, to help relieve pressing social needs back in their respective Caribbean homelands.

Many are the Children's and Old people's Homes that have been assisted, hospital wards that have been equipped, school programmes that have been strengthened, through this manifestation of charitable support by the diaspora. Many go further and return home to give freely of their professional time in myriad of skills. We expect that this philanthropic spirit in the overseas West Indian community will long survive and grow from strength to strength. Overseas West Indians have for some time now been channelling some of their savings into financial institutions in the region. Building societies in the Caribbean have been able to establish strong organized linkages with West Indians abroad, and attract resources into their operations. Over time, members of the West Indian diaspora have also built up and maintained foreign and local currency deposits in banking institutions in the region. The foreign currency deposits increase

the capacity of the local banks to provide needed foreign currency loans to local businesses to finance expansions and production for export. Central Banks have come in recent times to have a growing appreciation of the strategic role of the flow of migrant remittances back to their homelands. We should also recognise the part played by 'remittances' in kind, or the 'barrel phenomenon', which has received very little attention in research and analytic work. Numerous migrant dependents back home rely as much on the goods sent home regularly to them in these barrel consignments, as they do on actual cash remittances. The positive contribution of these flows cannot be overstated. On the social dimension, migrant remittances in cash and kind comprise a significant part of the implicit social safety net of the country, supporting consumption at adequate levels, and thereby providing stimulating injections into various sectors of the economy.

The Challenge to Intensify Connectedness

The already existing levels and intensity of diaspora engagement are indeed encouraging. But I am convinced that we can build on the currently prevailing patterns to move to even greater and more exciting possibilities. This is obviously so with respect to the linkages of Caribbean national migrant groups directly with their respective national homelands. But it is equally so with respect to diaspora engagement with the Caribbean Community as a whole. We hope and expect that the West Indian diaspora, by virtue of their identity, will sustain a strong abiding interest in the development of the CARICOM region, and will become fully engaged in that development. But if this involvement is to have any long term viability, it must be on the basis of mutuality of benefit.

Diaspora Engagement At The Level Of The Caribbean Community

As CARICOM countries intensify their drive to constitute themselves into a true Community, we want the people of the West Indian diaspora to see themselves as belonging to this Community. We need to build a solidarity between the people of the Caribbean who have a commonality of interests because they are confronted with a similarity of challenges.

Our concern to involve West Indians abroad in the progress of CARICOM integration has for long been an abiding preoccupation. The most explicit and far reaching expressions of this preoccupation were the intensive and widespread consultations that the West Indian Commission

conducted with the diaspora in the UK, Canada and the USA in the early 1990s. What is the nature of this community of states we are building in CARICOM, with which we want the diaspora to be fully engaged? For a Thirtieth Anniversary is not simply about fêting—it should also be a pause to chart a more exciting period ahead. The next steps on the journey must serve to further our mission.

When I assumed the Chairmanship of CARICOM at its thirtieth anniversary summit meeting in Jamaica three months ago, I tabled a document, 'CARICOM Beyond Thirty: Charting New Directions' in which I offered my own perspectives on the way forward for the Community. The Rose Hall Declaration, issued by the Heads of Government at that summit meeting, also made firm commitments on a range of fundamental issues for the strengthening and deepening of CARICOM.

A primary concern is to retrofit CARICOM, within the context of the pressures and challenges from a unipolar world which threatens to marginalize us. Globalisation is merciless—it acknowledges no historical indebtedness—it presently affords no protection to the weak. The preferential arrangements on which our countries have traditionally relied have been subject to vehement attacks in various multilateral trading fora. Our region accounts for 0.27% of total world trade. Today, the gulf between the rich and poor is widening. More than 80 countries now have seen a drop in per capita incomes during the last decade. The income gap between the fifth of the world's population living in the richest countries and the fifth in the poorest was 74 to 1 in 1997, up from 60 to 1 in 1990 and double where it stood in 1960-30 to 1.

Robin Hood used to rob from the rich to give to the poor. The global market economy is causing the exact reverse. In Cancun, a united CARICOM with 14 votes uttered a single message. We were part of the chorus which did not bring music to the ears of the developed world. We are not prepared to sell our birthright for what is not even a mess of pottage. We do not beg for charity. We insist on the design of a New World Economic System where we are a meaningful part of the directorate and allowed to secure international economic rules; we must allow arrangements which protect our farmers, our manufacturers and thereby improve living standards for our people.

We see CARICOM as a collective instrument for mitigating the vulnerability of our individual small states: vulnerability to political pressures from, powerful interests in the wider world; vulnerability to trade,

economic and financial shocks from the global marketplace; vulnerability to the impact of natural and man-made disasters. CARICOM must be a collective institutional instrument for the joint expansion of output and employment of its people, and for reducing or mitigating the costs they must bear for good governance and vital social services.

CARICOM must provide a milieu for nurturing and strengthening our shared collective identity as a people, whether resident in the region or dispersed in the diaspora, giving us the psychic capacity 'to stand tall with confidence before and in the world.' We are in the process of creating one common and enlarged economic space out of the several small economies of the region: a CARICOM Single Market and economy in which there are—

- no tariff or non-tariff barriers against the movement of eligible goods;
- no barriers to the provision of services across national boundaries in the Community;
- freedom of movement, in the first instance, for defined groups of qualified workers that will eventually extend to other CARICOM nationals living in a Member country or residing in the diaspora; and
- no obstacles to the movement of capital from one member state to another; or to the right of establishment of CARICOM investors in any member state.

We invite you in the diaspora to share this vision of our evolving Caribbean Community and to participate in its construction: a Community of freely moving peoples; to our shared commitment to sound democratic principles, the rule of law, and to the consolidation of civil society in the governance of our societies; a Community anchored in a common economic space for investment, production, and trade; a Community of shared values, where a sense of self and society is rooted in a strong regional consciousness.

It is this vision that Members of the West Indian diaspora are being invited to embrace—the wider CARICOM as an enlarged homeland, where they can find, or even initiate, synergies for cultural and productive action that generates profitable returns for all. It was West Indian Nobel Laureate Sir Arthur Lewis, a true Caribbean man who managed to remind his regional compatriots that:

“Music, literature and art are as important a part of the heritage of mankind as are science and morals. They differ from science in that they do not represent what is, but are products of the creative imagination. They have, therefore, infinite scope for variation. And yet, they tend to be distinctively national in character . . . This is the essential and most valuable sense in which West Indians must be different to other people”.

Our history of slavery, indentureship, colonialism and the continuing threat of post-colonial dependency, require the sovereignty of both intellect and imagination, collectively and individually, for the second emancipation in which the reformed CARICOM must play a significant and decisive role. We must turn, then, to key points of cultural empowerment to unlock the potential of our Caribbean population. The advent into CARICOM membership of Haiti and Suriname and the interest on the part of the Hispanic Caribbean in being involved, immediately dictate extension of sports activities beyond Sabana, Kensington and Bourda. Athletics (in which the English-speaking Caribbean nationally rather than regionally excel) and Football (Soccer) in which all Member-States of CARICOM have an expressed interest (if vying for the World Cup is any guide) and American baseball and basketball which are well established in the Hispanic Caribbean, all come to mind; Sports Academy(ies) nationally, sub-regionally and/or regionally. These should be established to engage a future generation not only to develop performance skills in the game but as part of the overall building of individual character, to fostering serviceable values and attitudes, and promoting frequent and better encounters with fellow-Caribbean compatriots, at home and abroad, resulting in the appreciation by the young generation that the Caribbean is ‘one world to share’.

Why should we not have sports facilities for Spring training? What about the professionals engaged in the promotion, management, training, physical fitness, medical care, broadcasting of sporting activities with our natural advantage of warm temperature weather all year round? The Performing Arts have, by and large, escaped the threat due to world-class excellence of many of its Caribbean exponents and the tremendous potential they have presented themselves to add to the GNP.

Together, West Indians in Toronto, London, New York or Miami can work with us to carve out a distinct niche in what is now termed

‘Cultural Industries’ with music (live and recorded) being the flagpole entity it is. This can provide huge inflows of foreign exchange through performances (for example, Sunfest and individual superstars in concert) or state-of-the-art recording studios as exist in Jamaica and once existed in Montserrat before the volcano. Calypso and Reggae from either end of the region are highly marketable commodities. Popular music, from calypso through zouk to reggae/dancehall, belongs to the mass of the population and are regional expressions whatever their original places of origin. It is not by accident that the names of Bob Marley, Jimmy Cliff, Peter Tosh from Jamaica, the Mighty Sparrow and David Rudder from Trinidad and Arrow from Montserrat, are so well known.

Theatre Companies like the Trinidad Theatre Workshop, the Little Theatre Movement of Jamaica and other theatre groups serviced by playwrights from all over the region, Dance Companies like the NDTC of Jamaica, Storytellers like Paul Keens-Douglas and Louise Bennett both serving our diaspora on both sides of the Atlantic, are Caribbean entities with worldwide fame. The Caribbean literary achievement is itself second to none. There have been Nobel Laureates for Literature in the recent past—in the persons of Derek Walcott and Vidia Naipaul; novelists of the ilk of George Lamming and Earl Lovelace; poets a-plenty from Suriname’s Martin Dobru, through to Guyana’s Martin Carter and Barbados’ Kamau Brathwaite, to Jamaica’s Lorna Goodison, Cuba’s Carpentier and Nicolas Guillen and the great many others who through the magic of their imagination have over the past half a century reminded us that there is a logic and a consistency to being Caribbean. The heritage must not be lost and we should not deprive the diaspora from exposure and contributions to the rich creative cultural energy of the region. The dialogue and literature surrounding cricket constitute a well established icon of Caribbean identity.

We know only too well how quickly the feeling of West Indians, many of whom know little about the intricacies of the game, can soar with the victory of the W. I. Cricket Team and sag into despair at the prospect of defeat. Here in the diaspora, cricket remains a great symbol of uniqueness and also a source of bringing our people together.

In 2007, the Caribbean will host the World Cricket Cup—the greatest event of any kind which we have ever staged. Many of you will be coming to watch the games. But it is more than a spectacle—it is serious business. Companies from all over the world are bidding for a piece of the

pudding. Why should our people in the diaspora not seek to be engaged in the vast array of professional and entrepreneurial aspects which these Championships require? Admittedly, cricket speaks mainly to the English speaking Caribbean by reason of its past and development. Here is another opportunity for constructive engagement with the diaspora.

Institutional Requirements for Strengthening Connectedness

None of this can happen without effective enabling institutional arrangements on both sides, or without adequate information flows and opportunities for networking. Within the context of a revised CARICOM Treaty, all member states are now engaged in implementing a comprehensive legislative programme to create the necessary legal framework for the Single Market and Economy. This legal framework will move the idea of a common economic space among CARICOM countries from concept to reality.

The Caribbean Court of Justice is essential to provide an original Jurisdiction and to enable the development of a Caribbean jurisprudence which is impossible when the Final Appellate Court is an external one. Within this enabling environment, there must be high quality operational institutions which can command the confidence of the diaspora and attract its members to become involved with them. Here, in particular, the soundness of financial institutions are at issue. In the particular case of Jamaica, we have in recent years undertaken a comprehensive overhaul and strengthening of financial legislation and regulations. The Banking System, Building Societies and the Insurance Industry have now come under greatly enhanced supervision. We must promote as the first line of defence, a culture of prudence within the individual financial entities themselves.

It will also be necessary to have well managed corporate vehicles, outside the financial sector, operating in the CARICOM Single Market and Economy to encourage the profitable placement of diaspora investment in these financial entities. Institutional development will also be necessary on the side of the diaspora communities. I look forward to the time when vigorous leadership will concentrate within the diaspora for the creation of substantial corporate institutions based on the migrant community, including investment vehicles that can aggregate diaspora savings for prudent and profitable investment back home in the Caribbean. I also

visualize a scenario in which business and organizational talent based in the region will invest in diaspora institutional development, and vice versa. Returns on such investments within CARICOM can prove equal to or better than what is offered by the metropolitan markets. One possibility couldn't bring everything together: indulging the sense of West Indian belonging; engaging with CARICOM regional development as a whole in addition to following individual national attachments, and securing competitive returns on investments placed in the region through sound operational institutions. All these elements could be satisfied by means of a bond issue by the Caribbean Development Bank (CDB), specially designed and marketed to the West Indian diaspora. The CDB, which enjoys triple A rating, has acquired solid experience over many years of going to the market for funds. We need to examine the feasibility of a special bond issue for the West Indian diaspora, or alternatively, of suitable strategies to get West Indians abroad to tap more fully into its regular bond issues.

In the same vein, more of the bonds issued abroad by individual CARICOM Governments could be taken up by a cross section of the West Indian diaspora, and not by just those diaspora members who are nationals of the issuing country.

The Lobbying Potential of The West Indian Diaspora

But we must, however, extend beyond finance and economics the connection of the West Indian diaspora with its CARICOM home region. The West Indian diaspora communities constitute a formidable force for the advancement of Caribbean interests in their host countries. We do not need to be apologetic or diffident about this. West Indian migrant communities abroad should not feel that they are doing a disservice to their host societies if they defend Caribbean interests in the political systems of their host countries. Indeed, action to protect Caribbean interests can also promote vital interests in their host countries on subjects where we share common concerns. After all, the Caribbean is, for the United States, its Third Border. In the USA, we are able to observe outstanding examples of effective national or ethnic lobbying groups at work: the pro-Israel Jewish lobby, and the Cuban-American lobby that so heavily influences US national policy on Cuba. These and similar groups are single-minded in their pursuit of the interests they defend. No one can fail to notice the increasing intensity with which local political

concerns impact on national policy through the representative process. West Indian migrant communities in the USA reflect a high degree of geographical concentration, particularly in New York and Florida. This presents us with the possibility of aggregating numbers locally to form active constituencies around particular issues for feeding into the political process. These predisposing factors by themselves will not necessarily provide the required results. The members of the diaspora generally need to get actively involved in local politics, as voters, organizers, petitioners.

They need to feel impelled to understand and articulate Caribbean interests. This has to be fostered through appropriate educational, information, and communication initiatives. There is a concomitant need for the CARICOM side at the national and regional levels, to define, articulate and communicate the relevant issues in clear terms, and to invest in the necessary organizational and programme arrangements to do so. Commensurate organizational development is required on the diaspora side. We therefore, encourage national groupings in the West Indian diaspora to come together to advance concerns that are of common interest to all CARICOM countries; concerns relating to key trade and investment issues; concerns over developments in US immigration policy; concerns touching on vital security matters arising from the US-based nexus of the narcotics trade, gun-smuggling, and criminal deportees.

Self Reliance

In the past, I have advocated a strategy of concentric diplomacy in which I have argued that we must seek to establish ever widening circles of cooperation, beginning with our partners in CARICOM. This will extend to the wider Caribbean, the Latin American region, the hemispheric system and ultimately the international system in groupings and organizations such as the Non Aligned Movement, the Group of 77, developing countries and the UN system. At the same time, we must also seek to promote cooperation with the developed countries on the basis of mutual respect. When the leaders of the region signed the original Treaty of Chaguaramas in July, 1973, they were in effect expressing a vision and a commitment to embark upon a more self-reliant path of development at the regional level, based on the belief that the region as a whole, could effectively pool its collective economic strength for the benefit of its people. This is the ideal to which the original signatories of the Treaty committed themselves and which we as their successors must continue to nurture.

The reality is that a concerted programme of economic integration and functional cooperation provides the surest means for the countries of the region to optimize their development potential and thereby establish the basis for promoting the well being of their people. The Governments of the region have reaffirmed their faith in the ability of the region to be self-reliant.

For what is Caribbean integration all about? It is about maximizing territorial integrity, optimizing development possibilities, thereby increasing our influence in the international community and ultimately ensuring respect for our people. We have for too long ignored the fact that our Community disposes of a range of resources unmatched by any 'economic entity' of similar size in another part of the world. Our region possesses large quantities of bauxite, petroleum, natural gas, gold, diamonds, vast agricultural and forestry resources as well as significant tourism infrastructure and relatively well developed human resources.

It is for this reason that the CARICOM Heads of Government, during our recent meeting held in Montego Bay, decided to establish a high level group of experts to identify opportunities for promoting production integration and the necessary policy and institutional arrangements to support such a programme. This initiative is an important complement to the efforts to establish the CARICOM Single Market and Economy (CSME).

While the Single Market and Economy will provide a framework for the seamless movement of factors of production, the Group of Experts will aim to provide a strategic vision for the combined utilisation of resources and capacities in order to optimise the development potential of the region and thus increase the welfare of its people. For this is ultimately the *raison d'être* of our Community. Indeed, our people have demonstrated their ability to compete internationally—whether in administration, in literature, in music and the arts, in sports, notably cricket and athletics. From Trinidad and Tobago has come the only new musical instrument of the last century—the melody of the steel band.

Our Community has also produced outstanding sons and daughters—including three Nobel Prize Winners in Arthur Lewis, Derek Walcott and Vidia Naipaul. Kim Collins, born in the nation with our smallest population, led the pack of 100-metre sprinters in Paris.

The Bahamian women won gold in the 4x100m relay at the Sydney Olympics. In a land where there is no snow, the Jamaican Bobsleigh team

is a centre of world curiosity. Brian Lara holds the record for the highest score in both Test and First Class Cricket. No bowler has captured more Test wickets than Courtney Walsh. Not bad for a region of our size. Indeed, these represent outstanding achievements.

Some Thoughts For Action

The observations I have presented here, are intended as a contribution to the ferment of debate and discussion about the future of the Caribbean Community and of the connection between the Community and the West Indian diaspora.

They do not claim to be a definitive blueprint. Perhaps my own observations can also contribute to the overall frame of ideas from which an action agenda can be drawn for consolidating the diaspora as an integral part of the life of the Caribbean Community. Indeed, as we mark the thirtieth year of CARICOM, this would be an opportune moment to bring new and intensified effort to bear on this question. Let me end with a few suggestions, as we contemplate the unfolding of a widespread effort to sustain the mutual relevance to each other of the diaspora and the Caribbean Community. In this connection, I would like to first commend the scholars and their institutions, who have been directing well-needed research attention to the dynamics of West Indian migration and diaspora behaviour. They have done much valuable work on the subject already, but everyone will accept that considerably more needs to be done. I want to encourage Caribbean scholars to maintain their efforts in this regard, and maintain a comprehensive programme of research and analysis on West Indian migrant flows and their communities abroad.

I would also suggest that an initiative be taken to convene a major symposium, or a series of symposia, on the challenges of sustaining a dynamic and productive connection between the Caribbean Community and the West Indian diaspora. The University of the West Indies has been conducting an annual Mona Academic Conference on important regional policy issues, and this suggested symposium could take the form of one of these Conferences. I have elsewhere proposed that the UWI and the CARICOM Secretariat collaborate with each other and with key organizations and resource persons in the diaspora, to mount such a symposium, and I am assured that the University will be addressing the matter.

I also think it would be useful to have a CARICOM/diaspora business conference incorporated within the frame of the symposium or organised as a separate exercise. The symposium and the business conference which I have suggested would certainly provide the diaspora with opportunities for expressing their ideas and providing inputs to policy development within CARICOM.

We can look for other ways of securing diaspora participation, such as admitting representatives of the diaspora to appropriate fora of CARICOM. Indeed, in the context of the contemplated reform of the Assembly of Caribbean Community Parliamentarians, we can explore the desirability of admitting diaspora representatives to that forum.

I have also sought to stress the importance of two-way flows in the diaspora connection with the region. There is an appreciable one way flow of artistic presentations and popular performances from the Caribbean to the diaspora, especially in the US. I believe that everything should be done to encourage a reciprocal flow. My last observation touches on the crucial issue of maintaining diaspora interest and involvement beyond the first generation members. I perceive of a diaspora that will persist through time, well after replenishment through new migrant arrivals. There are outstanding cases of other diaspora groups which have been able to maintain the intensity of conscious connection to a homeland, without depending on substantial numbers of new arrivals. Clearly, the process of socialization of the children of migrant families has much to do with this.

There is considerable room for fruitful collaboration between Caribbean Governments and organizations on the one hand, and diaspora interests, on the other, to produce a range of multi-media materials that would assist West Indian migrant homes in undertaking the necessary socialization of offsprings into West Indian consciousness.

Concluding Observations

Ladies and gentlemen, it is clear from all that I have said that the connection between the West Indian diaspora and our West Indian home is alive and dynamic. Yet, even so, there is enormous potential still to be tapped in the relationship.

The future of the engagement of the diaspora with our CARICOM home is pregnant with rich possibilities, and beckons us with exciting

promise. We must use the existing interaction between both sides as a springboard to propel the connection to a greater level of maturity where we are all mutually enriched in a milieu of stronger unity. Together, as we seek to forge an inseparable partnership, let us create real opportunities for self-fulfilment by all the people of the Caribbean and thereby convert our dreams into a welcome reality.

CHAPTER 19

Existential Threats in the Caribbean: Democratising Politics, Regionalising Governance

Norman Girvan



“CLR James was arguably, one of the outstanding personalities of the 20th century. In a life that spanned nine of the century’s decades he embraced most of its great social movements with passion, eloquence, and brilliant insights. His impact extended far beyond his native Trinidad and Tobago to the entire Caribbean, Britain, the Soviet Union, the United States and Africa.

To some, CLR is best known for his tireless struggles against, colonialism, imperialism, racism and Stalinism; inspired by an overarching and infectious vision of the possibilities of establishing a just, human and participatory society. Others will remember him

for the scope of his knowledge and appreciation of literature and philosophy, and for his ability to illuminate their relationship to politics and the worker day world. For many, he is quite simply the best writer and cricket and society that the game has ever known. No one exposed to him or his work is ever quite the same again.”¹

The CLR James I knew

I was privileged to first hear CLR at a lecture he delivered on the Mona Campus of the University of the West Indies (UWI) in late 1959. I was a first-year student, an impressionable youth, and the experience was unforgettable. His subject was “The Artist in the Caribbean”; and he brought art, literature, politics, philosophy, and economics together within a single unified vision of the world and of human society. “The great artist,” he said, “is universal because he is national”—rooted in his or her society and reflecting and relating to the social forces of their time and place.

It was not just his content, but his style. James spoke with knowledge, feeling, authority, fluency and poetry. The words seemed to flow like a great river from the mountain to the sea, sometimes changing direction and speed, sometimes digressing, but always confident that it was headed towards some glorious rendezvous with history. A first impression, a lasting impact.

Years later, as a graduate student in London, I was part of a CLR James study group that met every week at his house in London to sit at his feet—intellectually and even literally. The subjects ranged from democracy in advanced industrial society to West Indian politics, literature and society. There were people some of you may know or know of, like Wally Look-Lai, Ken Ramchand and Raymond Watts from Trinidad, Richard Small and Orlando Patterson and Joan French from Jamaica and Walter Rodney from Guyana. Individuals from the James Study Group were to develop ideas, scholarship and activism that influenced the course of development in the English-speaking Caribbean in the early post-colonial years.

Young people today don’t know enough about CLR James and the other greats of our history. If this knowledge, this consciousness were steeped in their bones there wouldn’t be so much confusion in the region today about who we are, about where we are coming from, and where we are going. I remember once wearing a T-shirt with a picture of Uriah

Butler on the front and someone thought that the image was that of Col. Sanders of KFC! Of course I did grow up believing that the real Lord Kitchener was a Trinidadian Calypsonian, and only later learnt that he was a British General whose name had been adopted by Mr. Alwyn Roberts as his sobriquet! And by the way, I got it right the first time around.

CLR James on Federation

James was an ardent West Indian nationalist at a time when to be a nationalist and to be a regionalist were one and the same. (That is still the case; I have always held that people who see a contradiction between nationalism and regionalism are either unaware of our history, or choose to deny it.) James's return to the region in 1958 after an absence of 36 years was to attend the ceremonies inaugurating the West Indies Federation. He stayed on to be General Secretary of the West Indies Federal Labour Party; the party of Manley, Williams and Grantley Adams; the nationalists and social democrats. He edited the PNM newspaper, the Nation; from which platform he carried out an ultimately successful campaign to have Frank Worrell named captain of the West Indies cricket team—the first black captain. He travelled and lectured in various parts of the region; he held classes, he published.



Grantley Adams, Eric Williams and Norman Manley huddle on Federation

Three months after his return, there is a record of his having given several lectures in British Guiana (B.G.), as it then was. The date is June 1958. At least one of those lectures has survived; the title is “Federation (The

West Indies and British Guiana)⁴². James published the lecture himself: he had an eye for political education, and for history. The Foreword to the Pamphlet was written by Forbes Burnham; it is significant that James should have invited him and what Burnham had to say was also very significant. It reads in part

"A special invitee to the opening of the first Federal Parliament in Trinidad last April, (Mr. James) took the opportunity of visiting British Guiana, and his public lectures on "Federation", "Literature and the Common Man", "Political Institutions in the advanced and underdeveloped countries and the relations between them" were a source of controversy and education for many Guianese. Many of the latter for the first time recognised the possibilities and scope of our national movement and its intimate relation to that in the Caribbean in particular and the colonial world in general".

I very much doubt that in later years James would have been proud of this association with Burnham. But this was 1958, Federation was a hot topic in B.G.; and when you read on you begin to see why James spoke as he did and why Burnham said what he said. The reason can be summed up in a single word: race. James:

"In Europe and the United States we discussed Federation for years before World War II and I cannot remember a single occasion in which it ever crossed our minds or the issue was raised that British Guiana would not join the Federation. . . . But after the war, and especially during recent years, there began to be sounded a note which has grown in intensity. We heard that the East Indians in British Guiana were opposed to Federation (because) . . . They had a numerical majority over the other races, they hoped to establish an Indian domination of the colony; Federation would bring thousands of Africans (or people of African descent) from the smaller islands to British Guiana, . . . They would place the Indians in British Guiana in an inferior position . . . We heard also that the African population of British Guiana was now eager for Federation particularly for the reason that it would bring this reinforcement from the smaller islands. I have heard

*these arguments constantly repeated. **That is to reduce the great issue of Federation to a very low level.***

He goes on to say:

"It has been observed that when a colonial country is approaching national independence, there are two distinct phases. First, all the progressive elements in the country begin by supporting the national independence movement. Then when this is well under way you have the second stage. Each section of the nationalist movement begins to interpret the coming freedom in terms of its own interests, its own perspectives, its own desires. Thus the accentuation of racial rivalry at this time is not peculiar to British Guiana or to Trinidad . . .

*This political excitement, however, carries with it **certain dangers** . . ."*

He points out that in British India, Hindus and Muslims lived together in relative peace and harmony—

*"Yet in the days before World War II there sprang up the movement for a Moslem state which finally succeeded and resulted in the formation of Pakistan. I do not wish to say that there were not honest and sincere elements in the movement. But in it there were three types against whom I want to warn you here in British Guiana—**fanatical racialists, scheming and ambitious politicians, and businessmen anxious to corner for themselves a section of industrial and commercial possibilities.**"*

I do not think James could have said it any more plainly. It was a warning about those who fan the fires of racial or religious animosity for reasons that are less than noble. The ethnic violence that broke out in Guyana in the early 1960s lay in the future. James was prescient in the way that only a man of his genius could be. He was warning the Guyanese, he may well have been warning Trinidad and Tobago. He was probably in the presence of Forbes Burnham and I would guess that his audience was mainly Afro-Guyanese. In 1958 Burnham had already split from Jagan and the People's Progressive Party (PPP). We do not know if he was one of the

“scheming and ambitious politicians” that James was talking about—CLR was a master of oblique reference where he trusted his audience to know the meaning. I would guess that he meant his audience to understand people from both sides of the political divide.

His observations clearly continue to have resonance. An ethnic sub-text continues to lie beneath the discourse on integration. But that subject is for another occasion. What I propose to do is to look at James’s position on Federation in the light of what has happened since then and the situation today.

CLR on Federation

James said in the lecture:

“Federation is the means and the only means whereby the West Indies and British Guiana can accomplish the transition from colonialism to national independence; can create the basis of a new nation; and by reorganising the economic system and the national life, give us our place in the modern community of nations.”

You will note that James saw Federation as a project of **nation-building**. But James was not just a nationalist, he was a Marxist; a Marxist who saw the proletariat, the working class, the ordinary people in any society, as the leaders of change, the source of creativity in politics and economics and culture. He had had intense debates with his political associates in the American Left on this point. He had denounced the Leninist theory of the Vanguard Party and he had denounced the Stalinist Soviet Union. He was fresh from these debates when he arrived back in the West Indies. But this lecture supports Federation as a national project, not as a class project.

James was far too holistic in his conceptions to compartmentalise his thinking. He addressed the role of the popular masses in nation-building in his book *Party Politics in the West Indies*, published shortly after his break with Williams. He saw the Mass Party as a vehicle for the mobilisation of the people for economic and social development. So I believe that James on Federation should be read in conjunction with James on Party Politics; on cricket in *Beyond a Boundary*; on his treatment of the national question in his debates with Leon Trotsky and others in the Marxist movement; and his earlier *The Black Jacobins* and the *Life of Captain Cipriani: The Case for West Indian Self-Government*. In short, I think the absence of social

agency in James's Federation lecture can be explained by reference to his wider work. And I am certain that he saw a direct relationship between the West Indian national project and realising the creative potential of the West Indian people.

You will also note that James talks about Federation and independence as the means of "reorganising the economic system and the national life (to) give us our place in the modern community of nations." He gives examples of economic integration and economic modernity—the European Coal and Steel Community, the European Common Market, federations and economic unions in other parts of the world. He goes on to talk about Nehru's establishing a steel industry in India, Nasser's project for the Aswan High Dam in Egypt, and Nkrumah's promotion of the Volta River hydroelectric scheme in Ghana.



Then he says

*"Some people I know with knowledge and experience of steel have challenged the value of this enormous expenditure and the general dislocation of the economy which (Nehru's Project) will cost . . . But today there are no purely economic questions. **Freedom from colonialism is not merely a legal independence, the right to run up a national flag and to compose and sing a national anthem. It is necessary also to break down the economic colonial systems under which the colonial areas have been compelled to live for centuries as hinterlands, sources of raw material, backyards to the industries of the advanced countries.** Independence is independence, but when you continue to live in territories which still bear the shape of the old colonial territories, it is extremely difficult to free yourself from **the colonial mentality.** And most of the best colonial statesmen are . . . taking*

the necessary steps which will enable not only foreigners but their own populations to see that they have laid the basis of a balanced economy, and of an economy which is not a hinterland, a mere periphery, to the great centres of civilization. That is what the colonial areas are doing. That is what the West Indies will have to do. And I suggest that it can be done only by Federation.”

I think it is pretty clear where James was coming from and where he was going. Economists today continue to debate the pros and cons of industrialisation as a strategy for small countries like ours. But to focus on James's examples is to miss the point. He was talking about a modern economy, a balanced economy, an economy capable of sustaining itself, of providing for its population. And he was saying that no one West Indian territory could do it on its own.

So what happened?

Of course the Federation failed. I remember the night of the Jamaica Referendum—I was devastated. But here, I want to say that even if the vote had gone the other way, I very much doubt that the Federation would have survived. The Federal Constitution that resulted from the protracted negotiations was a messy compromise that satisfied no one and left everyone bitter. Key issues like freedom of movement and taxation were left unresolved, to be revisited five years after Independence. They would likely have remained deeply divisive. By 1961, distrust among the leaders had become endemic and they were hardly on speaking terms with one another (*Mordecai, The Federal Negotiations*). If Jamaica had been the only problem; you would have expected the others to happily bid Jamaica goodbye and proceed to form a strong Federation. This did not happen, Trinidad and Tobago left—remember “1 from 10 leaves 0”—and the others failed to agree among themselves. Once insular independence became an option, the will to federate evaporated.

But consider this. Dr Eric Williams convened a Conference on Caribbean Economic Cooperation in 1963. The Caribbean Free Trade Association (CARIFTA) was formed in 1965, expanded in 1968; and transformed into the Caribbean Community (CARICOM) in 1973. In 1989 we had the Grand Anse Declaration on the CSME and in 2001 the Revised Treaty of Chaguaramas.

The Preamble of the Revised Treaty talks about *“the commitment to deepening regional economic integration through the establishment of the CARICOM Single Market and Economy (CSME) in order to achieve sustained economic development based on international competitiveness, coordinated economic and foreign policies, functional co-operation and enhanced trade and economic relations with third States”*.

What I am trying to say here is that *virtually for the entire period since the break-up of the West Indies Federation, the same countries have been trying to forge a kind of “economic Federation”*. It’s like Humpty Dumpty after the fall! Surely it is significant, hugely significant, that *all* Caribbean leaders, of *all* political stripes and persuasions, in *all* time periods over the past half-a-century, have *all* arrived at the conclusion that economic integration is *imperative*. There is no better teacher than experience.

The record of Insular Independence

Half a century has passed since the first territories of the former Federation achieved their insular independence; with the others following suit. What has been the record? Has any country been able to build a modern diversified economy capable of making its way in the modern world? How much genuine independence has been achieved? And why do we keep coming back to the imperative of integration?

Well, statistics show that there has been considerable economic and social progress. Per capita income, life expectancy, educational attainment and the rest have improved—more so in some countries than in others, of course. Economies have diversified away from monoculture.

On the other hand there are downsides. A recent report notes that “there is still a significant level of poverty (in CARICOM) despite the middle level per capita income that has been achieved” (*CTIR 2010: 99*). The level of poverty was reported to be 27 percent in St Kitts, 15.9 percent in Nevis, 37.7 percent in Grenada, 18.4 percent in Antigua and Barbuda, 14.5 percent in Jamaica, 28.8 percent in St. Lucia, and 16.7 percent in Trinidad and Tobago (*CTIR 2010: 10043*). Reported rates of open unemployment are relatively low (most are in the single digits) but how you measure it is another matter; and there is a large informal sector; and many people belong to the category of the working poor.

The main downside I want to look at, however, relates to the degree of real independence that has been achieved.

The simple fact is that economic diversification has not reduced economic dependency. For the most part we have moved from agro-exporting economies to tourism-driven economies and emigration-driven economies.

Services, mainly tourism, have become the largest single export earner in 11 of 14 CARICOM economies; and they are concentrated in the same markets as before. The energy sector of the country of Trinidad and Tobago is similarly concentrated by market.

Remittances from the Diaspora—working in the same countries—are the fastest growing source of currency inflows⁴⁴. They are three times the total value of all agricultural exports and roughly two-thirds of earnings from tourism.

Brain drain from the Caribbean is the highest in the world: in 2000 the emigration rate for tertiary level graduates averaged 65 percent for 13 CARICOM countries; in five of these the rate exceeded 70 percent⁴⁵. We are unable to retain our best and brightest in the region. Is this development? Earnings from the exports of people are the most dynamic sector in CARICOM economies! Is this diversification?

Structural adjustment, neoliberal globalisation and global crisis

It doesn't get better. The International Monetary Fund (IMF)/World Bank programmes, the World Trade Organisation (WTO) and other trade agreements and neoliberal globalisation have resulted in a *progressive loss of policy autonomy of CARICOM governments* over the past thirty years. This was forcibly brought home by the controversial Economic Partnership Agreement (EPA) negotiations and by the way in which the global economic crisis that started in 2008 caught governments flat-footed and empty-handed. Consider the following.

Slowing growth and rising indebtedness. In the past 20 years regional economic growth has slowed⁴⁶ while regional countries have gone further and further into debt. According to a 2003 IMF Study, CARICOM economies are among the most highly indebted in the world. In 2009, the United Nations' (UN's) Economic Commission for Latin America and the Caribbean (ECLAC) reported that "the public debt of most of the English-speaking Caribbean countries has exceeded levels that could in any way be defined as sustainable"⁴⁷. It goes on to say:

“Barbados, Belize, Guyana and Jamaica would have to post primary (fiscal) surpluses of between 2.3% and 3.9% of GDP over the next 20 years in order to reduce their current public debt to 40% of GDP, a level considered to be sustainable . . . In every case, it is important to bear in mind the marked recessionary effects of such fiscal adjustments, as well as their economic and social costs, which would be magnified if the current recessionary climate and economic slowdown resulting from the international crisis were to continue”.

Now what does this mean in plain and simple English? It means that these countries will be at the mercy of their creditors. It means that they will need to extract between 2 and 4 percent of their national production from their national population to service their debts *for the next 20 years*, just in order to reduce their debt to what is considered sustainable! That this will itself reduce economic growth because it cuts in investment and purchasing power and this will make it even more difficult to service the debt. That health, education and other social services will need to be cut. That standards of living will fall.

What will emigration be like under this scenario? What will unemployment, social exclusion and crime be like under this scenario? Is this a scenario of viability?

Marginalisation of entire countries under neoliberal globalisation.

Up to the end of the 1980s the banana industry was the largest single employer of labour, peasant occupation and export earner in the Windward Islands. Enter the WTO agreement, American multinationals growing bananas on Latin American plantations where cheap labour can be exploited, and campaign financing for the Bill Clinton presidential campaigns. Next: the U.S. lodges a complaint to the WTO that the European Union (EU) treatment of African, Caribbean and Pacific (ACP) bananas is discriminatory; the WTO rules against the EU; the EU opens its market to low-cost bananas; and goodbye Windward Islands banana industry.

From 1990 to 2009, banana production in the Windward Islands plummeted from 252,000 tons to 35,000 tons—86 percent; the number of active growers fell from 25,700 in 1990 to 3,000—88 percent; and the number of workers employed in the industry from 77,000 in 1990 to

16,500 in 2002—78 percent⁴⁸. Remember that these are countries whose combined populations are less than 500,000. An economic Tsunami!

'Fiscal colonialism'. The Harmful Tax Competition Initiative of the Organisation for Economic Cooperation and Development (OECD) is a unilateral imposition by the rich countries of rules devised to protect their own interest; which has severely hurt the international financial services sector of several Caribbean jurisdictions. I am reliably informed that “the offshore sector in Dominica is virtually wiped out, and it has diminished considerably in Antigua and Barbuda, St Kitts-Nevis, Saint Lucia, and Grenada; and that even in larger jurisdictions such as the Bahamas and Cayman Islands, the offshore banking sector has declined”⁴⁹. Fiscal colonialism!⁵⁰

Economic neo-colonialism. In 2007, CARICOM countries were resisting some of the most unreasonable demands of the European Union in the Economic Partnership Agreement. The EU threatened to impose tariffs on Caribbean exports benefitting from duty-free treatment on the EU market; and CARICOM governments caved in. The EPA will eventually remove tariffs on the majority of imports from Europe; and free of most service sectors in CARICOM for investment by EU firms. It will bind CARICOM governments' policies in trade, services, investment, intellectual property and government procurement; indefinitely. It commits CARICOM countries to negotiate further liberalisation in 2013. A similar agreement is being negotiated with Canada after that country announced the ending of the Caribbean-Canada Trade Agreement (CARIBCAN).

Economic vulnerability. Because of its dependency on the North Atlantic economies, the Caribbean was one of the regions of the developing world that was worst hit by the global financial and economic crisis. ECLAC estimated that in 2009 the Caribbean subregion lost 10% of its Gross Domestic Product (GDP); 10 of 14 Caribbean countries experienced negative growth; unemployment increased in at least six countries⁵¹. The 2010 recovery was forecast to be less than one-sixth the rate of recovery of the South American region.

By the way, the sole exception to these trends in the past decade indebtedness is Trinidad and Tobago—a country that is still a “mono-cultural” export economy in which the energy sector is about 40%

of GDP and 80% of exports. As a consequence it was hard hit by the global crisis; losing over 3 percent of its GDP in 2009. And the Caribbean Life Insurance Company (CLICO) meltdown, a spin-off of the crisis—has already cost Trinidad and Tobago taxpayers over US\$1 billion—and still counting.

IMF Trusteeship. Since the onset of the crisis, four CARICOM countries have entered into major IMF programmes⁵². The IMF Jamaica agreement is one of the most stringent cases imaginable of financial supervision of an independent state. There are nine listed conditionalities covering Government Finances, Public debt management, Public entities, Institutional Fiscal Reform, and Financial sector reform. Jamaican officials are required to report to IMF staff resident in Jamaica on a daily basis in some instances. There will be quarterly reviews: for example “the first . . . review will focus on the FY 2010/11 budget and the implementation of the fiscal responsibility framework; . . . examine the plans for recapitalizing financial institutions. The second will focus on fiscal reforms, specifically in the debt management, tax, and public financial management areas. It will also review progress in the various initiatives aimed at strengthening financial system regulatory and supervisory framework. The third review will focus on public bodies and employment reforms as well as progress in financial sector reforms”⁵³. The latest news, which came on May 11, is that 10,000 public sector workers are to be retrenched.

Energy dependence. Most CARICOM countries are energy-dependent and have only survived the spike in energy prices in the 2000s thanks to the generosity of Venezuela through PetroCaribe. No one knows how long this will last.

Food dependence. It is likely that the CARICOM region has become more food-dependent and food-insecure in the past 40 years. Food imports is one of the fastest growing items in the overall import bill and at \$3.5 billion, are about three times the value of exports of agricultural products. The recent spike in the prices of food commodities in international markets, due largely to speculative purchases, has left most countries without a cushion and created severe political pressures.

James said that “*Freedom from colonialism is not merely a legal independence*”. It is about charting your course in the modern world. The

reality is that insular independence has become largely shambolic and economic sovereignty an illusion. And what about the “colonial mentality” that he spoke about? Is it behind us? We still take our cases to the British Privy Council! Most of our “Independent” countries still have Governors General that are required to swear allegiance to the Queen of England! And now we have the globalisation mentality—everything local is judged by some international standard, of competitiveness, of investor-friendliness, of good governance.

I am not saying that some of these measures aren’t useful; it is an attitude of mind that I am talking about—an attitude of mind where you only value what you have if it is valued by the global market and validated by a global standard. The colonial mentality has been globalised! Where is the critical thought that CLR James epitomised; where is the independent thought that Lloyd Best called for?

Allow me to quote a colleague on this point. Commenting on the outcome of the EPA negotiations, Mervyn Claxton has observed:

A fundamental element influencing both the approach to, and the outcome of, the EPA negotiations was a shared world view on the part of both sets of negotiators, a factor that Clive Thomas underlines (quoting Thomas) “The EPA was considerably aided by the successful implantation of the EU’s world view of the region and its future among significant sections of the region’s intellectual and ruling elites, including those holding influential positions in the negotiations.”

Claxton goes on:

It is that “successful implantation of the EU’s world view of the region and its future” which made it possible for the CRNM and the “the region’s intellectual and ruling elites” to come to a meeting of minds on the EPA, an agreement which fits within a model of development that is, at best, inappropriate for the Caribbean and, at worst, detrimental to a region whose needs and circumstances differ so greatly from those of Europe.”⁵⁴

Shared world view. Globalisation. Colonial Mentality. None But Ourselves Can Free Our Minds!

Climate Change

There are two other things to mention that were not present in James's time. First, global climate change. I quote briefly from a recent report prepared for the Caribbean Community Centre for Climate Change:

*In the Liliendaal Declaration of 2009 the CARICOM Heads of Government expressed grave concern that the region's efforts to promote sustainable development and achieve the MDGs are under severe threat from the devastating effects of climate change and sea level rise. Of particular note is the increasing intensity of extreme weather events, resulting in severe damage to the region's socio-economic resource base . . . dangerous climate change is already occurring in all Small Islands and Low-lying Coastal Developing States (SIDS) regions including the Caribbean and (that) many SIDS will **cease to exist** without urgent, ambitious and decisive action by the international community.*

As some of you may know, the international community has so far failed to reach agreement on reducing Greenhouse Gas (GHG) emissions to keep the average rise in global temperatures to 1.5 C., which is regarded as the upper limit permissible before irreversible damage is done to SIDS. The principal culprit countries are too busy spending billions of dollars on bombing countries and fighting imperialist wars to give priority to dealing with the greatest single threat facing the planet.

The total potential annual cost of climate change to CARICOM countries has been estimated at about \$10 billion in 2007 prices by the World Bank, which is about 11% of the region's GDP (World Bank 2009 cited in Firth Report). But I wonder if this is not an under-estimate as new information is always coming to light, models are being refined and so on; and most importantly these estimates and models don't take account of feedback socio-economic repercussions such as growing social and ethnic conflict, political instability and social breakdown. I don't want to sound alarmist; but I don't think it would be an exaggeration to say that under a business as usual scenario, the Caribbean as we know it will have ceased to exist by the middle of the present century.

Transnational crime

The second is transnational crime. This is a globally multibillion dollar business, with resources dwarfing those of small states. In the Caribbean, we have the misfortune of sitting astride key transshipment routes in the drug trade. We are all aware of the alarming increase in gun-related violence associated with the proliferation of criminal gangs warring over the drug trade in several regional countries. Jamaica and Trinidad and Tobago now have among the highest homicide rates in the world; both over 50 per 100,000 which are about 25 times the rate in Canada⁵⁵. It is like a cancer: the effects have spread to establishment of parallel systems of authority in depressed communities; corruption of various arms of the state, notably the police and the justice system; corruption of the political process and capturing of the executive branch of the state by criminal organisations. Jamaicans and Trinidadians know what I am talking about. Just a few days ago the Prime Minister of Antigua and Barbuda was speaking of the “enormous security and economic challenges” to the region posed by organised crime, coming at the same time as countries are trying to cope with the effects of the global economic meltdown⁵⁶.

To put it plainly, governments do not have the resources to cope with the threats posed by transnational crime and climate change at a time of slowing economic growth and rising indebtedness. And this becomes a vicious spiral. This is why one speaks of “Existential threats”—a constellation of economic, social and environmental pressures that threaten the viability of our societies as functional entities in any meaningful sense. And these challenges are too wide in scope and too vast in scale for any one Caribbean country to cope with by itself.

Whatever may have been the logic of insular independence at the time and the possibilities it may have afforded; that logic has been overtaken by events and those possibilities have been exhausted. Insular independence has run its course.

Regionalising Governance

I want to argue that the regional option is a survival imperative, a development imperative; the only means of realising the “national project”—in the *spirit* of those who dreamed it and conceptualised throughout our history.

I recited a litany of problems afflicting our region. The good news is that we pretty well know how to fix them, or at least how to *start* fixing

them. And while regionalism is not a *panacea*, it is a *crucial dimension* in addressing them.

Most of these problems, if not all of them, have been the subject of regional studies, regional resolutions, regional declarations and regional decisions over the years. We know what needs to be done to diversify the economies, to reduce vulnerability, to increase resilience, to promote production integration, to foster innovation, to reduce food and energy dependency. I do not have time to list them all. But we have had the Brewster-Thomas study and other Integration studies by UWI economists in the 1960s; the Compton Bourne report in the 1980s; the CTAG Report of the early 2000s. In 2007 we had the Single Development Vision; a Strategic Plan for Regional Development is now being finalised. We have a Regional Food Security Plan, the Jagdeo Initiative for Agriculture; a Regional Agri-Tourism Project, a Renewable Energy Project. The Report of the Regional Task Force on Crime and Security was in 2001. A framework for promoting Climate Change Resilient Development was approved in 2009; an Implementation Plan is being finalised.

Our problem is not lack of thinking, lack of technical and analytical work, or even lack of formal decisions. Our problem is, and has always been, *lack of implementation due to obsession with the trappings of insular sovereignty*.

At the root of CARICOM's 'implementation deficit' problem is the impossibility of reconciling insular sovereignty, as a *legal* construct, with effective regional action, as an *operational necessity*.

That is the dilemma that the Europeans faced in the 1980s and they eventually bit the bullet with the Single European Act, the Treaty of Maastricht and the Lisbon Treaty—over a period of several years and in measured steps. I am not saying that we should follow the European model slavishly. I am arguing that we need to move in that direction.

CARICOM leaders have grappled with this problem for the past 20-odd years and they have not bitten the bullet. All kinds of devices have been tried—CARICOM Bureau, Quasi-Cabinet, Revised Treaty, Conference, Council, Committee of Ambassadors—you name it. None of them has worked, really.

Whether you call it "supranationality", "collective sovereignty", "pooled sovereignty", "shared sovereignty" or whatever; governance of the Community *has to have an element with the force of law among member states*. The principle was endorsed in Rose Hall Declaration—that was

eight years ago. The legal technical work has been done. The governments have before them proposals to this effect—have had for some time. Mr. Rickey Singh, in his column in the Trinidad Express of May 11, 2011, refers to a working document from current the CARICOM Chairman prepared for the upcoming “Retreat” of Heads of Government:

“Recognising that the current “implementation deficit” that plagues progress within CARICOM must be speedily corrected, the working document is reported to have placed strong emphasis for a new governance system that would provide a “legal basis” for implementation of decisions within specific time frames for which all member governments must honour in a new spirit of “shared sovereignty”.

This proposed new approach on “shared sovereignty” would de-emphasise the expedient application of “sovereignty of states” argument often used to justify, or rationalise failures by member countries to implement decisions unanimously adopted by a Heads of Government Conference which remains the primary organ of the Community.

http://CARICOMnewsnetwork.com/index.php?option=com_content&view=article&id=3433&Itemid=410

Will CARICOM leaders rise to the occasion? These days it is difficult to find a leader in CARICOM who is a leader *of* CARICOM; a statesman or stateswoman who looks beyond the next election or the next IMF test or the next corruption scandal; who is willing to provide some regional leadership. But we must hope—sorry; we must agitate, we must educate, we must create the climate of political opinion that impels these leaders to act.

The Clement Payne Movement in Barbados has launched a campaign for a Union of Caribbean States; with a Constitutional Convention to be convened in 2015⁵⁷. A group of young people calling themselves the Caribbean Movement for Civic Empowerment⁵⁸ has been formed here in Trinidad, with similar objectives. Editorials in several regional newspapers are calling on governments to stop the dilly-dallying on regional integration.

Earlier this year the UWI Institute of International Relations conducted a survey of over 100 civil society representatives in several countries of

the region. To a person, they expressed dissatisfaction with the state of the integration movement and support for a stronger CARICOM with real teeth in it. And also, for greater civil society involvement, greater people involvement, in building a genuine Caribbean Community—a community not just of states, but a community of *people*.

Democratising politics

Lloyd Best, I think it was, insisted on the distinction between *government* and *politics*. Some years ago Lloyd gave a lecture in this series—I had the privilege of driving him to the OWTU/San Fernando that evening. He said something that stuck with me.

He said that the problem with Caribbean integration was the absence of a *regional politics*. There was no regional political party or political movement. People from one CARICOM country did not feel free to practice politics in another—the repressive actions of governments associated with the Rodney Riot in Jamaica in 1968 and the February Revolution in Trinidad and Tobago in 1970 had put a stop to that. “Somebody is going to have to get locked up” he said; meaning that if a regional politics is to be re-born; people are going to have to defy the insular polities.

You know, we had regional politics in the time of Cipriani and Marryshow, the Caribbean Congress of Labour, Manley, Adams and Williams, James himself, the New World Group and the Black Power. We have the Assembly of Caribbean people—with due respect to those present, I am not sure that it is functioning in the way that we are talking about.



Again, there have been several initiatives and declarations aimed at fostering popular involvement in CARICOM. In the 1990s there was the Assembly of Caribbean Community Parliamentarians (ACCP). It was composed of representatives of the national parliaments of several countries. It never served the purpose, and it soon expired.

There was the Regional Economic Conference of social partners in 1994. A great success, I am told, but never repeated.

The CARICOM Charter of Civil Society is a model for citizens' rights and citizen participation. Adopted by governments in 1997, it has never been given legal status. Yet look how quickly the governments rushed through legislation on Cricket World Cup!

The Liliendaal Declaration adopted in 2002 sets out a wonderful framework for strengthening the relationship between governments and civil society, nationally and regionally. It has yet to be put into practice.

The problem originates at the national level. We have a set of constitutional arrangements, and a culture that goes along with it; that is the very antithesis of people participation. Winner Take All, Prime Ministerial power, Ministerial prerogative, domination of the legislature by the executive; voting every five years—that is government, politics and governance rolled up into one. Access to decision-making is by social networking, Party financing, lobbying, and media pressure. It is granted as a favour, not as a right. Workers go on strike.

In virtually every regional country Constitutional Reform has been on the agenda for some time. That pressure can only grow. And it ought to include a regional element—establishing a mechanism for popular participation in the regional project.

I have suggested something like a CARICOM Popular Assembly, one that has quasi-legislative powers⁵⁹. For example, it could have the right to approve or modify those decisions of CARICOM organs that have the force of law; the right to approve the budgets of CARICOM institutions that are funded from the Community's budget; and the right to deliberate and pronounce on regional policies and regional affairs.

Such an Assembly could be composed of a mixture of delegates elected on a national and geographic basis; and delegates representing the organisations of civil society: business, labour, religious organisations, professional organisations, women, youth, the indigenous people, and so on.

The Clement Payne Movement in Barbados has proposed a Constitutional Convention in 2016 to draft a Constitution for Federal state of the Caribbean Community. It is an extremely laudable objective, but I am not sure that region is ready for it. I think we need to make haste slowly, in measured steps. Regionalising governance, democratising politics.

And as Sunity is always pointing out to me, we need a regional communications strategy or network; so that people can get to know and understand each other better—a tool of mutual and continuing self-discovery.

In conclusion

Let me close with an extended quote from James's lecture. I have taken the liberty of substituting the word "Integration" for the word "Federation"; and with that change, I believe his words remain as true now as they did then.

*"Integration for the West Indies is the means by which it will claim independence, modernize itself and although small in numbers, be able to take its place as one of the modern communities living a modern civilized existence. Without Integration, I do not think this can be done. It **has** to be done or the consequences for these islands would be dreadful.*

I see Integration therefore (and I am not alone) as the process by which the West Indies, in common with the rest of the world, seeks to leave one stage of its existence which has lasted for some 300 years, and move into a new sphere, with all the privileges, the responsibilities, the difficulties, and the opportunities which the transitional stage of existence offers to all who are able to take part in it.

We are becoming free in a world of chaos and disorder.

We too must recognize that we are in a new world. And the first thing that we must do is to see the method by which they are attempting to meet the challenge of the changed conditions. I can sum up their method in one word—Integration."

Thank you.

NOTES

1. Remembering C.L.R. James” <http://www.normangirvan.info/remembering-clr-james/>.
2. <http://www.normangirvan.info/clr-james-on-west-indian-federation-1958/>; sourced from <http://www.marxists.org/archive/james-clr/works/1958/06/federation.htm>.
3. CTIR: *CARICOM Trade and Investment Report*, published by Ian Randle Publications for The CARICOM Secretariat, 2010
4. Remittances to CARICOM countries grew from \$1.7 billion in 2000 to \$4 billion in 2009. Source: Claremont Kirton, Migration & Remittances Trends: The Caribbean Experience. PPT Presentation, Mona, UWI, March 2011.
5. Pienkos, Andrew; Caribbean Labour Migration: Minimizing Losses and Optimizing Benefits Port of Spain, International Labour Office, 2006; P. 3 and Annex Table 1.
6. World Bank 2008
7. “. . . except for Bahamas, Suriname, and Trinidad and Tobago, at the close of 2009 this subregion showed levels of public debt that ranged from 60% of GDP in Saint Lucia and Saint Vincent and the Grenadines, to almost 120% in Jamaica. According to (ECLAC’S) calculations, Barbados, Belize, Guyana and Jamaica would have to post primary (fiscal) surpluses of between 2.3% and 3.9% of GDP over the next 20 years in order to reduce their current public debt to 40% of GDP, a level considered to be sustainable . . . In every case, it is important to bear in mind the marked recessionary effects of such fiscal adjustments, as well as their economic and social costs, which would be magnified if the current recessionary climate and economic slowdown resulting from the international crisis were to continue” http://www.cepal.org/publicaciones/xml/3/38063/Chapter_II_Economic_Policy.pdf p. 38. Retrieved 14 June 2010.
8. Information supplied by Renwick Rose of WINFA. Source: “The European Union and Windward Islands Bananas”, a publication of Delegation of European Union to Barbados and OECS (2009), corroborated by official annual stats. in W.I.).
9. Private communication from Sir Ronald Sanders, 11 May 2011.
10. Term employed by Sir Ronald Sanders

11. <http://www.normangirvan.info/wp-content/uploads/2010/07/dire-economic-prospects-for-the-caribbean-shown-by-eclac-report2.pdf>.
12. Antigua and Barbuda <http://www.imf.org/external/pubs/ft/scr/2010/cr10279.pdf>; Grenada <http://www.imf.org/external/np/sec/pr/2011/pr1199.htm> <http://www.imf.org/external/pubs/ft/scr/2010/cr1014.pdf>; Jamaica <http://www.imf.org/external/pubs/ft/scr/2010/cr10267.pdf> and St. Vincent and the Grenadines <http://www.imf.org/external/np/loi/2009/vct/043009.pdf> Refers to Stand-by, Extended Credit Facility and Poverty Reduction and Growth Facility with conditionalities relating to public finances, government policies and the structure and practices of public institutions. Antigua and Barbuda St Vincent and the Grenadines <http://www.imf.org/external/np/loi/2009/vct/043009.pdf>.
13. <http://www.imf.org/external/pubs/ft/scr/2010/cr10267.pdf>.
14. Mervyn Claxton, "The Cariforum-EC EPA Seen in a Wider Context", [http://www.normangirvan.info/wp-content/uploads/2008/06/cariforum-eu-epa-seen-in-a-wider-context1 .pdf](http://www.normangirvan.info/wp-content/uploads/2008/06/cariforum-eu-epa-seen-in-a-wider-context1.pdf). <http://www.normangirvan.info/wp-content/uploads/2008/06/cariforum-eu-epa-seen-in-a-wider-context1 .pdf>.
15. Data from Norman Girvan, Reflections on Armed Violence and Development in the Caribbean, <http://www.normangirvan.info/girvan-reflections-armed-violence-caribbean-development/>.
16. http://caricomnewsnetwork.com/index.php?option=com_content&view=article&id=3422:caribbean-antigua-pm-warns-about-the-impact-of-organised-crime-on-the-region&catid=294:crime&Itemid=514.
17. <http://www.normangirvan.info/caribbean-political-union-cpm/>.
18. <http://www.normangirvan.info/ccsn-caribbean-integration/>.
19. <http://www.normangirvan.info/girvan-caricoms-original-sin/>.

