# COPING WITH THE COLLAPSE OF THE OLD ORDER: CARICOM'S NEW EXTERNAL AGENDA

*Edited by Kenneth O. Hall and Myrtle Chuck-A-Sang*

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This publication is dedicated to three eminent citizens of the Caribbean Community, the Honourable Percival J. Patterson, Sir Shridath Ramphal and Sir Meredith Alister McIntyre in recognition of their tremendous contribution to the development of the Caribbean Region and the creation of a Community for all.

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# INTRODUCTION

"together we can prevail, and must prevail"
*(Prime Minister of Jamaica, the Honourable Bruce Golding)*[1]

On July 4, 2009, the region celebrated thirty-six years as a formal Caribbean Community (CARICOM). The analyses contained in this publication in the **"The Integrationist Series"** all tend to suggest that CARICOM now, more than ever, needs to transform its experiences over these years into a more structured foundation for maximising the multiplier effects of collective representation, and for leveraging CARICOM's diplomatic efforts and resources in a more coordinated and integrated manner. This imperative is necessitated by the rapidly changing international environment which has far too often impacted negatively on small developing countries, leaving them increasingly vulnerable and marginalised.

In their relationships with developed countries, the latter is shifting emphasis from commitments to fostering programmes for economic and social development; greater concern is now being placed on security in all its dimensions including drug trafficking, deportations and money laundering. Additionally, there appears to be less disquiet at the political level for ending preferences and subsidies, following the signing of the ACP-EU Economic Partnership Agreement (EPA) as countries become compliant with the World Trade Organisation (WTO) rules. New trade agreements seem to emphasise market-based solutions, without much concern for ending poverty in small developing countries, with the achievement of the Millennium Development Goals (MDGs) being lofty expectations that are, unfortunately, beyond the reach of many developing countries, including some in CARICOM, where progress with the MDGs has been uneven. In this regard, Ambassador Edwin Laurent finds that even though the performance in attaining these goals is commendable given the circumstances, he asserts that this should not be a basis for complacency, adding that there is room for improvement. He notes, however, that since foreign aid budgets have been cut, it is likely that funding for the MDGs will have to be sourced from domestic economic growth and particularly, from expanded production and exports.

When all these issues are conflated, it is clear that a new approach to managing CARICOM diplomatic efforts must be considered. The old ways of setting policy and managing CARICOM's Diplomacy are obsolete. The benefits from past diplomatic initiatives at the bilateral level may no longer outweigh the benefits to be obtained from collective and synchronised action at the regional, hemispheric and global levels. Furthermore, speaking with one voice and voting collectively on issues that matter to the survival of small vulnerable economies, is critical for CARICOM success in navigating this very fluid global environment. A cohesive CARICOM Foreign Policy should promote the collective interests of CARICOM in the area of economic prosperity and advancement. It should support political, cultural, religious and social freedoms; it should emphasise peaceful cooperation, regional security and environmental sustainability; it should accentuate the value of human rights, equity, fairness and good governance; and it should seek to integrate the Diaspora into its programming framework so as to bolster its leverage with third States.

No less important should be the notion that CARICOM Foreign Policy coordination can provide the platform for optimising the gains from diplomatic efforts, especially when the constraints of size and influence matter in the international arena.

This publication addresses these and other related issues aimed at finding a new dispensation that are central to shaping CARICOM progress in the 21st century. In particular, the critical questions CARICOM policy makers should answer are: What should be the nature, focus and institutional arrangements for a successful CARICOM Foreign Policy in a globalised world? What sort of collective governance structures and communication mechanism should be in place in order to inform our collective diplomacy and representation, while maximising the use of our valuable resources in the CARICOM Diaspora? Above all, how do we distribute the benefits of an integrated CARICOM in a tangible, accessible and equitable manner to CARICOM citizenry? Finding answers to these questions, among others, must be central to informing the new CARICOM Diplomatic focus.

In this regard, the paper by Professor Benn is instructive. He argues that CARICOM Foreign Policy was structured on a framework that applies the theory of concentricity in which the imperatives for community action are determined within a series of concentric relations, radiating from the CARICOM Core and expanding to the wider Caribbean, Latin America, the hemispheric system, and the global South. He also advances the promotion of 'growth triangles' as adopted by Indonesia, Malaysia, and Singapore and asserts that a similar arrangement can be the foundation for the CARICOM Single Market and Economy (CSME). In

this context, he outlines a number of specific measures designed to enable the Community to optimise its development possibilities and also to ensure its more effective participation in the international system.

Buttressing this framework is a governance mechanism that seeks to enhance the decision-making process within which collective action can be institutionalised. The papers by Ambassador Gomes and Professor Hunte address this issue. Ambassador Gomes notes that CARICOM is seen as a dubious mixture of elegant declarations, nebulous benefits, limited practical gains and mechanisms that are, unfortunately, accompanied by a paralysis of policy-implementation. He asserts that to re-energise CARICOM, there is the need to embrace a political vision that includes supranational institutions and the need to implement institutional transformations that could enhance the operation and effectiveness of the Economic Partnership Agreement (EPA) and the CSME.

Professor Hunte, in turn, argues that perhaps the pull-factors of sovereignty may have forestalled deeper collective CARICOM Agreements restricting Heads of Governments and Legislative Bodies from moving too far ahead of their constituents and beyond their political mandate. He also claims that there is a trade-off between sovereignty and unanimity and that much can be learned from the OECS model, contending that it has begun to build supranational institutions that leverage resources, provide executive authority and shared responsibility, while working in a transparent and accountable manner. Consequently, reducing the pull of sovereignty will enhance unanimity that is vital for CARICOM transformation. Such a transformation will facilitate the delivery of more public goods and services to CARICOM citizens; it will encourage intra-CARICOM investments; and it will support a mechanism for combining diplomatic services in third states. Above all, by including the Diaspora and civil society in diplomatic efforts formulated under supranational institutions, this approach will strengthen coverage in developed countries, deepening outreach, creating new alliances, eschewing unnecessary replication and improving intergovernmental coordination. Small CARICOM states have no alternative but to embrace supranational institutions at a time when the global environment responds more favourably to multilateral rather than unilateral action.

To understand more succinctly the global environment and its impact on CARICOM, papers by Professor Sir Kenneth Hall, Sir Courtney Blackman, and Drs Davies, Meighoo, Herisse and Insanally present perspectives that corroborate the need for collective action. Professor Sir Kenneth notes that 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. Small Caribbean States have sought

to respond creatively to the challenges facing them by embracing a strategy of regional integration (OECS), while at the same time pursuing a pattern of concentric diplomacy aimed at expanding their trade and economic links with other countries . . . ."

Reflecting on the complexity of the world economy, both Sir Courtney Blackman and Dr Omar Davies examine the indicators that have caused the global financial crisis and address the implications for the Caribbean. In the case of Sir Courtney, he identifies the factors leading up to the current "melt-down" in the United States financial system and posits that the crisis is the result of the failure of the neoliberalism and the shareholder maximisation paradigms. As a way out of this difficult environment, he recommends, "Caribbean scholars should move with dispatch to develop a paradigm that meets the needs of regional decision-makers . . . and identifies some critical areas where considerable economic gains might be made . . ." Dr Davies provides an analysis of the global financial crisis in the context of several institutional failures, including laxity in regulation, collusion, mismanagement of credit and credit rating agencies, and identifies failures by fiscal and monetary policymakers. He further contends that completely free market forces, without government oversight and regulation in some markets, goes to the heart of the financial crisis and is highly critical of the Multilateral Financial Institutions which adopt different standards for developed countries as compared with developing counties. For example, providing financing to bankrupt financial institutions in developed countries while recommending the closure of similar financial institution in developing countries, is one observation made by the author, where it would appear that 'too big to fail' is perhaps a preserve of only developed countries.

Dr Kirk Meighoo, like Sir Courtney, contends that a new paradigm is needed for CARICOM progress. He asserts that the current model is flawed, adding that "securing market access through preferential trade agreements and quotas, increased foreign investment in vertically integrated multinational industries, and development assistance through aid and soft loans for governments . . . perpetuate(s) underdevelopment and poverty in the Caribbean". This has been the path chosen for the last thirty years and it has not fostered development, but has indirectly contributed to the high unemployment rate and the increasing migration rate of skilled labour in an ever-expanding Caribbean Diaspora. He advocates less government dominance and supports "an innovative-entrepreneurial onshore economy . . ."

One of the distinguishing features of the changing global environment, especially after the Cold War, is the increasing importance and relevance of India, China and Brazil. These countries account for a large share of the world population

and economic activity; and, collectively, have the potential for dominating world affairs in a significant way in the not too distant future. Permanent seats for India and Brazil on the Security Council at the United Nations are not beyond their grasp; so too, are their expected elevated status in the corridors of power in international financial institutions. Being holders of nuclear technology and armaments (India and China) certainly enhances their claims on the world stage. These factors alone suggest that CARICOM must have serious diplomatic relations with these countries as they can empathise with the issues in developing countries as they were and are still leading members in this group.

Furthermore, China has expanded its Caribbean outreach; and is a major player in world trade, acquiring significant balance of payment surpluses with the US and many CARICOM countries. India, in contrast, has a similar colonial past to the English-Speaking Caribbean; it has a significant pool of skilled workers that is engaged in producing technology and information products and services; and it has been a source of training and skills development for some CARICOM countries. Brazil launched a successful energy programme that makes use of sugarcane in the production of ethanol and is a leading player in world markets for this commodity, but only a few CARICOM countries have benefitted from this new technology. Papers by Tingle-Smith, Hall, Benn and Rigobert provide useful information on the partnerships India, China and Brazil share with CARICOM, while Erikson and Wander describe some of the political dimensions on issues related to the One-China Policy, linking it to the nexus between China and Taiwan and some Caribbean countries. They also allude to the likely concerns the US may have with China in the Western Hemisphere. Additionally, Tingle-Smith examines CARICOM-Brazil relations and describes potential opportunities for trade. Given these favourable circumstances, it may be argued that the friendship CARICOM has with these countries augurs well for the future, once sustained diplomatic efforts and resources are applied to the tasks ahead of greater cooperation and coordination in the international arena.

CARICOM's diplomatic relations in the Western Hemisphere during the early 1970s were set against the backdrop of the Cold War, where the United States considered the region a part of its sphere of influence; and anything that was perceived to be antithetical to American interest drew swift reaction from Washington. For example, the central point of the Cold War in the Western Hemisphere centred on Cuba; and establishing diplomatic relations with Cuba was seen as an affront to the interest of the United States. Professor Vaughn A. Lewis captures in his paper some of the early actions by Jamaica, Trinidad and Tobago, Guyana and Barbados who established diplomatic relations with Cuba, contrary to United States' wishes. He also describes the political environment at

that time, incorporating the events of Chile, among other countries, and presents a partial narrative explaining how political and economic events have changed since then. Dr Cotman presents an equally important piece on the recent diplomatic relationships since 2002 between Cuba and five CARICOM countries, namely, Jamaica, Trinidad and Tobago, Guyana, Grenada and Barbados. He examines the convergence of foreign policy agendas in these countries with that of Cuba; he describes the South-South cooperation in human development; and discusses how certain factors propel or retard bilateral relations.

On the subject of South-South cooperation and trade, Professor Girvan provides a detailed description of the Bolivarian Alternative (ALBA) and the PetroCaribe programme initiated and funded by Venezuela for countries in the Western Hemisphere. Specifically, the Bolivarian Alternative and PetroCaribe are unique programmes in which Venezuela is cast as a donor country and all other participants are seen as recipients of aid flows that in many ways are different from the standard programmes negotiated between developed and developing countries or even with multilateral agencies. Professor Girvan further describes the conditions under which countries would be eligible for membership and be able to access the subsidised Oil Programmes. He also identifies potential areas of concern and conflict for CARICOM countries, given the Revised Treaty of Chaguaramas and the outstanding territorial issue between Venezuela and Guyana.

Rashleigh Jackson, a former Foreign Minister of Guyana, provides a discussion on effective foreign policy coordination that has been used collectively by Jamaica, Trinidad & Tobago, Guyana, Grenada, and Barbados on several issues that affected Cuba, Guyana and Belize at the Organisation of American States and the Inter-American Development Bank. He refers to the path-breaking work CARICOM undertook in finding a mechanism to advance the common interest of the African, Caribbean and Pacific (ACP) group in their relations with Europe. He also takes into account several other contributions that CARICOM has made through effective Foreign Policy Coordination, achieving positive results that no single CARICOM country working independently could have achieved.

Even though CARICOM Heads of Government have signed the Economic Partnership Agreement (EPA), several writers, including academics, have raised a number of concerns that signal their disagreement with the signed EPA. Many lament that the EPA is not a well-balanced agreement, as it does not foster development, but may even retard it. For example, Professor Brewster contends that the EPA does not adequately address investment, development finance, infrastructure, trade and technical barriers, among other issues. No less poignant is a paper on investment in the EPA by Gus Van Harten, who argues against

the foreign investment provisions, claiming that it could hinder development and regional integration and may even restrict the use of domestic instruments that policy makers can offer. Equally compelling is the paper by Professor Clive Thomas who presents a detailed analysis of the EPA. He not only generically identifies proponents and opponents by their positions, but he also focuses on the costs and benefits of the EPA. He analyses the institutional weaknesses in the design and architectural flaws leading up to the preparation and signing of the EPA; and bemoans the lack of learning from previous negotiations and agreements, as well as the poor communication with CARICOM citizens.

Noting that CARICOM external trade negotiations, be it the EPA or CARICOM-USA Trade, should rest on an approach that succinctly draws its focus from a CARICOM development agenda, Ambassador Collins argues that this was not the case for the EPA. He also expressed disappointment that the essential nexus between foreign policy and the community development process, though fully recognised by CARICOM Leaders, was lacking in recent trade negotiations. In view of this concern, and in order to address other global issues, he advances the idea that the Council for Foreign and Community Relations (COFCOR) should be restructured, building an effective programme aimed at deepening the CARICOM development process.

There are, of course, counter arguments that lead to the opposite view suggesting that the EPA was the best that could have been obtained in the current environment. Arguing this case in the publication is the former Prime Minster of Barbados, the Right Honourable Owen Arthur. He makes the point that: decisions had to be made in a changing environment that deemphasised preferences; embraced diversification away from mono crop cultivation; ended trade protectionism as part of the World Trade Organisation rules; and which saw a reduction in the commitment from our traditional support base, especially in Britain. In this regard, he states that 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 marginalized the Caribbean in European circles. Britain's perspectives have also changed. It has, Arthur notes, reordered 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 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. He concludes that the specific point to be noted 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.

That an appropriate development framework is lacking, especially for small developing countries, is an issue that needs further study and this is certainly beyond the scope of this publication but pertinent, nevertheless, to finding solutions to the investment and development problems in CARICOM.

Meanwhile, Katharina Serrano in her paper proposes several suggestions that can address some of these problems, even as she acknowledges that the EPA has its limitations and recommends that ways must be found not to abandon the EPA, but to limit its negative impact on CARIFORUM countries. Among the suggestions is the need to harmonize the regional investment rules in order to make them coherent with international investment standards. She proposes the establishment of a Regional Standardization for Development Office and recommends the deployment of well-trained CARIFORUM negotiators who will build capacity for negotiating agreements that satisfy CARIFORUM development requirements, even as they study and monitor the standard-setting behaviour of International Organisations. The recently approved Office of Trade Negotiations can be tasked with this responsibility.

Building capacity is also tied to working cooperatively with countries that have similar experiences and expectations as well as employing protocols that allow positions to be heard and endorsed in international meetings that matter. CARICOM needs protocols and coalitions to advance its positions in trade negotiations in the World Trade Organisation (WTO) and working with other small vulnerable economies (SVEs) is one approach that is explored by Andrea Ewart in this publication. She examines the evolution of a coalition of SVEs within the WTO and addresses how agenda setting is undertaken in the "Green Room" at the Ministerial Conferences. She posits that CARICOM and SVEs should focus their efforts only on those proposals that would be favourably considered by the WTO, as this would advance their collective interests.

In a similar approach, Emalene Marcus-Burnett examines the strategies employed by CARICOM countries in the Uruguay and Doha Rounds of Trade Negotiations and supports in many ways the strategies outlined by Andrea Ewart, especially with respect to CARICOM speaking with one voice and building coalitions. She notes, however, the level of CARICOM fragmentation and identifies the situation in Geneva, where there are four CARICOM countries (Barbados, Jamaica, Trinidad and Tobago and Haiti) operating more or less independently of each other with separate representations. Present also in Geneva is the joint representation for six members of the OECS and a separate representation by

the Regional Negotiating Machinery (CRNM), with the possibility of one more representation by another CARICOM country under consideration. Given this kind of fragmentation, it is clear that if CARICOM had integrated national and regional trade programmes and strategies that could be defended by CARICOM negotiators, then there would be no need for so many separate missions. Instead, only one representation would suffice, releasing thereby scarce human and financial resources, while capturing important synergies and leveraging the diplomatic influence of a group of SVEs.

With the loss of EU preferences and subsidies, CARICOM-US Trade has become the single most important market for CARICOM Trade, accounting for a significant share of CARICOM exports and imports. Dr Petrick examines the trade agreements in which the emphasis has changed over the years from financial aid and government intervention to a new focus on free markets, with less trade barriers, and less subsidies and preferences in most cases. He discusses the importance of import duties as a source of government revenue for several CARICOM countries and recommends that CARICOM should plan for the time when preferences will end, adding that the Caribbean Basin Initiative (CBI) is not sustainable and it may be plausible for CARICOM to seek a trade agreement similar to what obtains under NAFTA.

Land borders, the contents and boundaries of the sea and ocean, natural vegetation, including the flora and fauna, forest, minerals, fresh water and a pristine environment, together with air and sea transport infrastructure and airplane and boat services all contribute in no small way to the salubrious tapestry of CARICOM. A cursory examination of these resources will suggest that there is much to maintain and preserve in a sustainable way for future generations. For example, the CARICOM tourism industry can be severely damaged, if pollution degrades the quality of the sands and seas of the Caribbean. Likewise, over-fishing and above optimal harvesting can decimate a renewable resource, generating our own 'Tragedy of the Commons'. The poor use of chemicals can contaminate fresh water sources, damaging the environment and endangering the life of many.

Obviously, managing such a vast collection of assets is not only complex and expensive for CARICOM States, but it requires collaborative efforts and diplomatic initiatives that involve both CARICOM and non-CARICOM countries. Above all, it requires a governance mechanism that is supported by international law and United Nations dispute settlement protocols. It also requires management and security systems that are both national and regional in scope, while fostering at the same time employment opportunities for sustainable

economic development as well as preserving the environment and reversing the negative effects of climate change.

In this publication, Mr Francois Jackman and Dr Barton Scotland tackle the issues related to the ocean and fisheries; Dr Ulric Trotz probes the questions related to climate change and the environment, while Hilton McDavid and Dr Jessica Byron address national and regional security. Specifically, Jackman posits that countries must work cooperatively in order to avoid marine degradation, as unilateral action in one's environment is useless when contiguous borders are involved. He acknowledges, however, that CARICOM has concluded some important regional agreements in this area, but suggests that much more work must be done, especially at the technical and diplomatic levels, if sustainability and improved governance of these resources are to be achieved.

In keeping with Jackman's contribution, Dr Barton Scotland's paper contains the parameters for a CARICOM Fisheries Agreement that is based on a decision by CARICOM Heads of Government. Scotland notes that the rationale for the fisheries draft agreement stems in part from an understanding that certain living marine resources which are relied upon for food and livelihood are highly migratory, straddle national boundaries, and are also harvested by fishers other than those of the CARICOM Region without any benefit flowing to States of the Caribbean or to the Region as a whole. This reality, he asserts, obliges the beneficiaries of the living marine and aquatic resources of the Caribbean Region to band together, to pool their abilities and resources in order to more efficiently and effectively develop, manage and conserve the living marine and aquatic resources of the Caribbean Region.

Dr Scotland also presents a brief overview of the issues related to the fish species that populate the waters shared by Barbados and Trinidad and Tobago. In this regard, he explains the need for collaboration in order to ensure an efficient and sustainable management and conservation system, adding that it should be consistent with the United Nations Law of the Sea Convention.

Dr Trotz posits that environmental change can have a negative impact on low-lying coastal and island states that include many CARICOM countries. Noting that we are already vulnerable to the ravages of hurricanes, floods, landslides, drought, water and vector borne diseases, as well as the destruction of mangroves, reefs, wetlands and infrastructure, Dr Trotz outlines what is being undertaken to raise awareness and build capacity through education at the University of the West Indies. Above all, he advocates that policymakers need to become more proactive in this difficult but important regional and worldwide concern, given that the Caribbean has natural resources that can be employed in a more efficient and practical manner.

Regional integration in the Caribbean has always had an implicit security dimension. Dr Jessica Byron discusses this in her Paper noting that since 1973 a number of regional institutions have evolved to provide responses to national security, dispute settlement and conflict management initiatives. She addresses a conceptual framework for security governance in her analysis of CARICOM's role in fostering regional cooperation.

Mr Hilton McDavid argues that CARICOM security can be based on an institutional structure that is similar to what has been used by the Caribbean Regional Negotiation Machinery, noting that it should be supported by a pool of trained mediators and conciliators, instead of it being managed by Heads of Government as a first line operation by them. He presents the recent cases of effective regional security in relation to World Cup Cricket and the Summit of the Americas, where all aspects of the security system were tested without any catastrophic failure being detected. He, nevertheless, laments the absence of a cohesive regional security strategy that is targeted at eliminating regional threats and acknowledges that an efficient regional security system is a requirement for economic stability and development.

Meanwhile, a CARICOM security system must have, among other attributes, the support of a legal framework and a transportation network. On the subject of a regional transportation network, Natasha George provides an important perspective on the airline industry. She argues that air travel in CARICOM is important, as it provides significant revenue and employment opportunities regionally otherwise without it, not only is the tourism industry dead, but the economies of the Caribbean will be in a serious downward spiral at a time when EU subsidies and preferences have ended. Yet evidence suggests that the air travel industry is not a stable and financially viable operation, due to a number of factors, including its fragmentation, instead of its integration, where almost every CARICOM country wanted to have its own flag carrier. Ms. George presents an alternative approach in which she explores whether elements of the European Air Transport Model can be modified for CARICOM purposes. She also supports creating a CARICOM Single Aviation Area and Air Space, asserting that such an area would create market opportunities for the aviation industry, strengthening thereby the CARICOM integration movement.

In relation to the legal framework, Justice Duke Pollard examines CARICOM treaty practice as compared with that of advanced economies. He focuses on some of the problems associated with multilateral treaties, and begins his discussion with the treaty practice of the United Kingdom. He draws attention to the fact that in CARICOM many ratified treaties remain unimplemented, being honoured more in the breach than in the observance. This could be a result

of limited human and financial resources resulting in uneven experiences and fragmentation. In fact, he notes some CARICOM countries do not have lawyers who are trained in international law, rendering thereby less than the optimal responses to concerns that may arise, and points to a number of CARICOM cases where lapses have occurred. That greater attention has to be paid to this area of Treaties and their obligations is certainly an area where policy makers need to allocate more resources to ensure a unified approach is adopted in CARICOM.

Interspersed throughout this publication are commentaries and arguments for having a more positive role for the Diaspora in the regional integration process and in the Community's management of its external relations. Professor Hunte makes the point that Caribbean Development cannot be successful without the contribution of the Diaspora, as it provides the Community with simultaneous links to almost every available cultural, economic, religious, technological and economic setting. In his view, the potential of the Diaspora is enormous and irreplaceable and can no longer be peripheral to the Diplomatic process. Consequently, the role of the Diaspora in CARICOM Foreign Policy is a crucial component in any successful foreign policy framework—a viewpoint supported by Dr Riyad Insanally as he addresses the role of the Diaspora in contributing to the lobbying efforts for the Sugar Lobby in 2004-2006.

The paper by Dr Herisse also addresses the concerns and contribution of the Diaspora, describing the governance structure and accountability requirements for the Diaspora Political Action Committees (PAC), a critical institutional mechanism required for interfacing with the political process in North America. These examples of the positive input of the Diaspora can no longer be the peripheral to CARICOM cause, for to do so would result in missed opportunities that traditional diplomatic services cannot provide.

This brief introduction has some of the core concerns and issues that have negatively impacted CARICOM states and particularly diplomatic efforts that depend ever so much on an integrated foreign policy to meet the challenges of the 21st century. These challenges cover a wide spectrum of concerns and it is up to all CARICOM citizens, including the institutions that represent them, and those in the Diaspora committed to the success of the regional integration movement, to begin the process of finding a new path that seeks to end insularity and extend the process of coordination and cooperation.

## Note

1. "PM Golding Calls for CARICOM Unity to face Global Challenges", Georgetown, Guyana, CARICOM Press Release, May 8, 2009. Available at: http://www.cari-com.org/jsp/pressreleases/presl42 09.jsp (Last Accessed, 9 July, 2009).

# PART 1

## GLOBALISATION AND CARICOM EXTERNAL POLICY OPTIONS

# 1

# CARIBBEAN DEVELOPMENT IN A CHANGING GLOBAL ENVIRONMENT

*Kenneth Hall*[1]

## Introduction

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"?*

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 2007[12] 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 9. 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.

## Notes

1. This paper draws extensively from a presentation made at the Fortieth Anniversary Celebrations of the State [10] University of New York, Albany, New York, September 17, 2008.
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3. *Communiqué Issued at the Conclusion of the 29th Meeting of the Conference of Heads of Government of the Caribbean Community (CARICOM).* Bolans, [12] Antigua and Barbuda, July 1-4, 2008, www.caricom.org.

4. A Time to Choose: Caribbean Development in the 21st Century. April 26, 2005, The World Bank.
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6. Joshua Ramo, The Beijing Consensus. (London: The Foreign Policy Centre, 2004), page 3.
7. *Conference on the Caribbean: A 20\20 Vision,* Washington D.C., June 1921, 2007.
8. Laura R. Dawson, "Brain Drain, Brain Circulation, Remittances and Development: Prospects for the Caribbean", Caribbean Paper #2, (June 2007).
9. Details of study cited in paper by Marshall Hall: *Thoughts on Private Sector Growth in CARICOM* for forthcoming publication of the *Integrationist* titled "*CARICOM: Regional Development Imperatives",* UWI-CARICOM Project, Georgetown, Guyana. Reference to the study cited in Hall's paper is titled "the *Caribbean Community Strategic Programmeming Framework,* CIDA, June 2007".
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11. Norman Girvan, *Caribbean Integration and Global Europe: Implications of the EPA for the CSME,* August 18, 2008.
12. *Statement by CARICOM Heads of Government on Poverty and the Rising Cost of Living in Member States, at the Twelfth Special Meeting of the Conference of Heads of Government of the Caribbean Community.* Georgetown, Guyana, December 7, 2007, www. caricom.org.
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14. *Nassau Declaration on Health 2001: The Health of the Region is the Wealth of the Region.* Nassau, The Bahamas, July 6, 2001, www.caricom.org.
15. Richard L. Bernal, Globalisation: Everything but Alms; the EPA and Economic Development, (Kingston: Grace Kennedy Foundation, 2008): pages 28, 29.
16. Ibid, page 15.

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# 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 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 postpositivist 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 Judaeo-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 suboptimal 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, 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 intergovernmentally, 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 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 CARIBCAN agreement.

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 it 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 neoclassical 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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# 3

# A COHESIVE CARICOM FOREIGN POLICY: HARNESSING A REGIONAL PUBLIC GOOD

*C. Kenrick Hunte*

## Introduction

A Cohesive CARICOM Foreign Policy (CCFP) that integrates the preferences of all Member States is a regional public good that can improve the welfare of all Caribbean people. Such a regional public good, which was first defined in the Treaty of Chaguaramas (1973), is intended to enhance the leverage, reach, and effectiveness of Member States in negotiations with third States or with other groups of States.[1] More specifically, a CCFP should promote the collective interests of CARICOM in the area of economic prosperity and advancement; it should support political, cultural, religious and social freedoms; it should emphasise peaceful cooperation, regional security and environmental sustainability; it should seek to integrate the Diaspora into its programming framework so as to bolster its leverage with third States; and it should accentuate the value of human rights, equity, fairness, and good governance.

CARICOM Member States have supported these values at their national levels; but they have not been able to extend this as a collective, public good at the international level. This shortfall in expectations could be due in part to the pull of sovereignty that may have forestalled collective CARICOM agreements, as Heads of Government and other politicians cannot be seen as to be too far ahead of their constituents, or way beyond their political mandate. Moreover, CARICOM States that act independently of each other would not generate a CCFP, for Small States do not have the required resources or sufficient influence in international circles to influence change in their direction.[2] Instead, only if they work together would this outcome of a CCFP be attained in a global arena

that is placing more emphasis on multilateral rather than unilateral action. Some critical issues therefore are: How can CARICOM make sovereignty subservient to a CCFP? What institutional arrangements can be employed to facilitate this process of building and maintaining a CCFP? What type of mechanism would be required to foster an environment of trust, full information sharing, and robust accountability by those entrusted with programme execution and decision-making? How can Caribbean citizens, and especially those in the Diaspora, be directly involved with the integration process that, for the most part, appears to be driven by policymakers and bureaucrats, without much input from ordinary citizens?

This paper explores these and other issues. It posits that in an environment of limited resources, increasing food and energy prices, and the loss of European preferences and export income, an independent Foreign Policy strategy practiced separately by each country in CARICOM is counter-productive to achieving a CCFP and robust multilateralism. Such an independent approach would limit success and expand wedge issues among CARICOM countries; bilateralism would thrive, diminishing the leverage of CARICOM in the international community. For instance, if CARICOM voted as fifteen independent countries without a cohesive CCFP strategy in any International Forum, these fifteen votes could express disjointed preferences and these would not necessarily carry the same clout as a collective voice of fifteen states that use a CCFP as a strategic instrument. The former may lead to no influence, no compromises or no accommodations in international negotiations. The latter may make a difference as leverage and collective action through a CCFP could provide the space for negotiation and compromise, allowing the benefits of a CCFP and to be harnessed.

The next section presents a brief background on CARICOM foreign policy environment just after independence, where the elements of sovereignty were formed, supporting the notion that nationalistic interest was more important than regional cooperation and collective action. This is followed by a description of regional public goods, the complex issue of sovereignty in multilateralism, together with a brief overview of competitiveness and foreign policy output characteristics. Section 3 examines unanimity and the tradeoff with sovereignty, while section 4 discusses consensus building, intra-regional trade, priority partnerships and learning from the Organisation of the Eastern Caribbean States that have adopted some supra-nationality institutions. Concluding remarks are recorded in section 5.

## Background

A perusal of recent history would show that Foreign Policy was one area of governance where the English-speaking Caribbean did not have any diplomatic experience, as this was the exclusive domain of the British Government or the Monarchy.[3] For example, national defense was the responsibility of the Colonial Government, implying that under colonialism, no one in the colonies had any authority to make international decisions, as local politics was conducted over a reduced political space.

With the dawn of independence beginning in the 1960s, Ministries of Foreign Affairs were established, building from the ground up, the first elements of domestic diplomacy, drawing initially on the experience and expertise of the Civil Service in each State. While this was a useful beginning and international decisions became an element in domestic decision-making, it was obvious that the collective common interest, coordinated action, and the leveraging of resources would not have been a first priority for advancing the interest of small independent states in a world environment that was not necessarily sympathetic to their objectives and expectations. In fact, sovereignty issues would have trumped all other concerns during the first phase just after independence. Sovereignty in this context is defined by Vasciannie (2006, pp. 53) as ' . . . a bundle of rights and duties held by one country, and it is open to each country to allocate some components of that bundle to another country in appropriate circumstances. . . . It also connotes national pride of persons sharing the same territorial area.' Yet, evidence suggests that regional public goods flourished in this period. Examples of regional public goods are West Indian Cricket, the University of the West Indies, Caribbean Examinations managed by the Caribbean Examination Council (CXC) and the Caribbean Development Bank. These are all examples of how collective efforts and cooperative action have trumped insularity, making sovereignty or nationalism subservient to Caribbean regionalism.

## Regional Public Goods and the Irrelevance of Sovereignty

Sovereignty issues or nationality concerns may be irrelevant or may have reduced influence in situations when the benefits derived from regional public goods can be personalized across each CARICOM country using fair and objective standards of assessment. Useful examples of regional public goods with no sovereignty concerns and unanimous approval are the CXC certificates issued by the Caribbean Examination Council, the degrees conferred by the

University of the West Indies (UWI) and being a consistent member of the West Indian Cricket Team, where membership is determined by performance. These are established regional public goods that CARICOM Citizens, Member States and International Institutions accept. The distinguishing characteristics of these regional public goods are that they have entry and eligibility criteria; they are claimed by individual preference; they signal a level of quality and competence acceptable to the region; they are produced by a decentralized and accountable system with clearly defined governance criteria to ensure objectives are met; there is full information, transparency and trust that the system will get it right; there is no corruption or favoritism shown to any individual; they are linked to the programmes in each country and conform to standardized syllabi; they are funded by taxpayer dollars as well as by private sources, including income from households and funds from religious institutions; rules and penalties are enforced across the board; and the system is constantly upgraded with modern teaching techniques and new knowledge in order to ensure students remain internationally competitive and teachers kept abreast at the frontier of their fields.

## Remaining Competitive

Remaining internationally competitive in education in relation to CXC certification and UWI degrees has not been too difficult, largely as a result of access to new knowledge, teacher training, academic exposure in third countries and the expanding contribution of the Diaspora who provide financial resources and volunteer professional services. The output of CARICOM foreign policy in these areas, though not integrated or collectively negotiated, has been relatively successful, but much more could be achieved if there is a CCFP in the areas of training, education and research.

West Indian Cricket, in contrast, has suffered significantly due in part to falling standards at home, lack of technology, and by the region being unable to keep abreast with several competitors. Success in the past was in part, based on players having exposure in the English and Australian professional leagues and players returning to play in the domestic and regional games. This allowed local standards to be upgraded and knowledge to be transferred, but these opportunities have declined.[4] A CCFP in this area would be important, given that Heads of Government have already had a special committee in place to oversee this Caribbean institution.

Similarly, CARICOM did not keep pace with the technological innovations in sugar, rum, rice and bananas; and together with the European subsidies,

long-awaited changes needed to improve efficiency through research and new products were inadvertently delayed. In fact, CARICOM emphasis in its foreign policy with the EU under Lomé was overly weighted in favor of maintaining preferences and not necessarily on increasing productivity, reducing costs and becoming internationally competitive (Hunte, 2000). Apart from these concerns, the free movement by workers is still a concern as citizens are not convinced that the competition for jobs would not reduce employment opportunities, especially during an economic down turn.

Meanwhile, the key characteristics associated with the CXC and UWI programmes and West Indian Cricket are well-known and there are no ambiguities with the general acceptance of these public goods by Caribbean citizens. Consequently, ascertaining whether these characteristics, where appropriate, can be applied to other regional public goods, such as the CARICOM Travel Pass (CARIPASS), Professional Services licensing requirements and the Free Movement of skills, will strengthen the CARICOM brand and facilitate regional acceptance. It will also improve intra-regional trade and add value to the CARICOM citizen who may not now be pleased with the quality and volume of intraregional travel and trade. Since Caribbean citizens are negatively affected by the delay in the implementation of these public goods, more resources should be allocated to ensure timely access by CARICOM citizens, as these goods are necessary prerequisites for the effective functioning of the CARICOM Single Market and Economy (CSME).

## Foreign Policy Output Characteristics

The output from a CCFP can be described as tangible or intangible regional public goods that may or may not have private benefits attached to them.[5] Typically, foreign policy outputs are paid for by taxpayers' money and these goods can be provided to recipients in the receiving country free of charge or for a subsidized price. For example, bananas, sugar and rice exports to Europe received a price higher than the world market price, due to a CCFP agreement with the European Union under Lomé. For another example, malaria or HIV/AIDS medication could be provided free of charge to recipients. There could be the exchange of cultural products and services. There could be agreements on strengthening democratic institutions, supporting human rights and the rule of law. There could be agreements on the environment, on transparent and accountable governance; peaceful and sustainable development; access to markets and trade expansion; security assistance and peaceful coexistence programmes

with neighbours. There could be programmes for development finance, and crime prevention; national defense, disaster preparedness, investment, debt write-off, staff training; programmes for disease prevention, control and eradication; disaster relief; immigration reform and deportees; elimination of terrorism; education and scholarship programmes; food security; programmes to combat smuggling and trafficking and poverty reduction. While this list is by no means exhaustive, it highlights the fact that the output of CCFP with third countries may cover a wide range of output, implying that a priority project list must be organised following some systematic analysis by policymakers, academics and civil society. When such an analysis is not completed, this increases the possibility for delays and rejection, conveying the wrong signals to the public about the lack of consensus and agreement at the level of CARICOM Heads of Government (CHG).

In order to change this dynamic, an institutional mechanism can be designed to facilitate the work in this area. Additionally, while expanding the range of public goods in foreign policy, it is imperative that strengthening international relations and deepening outreach, especially with the Caribbean Diaspora, are critical steps for building a CCFP. CARICOM has already made strides in this area. For example, CHG have had meetings with the Diaspora over the last two years, but much more work needs to be completed to streamline this new approach in relation to deepening outreach and implementing decisions (Hunte 2008). Finally, in an environment in which donor funds will become scarce due to a weak world economy, the remittances sent by the Diaspora will continue to be a significant and increasing source of foreign exchange needed in the CARICOM. Policy makers must therefore examine this source of funds in an effort to expand its supply by providing incentives, reducing bottlenecks in the delivery system, and by advertising in the Diaspora.

## Unanimous Consent and Decision Making

Recently, Prime Minister Golding of Jamaica noted that: "CARICOM was a Community of sovereign nations with a shared history, seeking to forge a common destiny while recognising that sovereign nations could synchronise their efforts for their common good and that in the harsh, fiercely competitive global environment, the challenges might be too much for each of us but not too much for the community as a whole." (http://www.caricom.org/jsp/communications/communiques/29hgc_2008_communique. jsp).

This statement confirms the need for regional public goods and a multilateral process, but what may have hindered progress in integration was perhaps the tension between Member State sovereignty issues and collective decisions that required unanimous consent, the basis on which CARICOM decisions are made. In particular, unanimous consent requires at the CHG that no negative vote be recorded and that no more than 25 per cent of the members of CHG choose to abstain on any particular vote (CARICOM 2005, pp. 232). Failing to satisfy these two conditions will result in non-approval or rejection by CARICOM. In this regard, the words of Dr Eric Williams are relevant. While describing the difficulties of the Caribbean Federation, he said, "one from ten leaves nought", referring to Jamaica and Trinidad and Tobago's decisions to withdraw from the federal arrangement in the early 1960s (CARICOM 2005, pp 38).

In order to avoid this type of divergence, it is likely that the CHG may seek to find consensus through extensive discussion and compromises as there is usually no other way to arrive at a unanimous decision. Specifically, countries may have to trade off some independence or sovereignty concerns in the interest of obtaining a CCFP and a multilateral agreement; but, in the final analysis, this outcome would only be possible if, and only if, the sum of the net benefits from multilateralism (NBM) for each country outweighs the sum of the net benefits from nationalism (NBN) for each country ($\Sigma NBM > \Sigma NBN$). Otherwise, crystallizing the benefits of collective action would be difficult to distill, leading in turn, to extensive delays or collective failure.

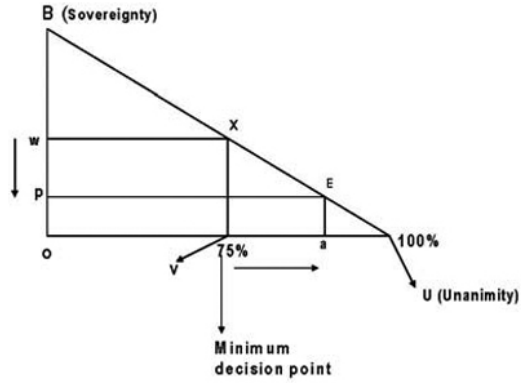
Policymakers must therefore develop a metric to measure net benefits and use a communication device to sharpen public awareness of the community net benefits that result from CARICOM cooperation. Too often these gains are not properly disseminated to reach the average CARICOM citizen. Additionally, apart from satisfying the unanimity rule, there should be implementation dates; a list of deliverables; a monitoring mechanism; and when appropriate, a sunset clause and/or renewal procedures/ and/or enforceable sanctions should be included.

## Sovereignty-Unanimity Trade-Off

Sometimes, it is probable that any movement in the direction of attaining unanimous consent and multilateralism will lead to less sovereignty and less unilateralism. This trade-off is inevitable, especially when some states are at different levels of development. Moreover, Governments may be placed under political pressure from the opposition, especially during the election season, or from civil society, or from an organised Diaspora. Such conditions can restrain

Governments from assenting to an agreement at the CHG. Finding a solution to sovereignty-unanimity trade-off in relation to a CCFP may be resolved by widening the political space to include the Parliamentary Opposition, civil society and the Diaspora. The inclusion of these groups will be in keeping with the Liliendaal Statement of Principles, July 2002 (Ibid, pp. 383-384) that accepts the role of civil society in formulating the CCFP. Every effort must be undertaken to ensure that this component is added to the decision-making process. Figure 1 below shows the trade-off between sovereignty and unanimity. Assuming that there are no rejections and abstentions are less than 25 per cent, the position V on the horizontal axis at 75 per cent is the minimum requirement for approval of any proposal considered and agreed to by CHG.[6]

**Figure 1: Sovereignty and Unanimous Consent**




Without the input of the Parliamentary Opposition, Civil Society and the Diaspora, the community benefit is area BXW. Adding the input of all those excluded from having discussions with civil society and in keeping with the Liliendaal Statement of Principles, that is moving down from W to P on the vertical axis, the incremental benefit to the community would be area WXEP, enhancing the benefits of the CCFP as more citizens are engaged and embrace the decision by the CHG. It should be noted, however, that unanimous consent involves high transactions costs (Hyman 2008) and it may also be time-consuming to convince all those who have doubts about the benefits and costs associated with such a decision rule. Yet it would be worthwhile to engage the people of the Caribbean in shaping the Caribbean integration process, a process that can only move forward through wider participation at the level of the ordinary citizen.

Recently, it appeared that only minimal involvement by civil society occurred with the European Partnership Agreement (EPA) that should have been approved

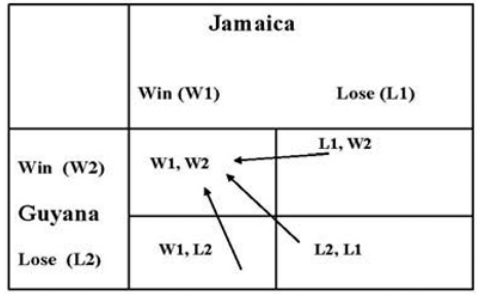
at the CHG meeting in Antigua and Barbuda in July 2008. Evidence suggests that several critics, including the Caribbean Congress of Labour (http://www.stabroeknews.com/features/in- the-diaspora-caribbean-congress-of-labour/), among others, have objected to the agreement, claiming that moving ahead without resolving areas of disagreement will jeopardize the long-term development of the region.[7] As a way forward, it was agreed that after consultations with civil society were held in Guyana, the EPA will be signed by August 30, 2008, as a majority of Member States were willing to sign in July 2008, (http://www.stabroeknews.com/news/guyana-will-sign-eu-trade-deal-after-national-dialogue/).

The EPA negotiations were multifaceted and every effort should have been made to ensure civil society had an opportunity to participate in a more structured and inclusive manner prior to CHG consideration for the approval of the EPA. In other words, the process of moving from negotiations to CHG approval needs to be re-examined and improved, for failure to agree or to frequently postpone CHG decisions sends the wrong signal to the community, with critics bemoaning the stalemate, or others predicting CARICOM demise.[8]

## Building Consensus

Foreign Policy and trade agreements should be structured as a repetitive game in which the aim must be to converge to a win-win outcome for all parties, for if one party wins while the other loses, then the next level of negotiations could be about settling perceived grievances and this could stymie progress. For example, the recent rice supply difficulties between Jamaica and Guyana in 2008 are trade concerns that should converge

**Figure 2: Strategy Outcomes**




Essentially, both Guyana and Jamaica may have had starting trade positions that would have allowed divergent outcomes, with each winning at the expense of the other. This position with Guyana winning is (W2) and Jamaica losing

is (L1); or alternatively, Jamaica winning (W1) and Guyana losing (L2). This unstable outcome would have resulted in both countries losing in the long run (L2, L1). Moving from this negative outcome would require compromises that in turn should lead to risk minimisation, forward supply commitments, and cost and benefit sharing, at a time when world grain and input prices are expected to remain high for a few years as demand and supply conditions change. Any other outcome would be unacceptable to both parties. This would destabilise the CCFP and jeopardize intra-regional trade that is relatively low, weakening CARICOM sustainability.[9]

Building consensus in Washington DC is a special skill CARICOM will need if worthwhile programmes are to be funded by the US, given that resources are scarce and the US may be thinking of assisting more economically fragile regions of the world other than the Caribbean that is no longer considered poor due to relatively high per capita incomes.

The first test of this changing environment was to obtain an extension for two years of the Caribbean Basin Initiative (CBI) which expires in 2008. This goal was achieved through the support in the US House and Senate under the US Farm Bill that was passed into law, despite the President's Veto.[10] Chairman of the Ways and Means Committee, Representative Rangel, was instrumental in getting this extension approved. Success was engendered through a proactive Caribbean Diplomatic Mission and the Diaspora in facilitating this process. The question which now needs to be addressed is what should be the work programme for the next two years to ensure that an enhanced CBI is approved? This must be given priority, as two years is not a long time for building a CCFP on trade with the United States. Information gathering on the US side has already begun with a report prepared for the Ways and Means Committee by the USITC. Many in the Diaspora and the CARICOM Secretariat made presentations for the USITC report (http://hotdocs.usitc.gov/ docs/pubs/332/pub4000.pdf) and important diplomatic, technical and coordination work needs to be completed in CARICOM in order to prepare for the negotiation phase with the US.

## Skills and Priority Partnerships

A CCFP should have at its disposal a well trained pool of negotiators and diplomats; and it should focus on developing strategic partnerships with member countries of the United Nations and Diaspora groups. Diaspora connections will provide access, leverage and influence in places where diplomats cannot operate, while Caribbean Negotiators and Diplomats must be well versed in Caribbean

Culture, economic priorities and must be knowledgeable in CARICOM development requirements. They must be aware of cultural differences and be able to differentiate between different kinds of styles used in negotiations, for American Negotiators would be different from negotiators from China, Japan, Mexico, among others countries (Bolewski 2008). A regional training programme for senior Diplomats and negotiators would enhance effectiveness, strengthen coordination and improve awareness.

While CARICOM must strive to build diplomatic relationships with all countries, it should be recognised that resource limitations will make this goal difficult to achieve in the short-run. Consequently, priority partnerships with countries and institutions should be based on the set of strategic criteria that are tied to CARICOM objectives, as defined in Article 6 of the revised Treaty of Chaguaramas.(http://untreaty.un.org/ unts/158780_159109/1/4/132.pdf)

More importantly, a CARICOM programme of shared Diplomats in which one Diplomat will be accredited to a third country to represent CARICOM and each CARICOM member country, will widen diplomatic coverage, strengthen outreach and deepen CARICOM integration.

## Learning from the OECS

Interestingly, this approach of shared Diplomats has already been adopted by countries in the Organisation of Eastern Caribbean States (OECS). Specifically, the High Commissions in Ottawa, Brussels and Geneva provide consular services for Dominica, St. Kitts and Nevis, and St. Lucia (http://www.oecs.org/ottawa/index.html). Much can be learned from the OECS model as they have integrated many services that are now enjoyed by their residents and members in the Diaspora. Moreover, they have begun to build supra-national institutions that leverage resources, provide executive authority and shared responsibility, while working in a transparent and accountable system. For example, they have combined part of their diplomatic service and this approach has enhanced efficiencies (Lewis 2001, 308).

It is apposite to note that the President of the United States usually meets with CARICOM Heads of Government as a group.

Meetings in Barbados and Washington over the last decade have been so arranged. The programming of USAID funds for CARICOM is aggregated as the US seeks to streamline its administrative costs and up-grade its delivery system. CARICOM should, therefore, have a revolving mechanism in which one CARICOM Head of Government is given a mandate to meet with the US

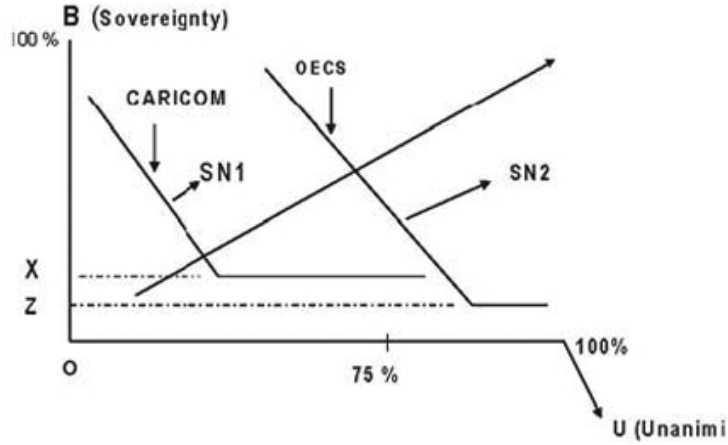
President to discuss Caribbean-US issues and not have the current arrangement of several Heads of Governments in simultaneous discussions with the US President. Instead, a one-on-one system would be more efficient and it would raise the status and leverage of CARICOM as it seeks to add value to its CCFP.

Apart from consular services in third countries, the OECS has a common currency, a Supreme Court, a Regional Security System, and a pharmaceutical procurement process that reduces the cost of medicines. (http://oecs.org/Documents/economic_union/FAQs_OECS_ Integration.pdf).

CARICOM has not attained this cross section of services nor does it have supranational authority and hence, the known delays.[11] Consequently, it can be argued that the OECS represents the higher standard of integration to which CARICOM must aspire.

What is also significant is the fact that at any given supra-national level, there is a tradeoff between sovereignty and unanimity, with the most harmonized group of countries being placed on the higher supra-national level. Figure 2 shows the relationship between supra-nationality, sovereignty and unanimity. Noting that there is a trade-off between sovereignty and unanimity, CARICOM is at a lower level of integration (SN1), since it does not have a supra-nationality status and aggregated services as does the OECS (SN2). Additionally, CARICOM has a higher sovereignty threshold level at X than the OECS at Z, largely because the OECS has emphasised working together, as manifested through a single currency and Diaspora services.

**Figure2: Supra-Nationalism (SN), Sovereignty, and Unanimity**

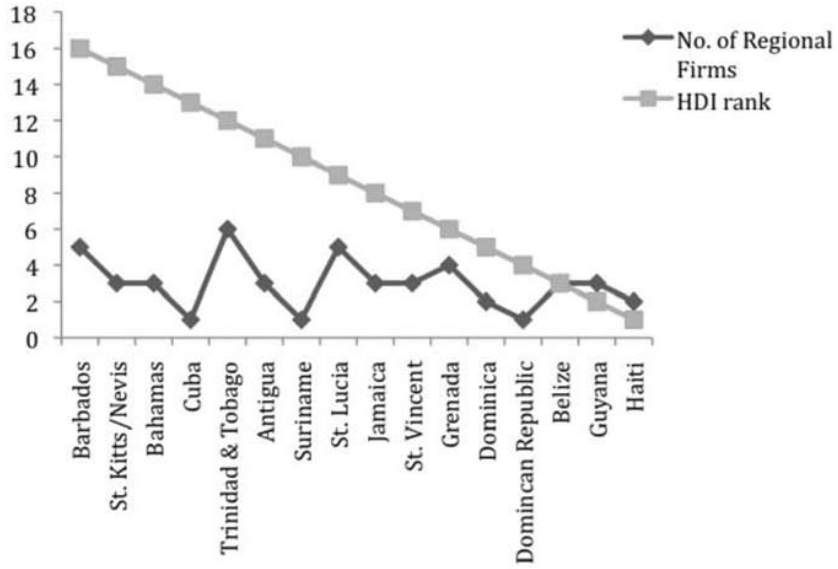


Non-OECS CARICOM countries are yet to attain these benefits. Consequently, reducing sovereignty concerns is the key challenge for Heads of Government, if CARICOM is to move to the next level of integration with a CCFP as a strategic instrument.

## CCFP and Intra-Regional Trade

It is imperative that a CCFP must encourage intra-regional trade, for this will bolster final demand and increase income in the region. Using information from the Caribbean banking, insurance and financial service sectors (Farrell 2006, pp.118), and data from the Human Development Report (2004), it is observed that CARICOM countries with the most regionally owned businesses tend to be ranked higher on the UNDP Human Development Index (Figure 3).[12]

**Figure 3: Number of Regional Firms and HDI Rank**




This result implies that policymakers should provide incentives to encourage the regional penetration of Caribbean firms in each CARICOM Country, as this will increase income and employment opportunities and support a solid platform for the CSME.

## Concluding Remarks

CARICOM countries pride themselves on democratic traditions that have worked well for Caribbean people at the national and international levels for several decades. Yet, a more complex world today suggests that while democratic systems of government provide the critical foundation for moving forward, it is clear that CARICOM states must work together to influence change in their direction, especially when they are confronted with international issues and diplomatic concerns that small countries by themselves cannot resolve. In this regard, they need to have a CCFP and supra-national institutions that are responsive to citizen requirements in the Caribbean and in the Diaspora, if they are to protect Caribbean interests.

Furthermore, an efficacious CCFP would contain an instrument in which there is meaningful inclusion of civil society, the Diaspora and the Parliamentary Opposition in decision-making, as the executive branch of governments cannot carry this burden alone. Such a CCFP must also demonstrate that the net benefits from multilateralism outweigh the net benefits from nationalism; and this in turn, would lower the sovereignty threshold level that in the past stymied unanimity, forestalled the combination of services, and reduced access to regional public goods.

Policy makers must therefore develop a metric to measure net benefits and use a communication device to sharpen public awareness in order to disseminate this information to the average CARICOM citizen. Market penetration by regional firms should be a part of this metric as well. Finally, moving forward requires that a closer examination be made of the OECS as these states have out-performed the non-OECS States in CARICOM in terms of collective representation, supra-nationality, procurement, and monetary cohesion.

CARICOM will fall short of its objectives if these limitations are not removed.

## Notes

1. *Revised Treaty of Chaguaramas Establishing the Caribbean Community including the CARICOM Single Market and Economy',* http://www.caricom. org/
2. A Regional Public Good is assumed to be similar to Regional public goods or services which are goods/services that are shared by large groups of consumers and are non-rival and nonexclusive in use. See David N.

Hyman, *Public Finance 9th edition,* (Thompson, South-Western, USA: 2008), p. 730.

3. David N. Hyman, *Public Finance* 9th edition, (Thompson, South-Western, USA: 2008) page 194. "Public Finance" explains the minority, majority and collective choice rules. Thompson, South Western (www. thompsonedu. com/economics).
4. The distinguishing feature of the WI team in the 1980s with the current team is that most of the team members (70 per cent and above) in the 1980s played county cricket, while less than 10 per cent of WI team members today have that exposure. This has affected professionalism and skills-transfer to regional players.
5. A foreign policy output is assumed to be similar to public goods or services. Typically, these goods/services are shared by large groups of consumers and are non-rival and nonexclusive in use. David N. Hyman, *Public Finance* 9th edition, (Thompson, South-Western, USA: 2008) p. 730.
6. A simple majority of 51 per cent is relatively easy to attain when compared with a unanimous decision. A simple majority rule, however, may be problematic as it may exclude too many, while a two-third majority and higher converging to a unanimous consent will lead to the protection and inclusion of minorities (Hyman, 2008).
7. "*The Economic Partnership Agreement' Stabroek News,* March 14, 2008 http://www.stabroeknews.com
8. David Jessop, "The Region is on the Verge of Disintegration" *Stabroek News,* July 20, 2008, http://www.sta-broeknews.com
9. A mutually beneficial agreement was reached that provided a basis for expanding intra-regional rice trade; see "Rice Deal Reached", *Stabroek News,* May 15, 2008, http://www. stabroeknews.com/news/rice-deal-reached/#comments
10. D. Stout, "House votes to override Bush's Veto of Farm Bill" *New York Times,* May 5, 2008 http:// www.nytimes.com/2008/05/22/ washington/21cnd-farm.html
11. The Caribbean Court of Justice (CCJ) is a special regional institution that is part of the Judicial Branch of Government.
12. Six firms in the data set are Guardian Holdings, CLICO, SAGICOR, Republic Bank, R.B.T.T and Grace Kennedy. Trinidad and Tobago is home to all six firms, while Barbados is the home for five firms. CLICO and SAGICOR operate, respectively, in 22 and 20 Caribbean countries.

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4

# CARICOM FOREIGN POLICY: SOME REQUIREMENTS FOR THE 21st CENTURY

*Rashleigh Jackson*

## An Approach to Foreign Policy

The function of a state's foreign policy is the advancement and protection of the national interests in the international arena. Foremost among these are the security of the state and its people as well as the social and the economic development of the inhabitants. In other words, foreign policy is an adjunct to domestic policy crafted and undertaken for the satisfaction of the people's aspirations for a secure, bountiful and productive life. Thus it can be said that foreign policy and domestic policy are different facets of a single policy, national policy; or as Braveboy-Wagner puts it: "foreign policy is but one form of public policy used more and more to achieve the same ends as a domestic *policy*'.[1] An essential task of foreign policy therefore is to help propitiate an external climate which will facilitate the achievement of the goals of domestic policy. Foreign policy practitioners have therefore to work, *inter alia,* for the creation and maintenance of an international environment which will foster cooperation, promote development and enhance security.

Usually, a Ministry of External/Foreign Affairs is assigned responsibility for the formulation, oversight and implementation of a state's foreign policy. Having regard, however, to the fact that other agencies of government are involved in external activities which have foreign policy implications, appropriate mechanisms of consultation and coordination are eminently desirable so as to better achieve the goals of foreign policy. Necessary also are structured, well recognised and respected mechanisms for decision-making.

The foregoing basic principles apply as well to a group of states bound together as a collectivity by common purpose such as the states members of the Caribbean Community (CARICOM). The Community has identified as its four pillars the Single Market and Economy, Functional Cooperation, Security, and Coordination of Foreign Policies. The first three can be regarded as focal concerns of the Community's "domestic policy". An operational difference between a state and a group of states is, however, that foreign policy positions for a collectivity of sovereign states are determined either through the coordination of the separate foreign policies which themselves have commonalities as well as differences, or by a specific decision to adopt a common foreign policy. It is the former in the case of CARICOM.

Even before the establishment of CARICOM in 1973, states of the region had taken initiatives to conflate their economic and other interests, through essentially foreign policy activities. Noteworthy initiatives included those to forge an alliance with countries from Africa and the Pacific (ACP), to order their economic relations with a Europe without colonies, and the path-breaking decision of Barbados, Guyana, Jamaica and Trinidad and Tobago jointly to establish diplomatic relations with Cuba.

With the formation of CARICOM, an integration movement, the promotion of the interests of the Member States as a collectivity naturally became a foreign policy objective, one which was pursued in several ways and which involved different organs of the Community.

## Influence and Power

CARICOM, which is an aggregation of small states, does not possess the capacity to exercise influence on other international actors through the employ of traditional forms of power. In fact, CARICOM States, individually and as a collectivity, face vulnerabilities which derive from their smallness and which have distinctive implications for their conduct of foreign policy. In this respect two excellent Reports—*Vulnerability: Small States in the Global Society (1985)* and *A Future for Small States: Overcoming Vulnerability (1997)*—have been produced by the Commonwealth Secretariat. From a CARICOM perspective, those Reports are specially significant. The first emanated from a call by Commonwealth Heads, influenced in large measure by the events in Grenada in September 1983, for a study of the special needs of Small States. The Group which produced the Report was headed by a CARICOM citizen, as was the Group which produced the second Report, an update on the vulnerability of Small States.

Yet CARICOM is not without assets which can be deployed in the international arena to advance her interests. For one thing, there is the maxim *"We do it better when we do it together".* If the fourteen independent Member States of CARICOM speak with a single voice in international fora and situations where numbers have an impact on decision-making, their influence, and respect for them and their concerns, will usually increase outcomes favourable to them. In other words, collective action invariably leads to additional benefits and an enlarged capacity to achieve desired results. A few examples will illustrate the foregoing observations:

Firstly, Guyana initiated action in the early 1970s for the establishment of diplomatic relations with Cuba which had been isolated in the hemisphere as a result of decisions taken at the meeting of the Organisation of American States (OAS) in 1962. After reaching agreement with Cuba to establish relations bilaterally, Guyana discussed with its independent CARIFTA colleagues-Barbados, Jamaica and Trinidad and Tobago-the idea of the four countries acting together on this issue, which they did. This action began the process of dismantling Cuba's isolation in the hemisphere and spawned programmes of cooperation between Cuba and CARICOM States, cooperation which was expanded over time to cover many fields and continues to flourish to this day. In this regard, it is interesting that it was under the Chairmanship of a CARICOM country, that Cuba was readmitted to the Latin American and Caribbean Group at the United Nations.

Secondly, CARICOM Member States played a pivotal role in the institutional formalization of relations between Europe and developing postcolonial States in Africa, the Caribbean and the Pacific. Sir Shridath Ramphal, writing on the early years of the ACP, recollected that ideas put to the CARIFTA Council of Ministers and further elaborated informally during the Non-Aligned Foreign Ministers Conference held in Guyana in 1972, provided *"the beginning of a process that led eventually to the pooling of resources of all the African, Caribbean and Pacific States".*[2] Thus, it was CARICOM's vision and purposeful diplomacy that concretised ACP solidarity and transformed it into an effective mechanism for advancing the common interests of the countries in their relations with Europe.

The third example relates to the successful undertaking by CARICOM countries to amend the Charter of the OAS by the removal of its provision by which Belize and Guyana were excluded from membership because of claims to their territory by members of the Organisation. Persistent, structured and adroit diplomatic representation enabled CARICOM countries to attract support for their cause and, in time, achieve their objective. Similarly, action had previously been initiated by a CARICOM country which led to the amendment of the Articles of Association of the Inter-American Development Bank (IDB). The

amendment removed the obstacle to Guyana and an independent Belize becoming borrowing members.

Returning to the issue of assets, it has been said that "What distinguishes economies today are ideas and energy. A country can prosper if it is a source of ideas or energy for the *world*".[3] Clearly, that thesis is also applicable to a group of countries, such as CARICOM, acting as a single unit.

On the question of ideas, the people of CARICOM have a proud record of high intellectual capacity and creativity. Indeed, if brain power could be computed on a per capita basis, like GDP, I suspect that the Caribbean would rank among the highest in the world. CARICOM States have produced citizens with brilliant minds, who have reached and maintained acknowledged standards of excellence and have won worldwide acclaim. The region has as well, distinguished itself by its innovations and manifestations of its unique creative impulses in the artistic and cultural fields—music, literature and painting, for example.

In the International Affairs arena, CARICOM States have been active in the market place of ideas. They have for instance, championed the cause of small states generally, and of Small Island and Low Lying Coastal Developing States (SIDS) in particular, and they fought for and obtained international recognition for the peculiar vulnerabilities and special needs of those States. More specifically, it was a CARICOM State which took the initiative for the creation of the Alliance of Small Island States (AOSIS). It is also the case that the inclusion in Agenda 21, adopted at the 1992 Earth Summit, of a programme on the sustainable development of SIDS was the result of the advocacy of CARICOM representatives.

Furthermore, ideas coming from CARICOM and its Member States have impacted positively on an array of issues on the international agenda. These include international economic cooperation for development, the Law of the Sea, Climate Change and International Criminal Justice. Those ideas have enriched international debate and contributed to the fashioning of solutions.

With regard to energy, CARICOM States do not constitute as a collectivity, a player of influence on the world stage. However the potential for hydrocarbon resources in CARICOM's maritime space is attracting the attention of several foreign investors. If exploration and exploitation activities lead to yields of such significance as to accord to the region some strategic importance, an additional asset could become available for advancing CARICOM's foreign policy goals.

The foregoing examples serve to illustrate the necessity for CARICOM not to underestimate its capacity to influence international opinion and action and in determining the outcomes of issues which bear upon its interests. CARICOM, however, should be always sensitive to the realities of the extant power dispensation

in decision-making. The examples also demonstrate the operational value of the proposition "the whole is greater than the sum of its parts".

## A Desirable International System

What kind of international system is best suited for CARICOM? Put another way, what should be the principal features of the international system which could make it propitious for the achievement of CARICOM's interests generally and foreign policy objectives in particular? As states which practice democracy and respect the rule of law, a desirable system for CARICOM, would be one which adopts and applies the norms of democracy, is rule-based, and facilitates the functioning of effective multilateralism with the provision of appropriate space for participation by civil society and other nonstate actors in the governance arrangements. It should also importantly, vigorously promote equitable economic and social development in conditions of peace and security.

In this Article, multilateralism refers to the conduct of inter-state relations with the participation of many states. This is effected:

- in organisations, such as the United Nations, which operate on the principle of universality, or the OAS and the Association of Caribbean States (ACS) in which membership is restricted to those states satisfying specific criteria;
- at specially convened Conferences and Congresses devoted to seeking agreements on particular themes such as Hemispheric Summits on Sustainable Development and on Free Trade of the Americas, and the United Nations Conference on Environment and Development.

The essential purpose of multilateralism is to encourage cooperation among states to advance the cause of peace and to promote the pacific settlement of international disputes and differences. Recent painful flirtations by a major power with unilateralism have served to confirm the need for multilateralism in an interdependent world.

Even so, the question might well be asked: why is multilateralism so important? The overarching reason is paradoxically its promise. Ever since the idea of multilateralism gained currency in modern times, it was associated with the majoritarian principle, a cardinal tenet of democracy. However, within the last few decades, this principle has been under constant assault to such an extent that the concept of one country, one vote, in international organisations is being

supplanted by that of one dollar, one vote. Moynihan's thesis of "the tyranny of the majority" is replaced by "the tyranny of the purse". Since any form of tyranny is the enemy of good governance, the critical issue is maintaining respect for the rights of the majority and simultaneously taking account of the interests of those who hold the purse strings. This is surely possible. Its realisation should be a major goal of international diplomacy.

There are other alluring features of multilateralism in addition to the promise of democracy in international relations. Multilateralism is premised on multi-stakeholder participation in international negotiations and decision-making and on sovereign equality. Small states, such as members of CARICOM, are thus afforded the opportunity to have their voices heard and to make their opinions count; and they can, by establishing the necessary alliances, seek common cause with others in advancing their interests. In this respect, the Commonwealth is an example of a multilateral organisation which is particularly beneficial to CARICOM. It is, in a sense, a microcosm of the international community in that it numbers among its membership developed and developing, large and small, rich and poor countries, which come from all the continents. The Commonwealth countries are therefore a significant constituency for securing acceptance in wider international fora of decisions taken at Commonwealth Summits on proposals made by CARICOM. There are other benefits also, such as the provision of technical assistance.

Further, multilateral situations enable countries to utilise those occasions to conduct bilateral relations, some of which would not otherwise be possible and/or would be costly and time consuming. In some cases as well, those discussions take place away from the glare of publicity between countries which have well publicized differences. It also makes possible the benevolent intervention of third parties for the peaceful settlement, or its pursuit, of a dispute between two states.

Finally, multilateral situations offer fora for the formulation of conventions, treaties and other legal instruments and more generally, provide for the progressive development of international law, thereby contributing immensely to the creation of the infrastructure of a rule-based international society and which hopefully constrains the use of naked power.

CARICOM will therefore have to play an active role in the construction of a system which will greatly assist it in the attainment of its goals.

## The Current International Environment

Among the defining characteristics of the international environment in this century are interconnectedness (of people, of transactions, of challenges, of opportunities), an emerging multipolar distribution of economic and political influence, and the creeping eclipse of unipolarity by what one American writer refers to as "The rise of the Rest", the salience of non-state actors, a pervasive economic globalisation, new threats to security and wellness and the speed of change.

So many of today's problems and issues facing states, other international actors and peoples are transboundary and global in nature, that multilateral action and global cooperation are indispensable, if adequate solutions are to be found. These include sustainable development, the conservation of the environment, the eradication of poverty, the promotion of prosperity and peace, and the trafficking in narcotics.

With regard to change, although it is a constant in international affairs, its pace has quickened giving urgency to the need to refashion and reposition relations continually.

Some manifestations of these characteristics which are particularly pertinent for CARICOM are:

i. the surge of populism in the hemisphere;
ii. the interest of new state actors in CARI-COM; the increase in global outreach (for varying reasons) of Russia, China and India;
iii. the growing influence of certain regional powers such as Brazil and South Africa;
iv. the significant role of global civil society and other non-state actors in advocacy on human interest causes as well as in the delivery of goods and services especially to the poor and marginalised;
v. the changing strategic priorities of historic partners and the attendant decline in aspects of relations with them such as official development assistance;
vi. the emergence of new and the escalation of old threats to security; and
vii. the salience of transnational issues.

These changing dynamics are highlighted by other features of the current international system. One is the fact that nation states, although they remain dominant, they are no longer the only major actors. Inter-governmental, regional

and global organisations, corporations, and nonstate actors such as NGOs and civil society organisations all contend for space and exert influence.

## CARICOM responses

CARICOM has already formulated foreign policy responses to some of the current exigencies. In 2002, CARICOM Foreign Ministers reached conclusions on priorities for shaping the Community's foreign policy as well as on four main objectives of a foreign policy strategy. The priorities included:

i. the development of common principles for foreign policy execution in the Community to complement the implementation of the CARICOM Single Market and Economy (CSME); and
ii. the establishment of a mechanism for greater foreign policy coordination.

The main objectives of the strategy were described as follows:

i. strengthen the Community's collaboration and cooperation with countries in order to broaden the Community's economic space, exploit resources, preserve the security of the Community and address common problems;
ii. develop strategic alliances with like-minded developing and developed countries in order to influence the international economic and political agenda and to further the Community's interests; and to develop relations with countries which can satisfy the Community's technical assistance needs;
iii. secure from third countries and multilateral organisations the recognition, acceptance and implementation of the agreed set of sub-regional objectives, positions and initiatives to create prosperity, strengthen democracy and democratic institutions, develop human resource capacities and maximise human potential, pursue sustainable development and maintain financial stability and human security;
iv. protect and promote the interests of smaller economies in the global environment which would be the core element of the thrust.

The strategy also spoke to basic principles informing the Community's conduct of foreign policy, Community Priority Areas and Issues, and mechanisms for more effective implementation and governance.

Later in July 2007, CARICOM Heads of Government approved a Report "Towards a Single Development and the Role of the Single Economy". The Report contained a Mission Statement and a Vision for sustainable development, and was regarded as setting the framework for the formulation of a regional strategic development plan which would elaborate on the Vision.

The Mission Statement envisioned the Caribbean Community as, *inter alia,* serving "as *a vehicle for the exercise of the collective strength of the Caribbean region, and the affirmation of the collective identity of the Caribbean peoples in the world community".* This desideratum provides an encompassing context for foreign policy initiatives, additional specific activities for which will presumably flow from the strategic plan to be formulated. Policy positions have also been articulated on relationships with old partners, new actors and rising powers. In light of the pace of change, these positions should be constantly reviewed.

In this context, having regard to CARICOM's geopolitical "situatedness", the fortunes of the regional hegemon, the US, are pivotal to CARICOM's prospects; for the US is and will remain for many years important to CARICOM, its Member States and their people in so many ways-trade, Diaspora activities, tourism for example. The US is unchallenged and perhaps will remain unchallengeable for a long time, as the preeminent global military power. However, it has been observed that "on every dimension other than military power-industrial, financial, social, cultural-the distribution of power is shifting, moving away from US *dominance"?* Turning to Latin America and the Caribbean which the USA has historically regarded as its backyard, increasingly populist leaders are assuming the reins of government. They and other leaders are advocating policies promoting regional and sub-regional cooperation as well as new alliances with non-hemispheric actors and calling for a more respectful relationship with the USA, one freed of historical baggage. The USA regards policies of these leaders as anti-American and is wary of their consequences being injurious to its interests. These developments call into question the relevance and efficacy of the Monroe Doctrine in today's world. Viewed therefore, from the perspective of portents both globally and hemispherically, the way in which the US adjusts to these changing dynamics is of great significance for CARICOM. CARICOM should therefore ensure that any initiatives it takes and responses it gives are founded on a balanced assessment of risks and rewards and that its core interests occupy a central place.

It has been the US which has historically defined the structure and determined the content of relations between itself and Latin America and the Caribbean. In

the twentieth century for example, it launched a number of projects: The Alliance for Progress, the Caribbean Basin Initiative, the Enterprise of the Americas Initiative and the Free Trade of the Americas.

It may be that the time is opportune for Latin American and Caribbean States to assist the US in its process of adjustment by formulating their own precepts on which relations with the US should be founded. CARICOM could consider taking the lead on this issue.

With regard to security and transnational issues, many of these such as narco-trafficking, potential pandemics and importantly climate change are the critical to core interests of CARICOM. Indeed, they threaten the integrity of CARICOM. Consideration of them is a work in progress.

A special word on climate change is, however, necessary. Climate change poses an existential, multifaceted threat to Member States of CARICOM and to other SIDS, and could significantly affect the viability and survival of each of those states. So far, CARICOM has addressed climate change from the perspective of the environment and development. However, climate change also has security implications.

It must also be seen as a possible source of conflicts within States, as well as between them, thus seriously imperiling the security of people and States. Sea level rise, for example, can lead to the contamination of inland water sources, thus adversely affecting supplies for human and animal consumption as well as for agricultural purposes; it can also render coastal areas uninhabitable. More generally, climate change can lead to such alterations in weather patterns that food production and supplies become compromised. The culminative effects could be the acceleration of internal and external migration, social unrest and wars over water and food. Climate change is therefore one of the threats to security operating on a global scale. Some States have already made national analyses from a policy perspective of climate change as a security threat. Additionally, climate change as a threat to international peace and security has found a place on the agenda of the Security Council of the UN. This issue is therefore of especial concern to small States including SIDS which are subject to their own peculiar vulnerabilities and for whom climate change must be seen as an inordinate security threat. CARICOM should therefore consider launching initiatives in this regard in the relevant fora.

## Further action

CARICOM's past experience has shown that self-confidence and bold leadership can be rewarded by success. It has also demonstrated the value to its cause of working together, whether that comes as support for a position advanced by a Member State or as advocacy for a collectively agreed proposition.

In the future, CARICOM should therefore look for, or better still, create opportunities for joint action by determining themes and issues which will be addressed in this manner. Such a development would lead to more effective coordination and could constitute a step towards forging a common foreign policy. In tandem with this process could be a deliberate and purposeful endeavour to launch and promote ideas which are not only related directly to CARICOM's specific interests but which can also make a contribution to concerns in the wider international community. What is required can be described as the mobilization of thought and will.

In this regard, CARICOM will have to continually reassess and strengthen, as necessary, its infrastructure and mechanisms for implementing foreign policy. Joint representation is an issue which has engaged attention since the early years, but has only been utilised spasmodically. Thus, its potential has barely been tapped. Similarly, advocacy in and representation at international fora on specific issues in respect of which CARICOM has taken collective positions can be better prepared, coordinated and synchronised.

Further, CARICOM should become more active in agenda setting hemispherically and beyond. For, as has been said, an element of soft power[5] is that which "comes from setting the agenda and determining the framework of a *debate*". [6]

More generally, CARICOM should recognise its own capabilities for the employ of soft power to promote its interests. Surely there is value, for example, in CARICOM mounting exhibitions of paintings and sculptures by its citizens and pursuing other kindred activities which will not only burnish the image of CARICOM but also contribute to the establishment of a CARICOM brand.

In summary therefore, CARICOM should, in charting its course in pursuit of the "Coordination of Foreign Policies", utilise lessons derived from its previous exploits in this regard. Foremost among those lessons is the recognition that whenever CARICOM States act together there is "value added" to the results of their endeavours. It would therefore be of advantage to increase the opportunities for joint action and to ensure that there is adequate preparation in terms of analysis, determination of policy parameters and definition of mandates. In this respect, it is desirable that intellectual capital in non-state sectors be more

extensively engaged. While being acutely aware of the limits of its capability to exercise influence on the international stage, CARICOM should nonetheless be assertive in deploying the assets it possesses.

Beyond the above considerations, CARICOM must seek new and unexplored avenues of activity for advancing its cause internationally. Two are suggested here: The first is the employ of public and cultural diplomacy; the second is harnessing the activism of the relevant constituents of the global civil society, the advocacy of which focuses on human, in contra-distinction to national, interests.

## Notes

1. Jacqueline Anne Braveboy-Wagner, "Conclusion: The Foreign Policies of the Global South", ed. By Jacqueline Anne Braveboy-Wagner (Boulder, London: Lynne Reinner Inc. Publishers, 2003).
2. Courier No. 93-September/October 1985
3. Fareed Zakaria, "Is America in Decline?", Foreign Affairs, (May/June 2008) page 40
4. Ibid p. 43.
5. For an excellent exposition on soft power see Soft Power by Joseph S. Nye, Jnr.- (New York: Public Affairs Publishers, 2004).
6. Walter Russell Mead, Power, Terror, Peace and War (New York: Alfred R. Knopf Publishers, 2004), page 25.

# 5

# CARICOM INTEGRATION: THE NEED FOR INSTITUTIONAL TRANSFORMATION

*P. I. Gomes*

*"If regional integration was hitherto an option, it is now an absolute imperative"*

*(P.J. Patterson, 2003)*

## Introduction

The Caribbean Community (CARICOM) is sometimes seen as a strange paradox. This is because CARICOM, an integration movement among fifteen Member States, is perceived as a dubious mixture of elegant declarations, but with only nebulous benefits and limited practical gains. Particularly noticeable is the proliferation of organisations, institutions and more recently "mechanisms" that are unfortunately accompanied by a paralysis of policy implementation. The CARICOM Single Market and Economy (CSME) is a special case that comports with this observation.

From even a cursory glance of the historical pronouncements and activities in the integration process one remains uncertain as to how to explain the tardy state of near-stagnation and, in some quarters, growing frustration over declining interest for the realisation of what started with such promise. This outcome has raised much cause for concern when taken in conjunction with the complex, institutional superstructure required by the recently signed CARIFORUM-European Union Economic Partnership Agreement (CF EU EPA).

To raise the profile on these and other issues, the purpose of this paper is to stimulate a debate in the interest of exploring options by which an alternative and people-based integration process can be envisaged. More specifically, it is argued

that unless there is institutional transformation, the intended gains from regional integration will not be realised. These and other issues are explored in this paper, with a view to enhancing governance, implementation and accountability. The next section of the paper begins with brief historical highlights of CARICOM Integration, accompanied by related initiatives in the African, Caribbean and Pacific (ACP) Group, the African Union and Union of European Communities. Section 3 examines the debate on the intergovernmental mode of governance and sovereignty, pointing to the search for practical applications of supranationality in the Caribbean integration process. The need for effective institutional structures to address constraints of the CARICOM/ CARIFORUM "construct" is outlined in Section 4. Section 5 engages in a critique of the institutional arrangements prescribed by the CARIFORUM-European Union Economic Partnership Agreement (CF EU EPA) and examines their implications for CARICOM Member States. The demands for institutional innovation to fulfill the EPA treaty obligations and advance regional integration are described in Section 6. In the concluding section, African and European experiences are emphasised, with lessons being discussed from the exercise of delegated and devolved authority in EU's mode of supranationality.

## CARICOM Integration-Some Highlights

The formation, in 1965, of the Caribbean Free Trade Area (CARIFTA) is acknowledged by scholars as an admirable achievement in regional integration. Just eight years later came the Treaty of Chaguaramas in 1973 and the establishment of the CARICOM Headquarters in Georgetown, with an Administrative Secretariat as the "nerve centre" for coordination, technical advice, and consensus building, but with policy-making and decisions being the sole preserve and responsibility of the Conference of Heads of Government (CHG). The Treaty and Secretariat were a logical progression from CARIFTA and had an almost parallel process as that of the 10-year old Organisation of African Unity (OAU).

The main work programme of CARICOM primarily focused on three areas, namely, trade and economic integration; foreign policy harmonization, with specific attention to negotiations and the trade-off in candidatures for international and regional posts; and functional cooperation.[1] Decisions on what would be undertaken evolved through the seat of power in the CHG, normally a two-day event containing an extensive agenda, much of which was addressed in "caucus" sessions.

The guiding principle for decision-making is to arrive at a consensus, with the ultimate objective being unanimity. With consensus achieved, the public is informed of the decisions by way of elegant statements, or "best endeavour pronouncements' usually presented by political leaders, who in the name "national sovereignty" may choose what, when and how to implement Conference Decisions. In this environment, it is therefore not uncommon to observe only partial implementation of unanimous decisions, due to factors related to limited human and financial resources, impending elections and the underlying absence of a larger political vision to drive the process.

The outcome of this approach has been called "cherry-picking" of decisions for implementation, revealing the duality of "consensus" on one hand and "inaction or piece-meal action" on the other. This is apparent in CHG decisions or more recently in regard to Treaty Obligations, as in the case of the Free Movement Provision for CARICOM nationals within Member States, as provided for in the Revised Treaty of Chaguramas. Its selective observance demonstrates the persistent and fundamental legal void of CARICOM's intergovernmental structure, as there is no enforcement mechanism. This gives rise, in large measure, to the paralysis of "law enforcement" as distinct from the process and function of "law creation".[2]

While it can be said that "unanimity and consensus" have helped to maintain the continuity of the regional integration process and contributed to its achievements of 36 years, it is, paradoxically, the "downside" of CARICOM as "non-implementation" of decisions simultaneously by all members is the obvious outcome that CARICOM citizens observe. Fundamentally, as will be elaborated subsequently, the paradox lies in the intergovernmental mode of governance subscribed to as the present legal basis that does not entail legally binding decisions of Organs of the Community on its Member States.

In the context of regional integration movements in developing countries, the CARICOM process benefitted from the formation of the African, Caribbean and Pacific (ACP) Group of States, as evident in the Georgetown Agreement that marked its founding Treaty in 1975. Preceding that event was the Treaty of Accession of the United Kingdom to the European Economic Communities (EEC) that comprised at that time, only nine Member States. Accompanying the UK's Accession was the option for twenty of Britain's former colonies from Africa, the Caribbean and Pacific, now independent, to negotiate an "association agreement" with the EEC in collaboration with 18 African States, already covered by the Yaounde Convention (1965).[3] Consequently, CARICOM integration has roots in, and mirrors to large extent, the wider ACP integration model of intergovernmental cooperation. CARICOM benefitted from the first Lomé ACP-EEC Convention of 46 ACP countries and the nine-member EEC

(Frisch, 2008:11). Active leadership in that formation included such Caribbean personalities as P.J. Patterson of Jamaica and Shridath Ramphal of Guyana, whose leadership was pivotal for ACP integration and the CARICOM project (c.f. Boxhill, 1997).

The progressive orientation of CARICOM's foreign policy included the principled stance on Namibia's struggle for independence, and the right of the Palestinian people to self-determination, as well as condemnation of apartheid policies of South Africa and its aggression against neighbouring African States. These were features of the CARICOM evolution, with peaks and troughs, stops and starts, even of a seven-year interlude of 1975-82, when no Summit was held. Yet this early period produced tangible results that have seen fundamental changes, especially in South Africa, when going against the grain required knowing and doing what was right, even to the extent of perhaps creating strained relationships with many others of a different persuasion.

## Limitations of Visionary Proclamations

The 1980s and 1990s gave birth to visionary and pragmatic proclamations. For instance, *'the Grand Anse Declaration' (1989),* the formation of the West Indian Commission and its banner call, concluding with 'A *Time for Action* (1992), were signals and programmes for CARICOM's engagement with a changing global landscape. The practical underpinnings of the "deepening and widening" of regional integration found expression in the design of an Association of Caribbean States for the Greater Caribbean Zone of Cooperation to embrace 25 Member States with a population of 252 million persons and a GDP of US$ 200 billion.[4]

Despite the 'Rose Hall Declaration' (2003), as the pinnacle for building a mature regionalism and regional governance, some 30 years after the Treaty of Chaguaramas, the steady advance in the evolution of regional integration has nevertheless remained illusive. This is due, in part, to the fact that the Rose Hall Declaration remained little more than a reinforcement of the "intergovernmental mode of cooperation". This has been extensively studied by Havelock Brewster who has demonstrated that "intergovernmentalism and supranationalism are reconcilable."[5] Strongly adhering to "intergovernmental cooperation", CARICOM as an "association of sovereign states" was committed to find full realisation of its "association" in the form of a Single Market and Economy (CSME). This was conceived in 1989, with the Single Market being inaugurated in 2008 and

a Single Economy by 2015. Progress, however, has been slow, with very low expectations by the public of its success and positive effect on their daily lives.

Another example of limited progress is found in the Assembly of Caribbean Community Parliamentarians (ACCP). With the scope to make "inclusive democracy" a practical reality for consensus building on major regional economic, foreign trade or regional priorities, the promise of the ACCP was hardly nurtured to bear substantial fruit. It appears as a missed opportunity to elevate governance of the community to a structured forum for deliberation and debate by elected representatives of Member States. Parallel to these events is a growing disillusionment and frustration, with meetings that do not generate actionable items with completion dates, even though they appear to be well-meaning. Thus, it is difficult in 2009, to discern a growing sense of a common identity, shared economic benefits from closer regional trade and a citizenry empowered to seize opportunities to expand "a single economic space" by the free movement of persons, skills, services and capital.

One may legitimately ask and try to answer 'What are the underlying factors that have constrained the progress of Caribbean regionalism?' How much of the non-progress is due to lack of political or administrative will? To what extent are the conceptual boundaries of the integration vision self-imposed? In addressing these and related questions, Cuthbert Joseph (2005), is of the view that the re-conceptualizing of CARICOM is necessary and must take into account the geopolitical circumstances of the late 20th century and the realities that have emerged from Caribbean history, culture, politics and economy.[6] From this perspective, Joseph argues that:

> "The debate about Caribbean governance is essentially a discussion about the mechanics of decision-making and of power sharing by the public organs of the region for the purpose of advancing the self-determination of the *Caribbean People".*

Joseph further regards the debate on advancing Caribbean self-determination in the 21st century, as rigidly constrained by "a scrupulous adherence by each state to the doctrine of state sovereignty" and pointedly concludes that "this policy is no longer viable". (Ibid.2005:19).

This leads us to explore the contrasting views on sovereignty and supranationality. The hope is that the present political leadership would eschew the inherited fears of diminished political independence and national sovereignty, trading off these fears for a more collective-sovereignty in an increasingly

interdependent and globalised world, a CARICOM good that cannot be easily dismissed.

## Misconceptions of Supranationality

Political theory and historical experience suggest that CARICOM Member States are faced with the fundamental challenge of selective adoption of a "supranational mode of governance". This will be understandably confined to agreed domains that strengthen the pillars on which the regional integration process is built. In the prevailing conditions of global interdependence, and the increasingly complex issues that confront small and vulnerable economies (SVEs), there seems to be good reason to apply the collective vision and voice to solving problems common to all, but as for now, only addressed independently of each other. In other words, neither intellectual calibre, nor resource endowments of sea and sand, land and forests, can ensure sustainable economic well-being for all Caribbean people, without those resources being managed by a political process that transcends the private national interest of separate independent SVEs. The false dichotomy between the preserve of the "nation state" and supranational authority bestowed on specific institutions for the achievement of explicitly stated purposes, has clouded a proper understanding of the rationale, purpose and need for semi-or fully autonomous institutions in CARICOM's governance regime.

Supranationality may be regarded as an instrument to enable the exercise of legal authority, decision-making power and the enforcement of decisions agreed by constituent members at the level of CHG. Where such an instrument is applied, it is common to refer to supranational organisations or a supranational mode of governance by which the management is conducted. In considerable detail, Joseph (2005), has given a clear exposition on "sovereignty" as a political doctrine with origins in sixteenth-century France and reminds us that in today's world, "the sovereignty of states is severely circumscribed by provisions in the UN Charter and other international instruments"(Ibid. 2005:11). It is also most important to note that:

> These provisions impose limits on the exercise of the exclusive jurisdiction of states within their own territory in such affairs as those impinging on international peace and security, human rights, the natural environment, and international trade.

These principles assist in clarifying any misconception of sovereignty as it focuses on certain regulatory measures in specified areas. Indeed, such "relative autonomy" of statehood has a bearing on the national level where, as further explained by Joseph (Ibid. 3):

> The exercise of sovereign authority is curtailed by such constitutional stipulations as the separation of powers, the independence of the judiciary, the rule of law, parliamentary accountability and the judicial review of executive action.

Thus, it should be kept in mind that where sovereignty is exercised, the limitations of its boundaries are constitutionally determined. In the case of CARICOM, its Constitution is the Treaty (1973) and Revised Treaty (2005) from which the required authority for legally binding actions can be derived. Without compromising, or far from reducing the sovereignty of each Member State, amendments can be made to the "CARICOM Constitution" to delegate or devolve to institutions, as determined appropriate, the authority and power to pursue actions, "in agreed areas by Member States" of CARICOM. Precisely this understanding has been contained and extensively discussed in the TWG Report (2006). The major challenge to overcome remains the political decisions at the level of Member States for the necessary "passing" of a 'single CARICOM Act' by national parliaments to allow the reception of Community Law in the jurisdiction of Member States.[7]

The powers and functions of supranational organisations enhance the exercise of sovereignty, while taking into account the principle of defined competences and of subsidiarity. The first refers to the exclusive zones/areas or domains in which authority shall be exercised and the latter limits the areas or domains of the "supra-entity" from action where the specific goals or purpose can be effectively achieved at the "lower" level. In the context of the "mature regionalism" of CARICOM, Brewster (2003), places the intrinsic condition for the effective functioning of a CARICOM Commission, in the following manner:

> A CARICOM Commission can function effectively only if the Community itself, with the Conference of Heads of Government at its apex, is constitutionally empowered by the Member States to make decisions, to legislate, and to implement decisions. Such a process would necessitate changes to the Treaty of Chaguramas, and amendments to the relevant laws of the individual Member States . . . A Commission without such powers expressly delegated to it by the Member States in respect of specific agreed

> policy domains can merely perform a facilitating role through persuasion and wisemen brokerage. (Brewster 2005:88)

By contrast with the European Union, whose single European Act (1986), "only three years older than the CSME", Brewster shows that intergovernmental cooperation, as practiced by CARICOM, can be accommodated with supranationality. The often-cited example of the European Union illustrates this delicate balance of power between the Commission, the European Parliament and European Court of Justice, which function with supranational powers in circumscribed domains. They are the contrasting side of the Council of Ministers, whose voices as elected representatives of the current 27 Member States, conduct the affairs of the Union in an intergovernmental mode of governance, allowing qualified majority voting in specific instances.

In an effort to pursue the wider interests in a globalised world, in which national, regional and ethnic identities of Europeans refuse to be submerged, supranationality, together with popular democracy, national needs and goals are reconciled by Regulations, Directives and Decisions.[8] Specifically, an enlarged role of the European Parliament through co-decision on budgetary matters and the requirement for its ratification of the Economic Partnership Agreements (EPAs) are illustrative of substantial changes in the balance of power between Council, Commission and Parliament. On the other hand, devoid of any real power, the CARIFORUM-EC Consultative Committee (CC) as provided for in Art. 237 may nevertheless become a highly desirable avenue for a structured participation of civil society organisations, including the academic community and social and economic partners, by which to enable the Joint Council (JC) "to promote dialogue and cooperation" (Art. 232).

The potential to exercise influence, and ultimately exert popular pressure on the JC, is contained in the provision for "dialogue and cooperation" aimed at encompassing "all economic, social and environmental aspects" of the relations between the EC and CF in the context of the implementation of the Agreement. This will require a major and consistent effort in the preparation, distribution and promotion of public debate of policy briefs and position papers, along the lines currently undertaken by various civil society organisations and universities in the North and South.

Promising as this opportunity may be, it is explicitly controlled and restricted by placing the authority for participation in the CC being subject to the decision by the JC. This exclusive decision-making authority is supposedly granted to the JC, "with a view to ensuring a broad representation of all interested parties" (Art. 232 Para 2). Breadth of representation and actors to be ascribed legitimacy

as "interested parties" and their numbers have been confined to the decision of the JC.

A legitimate question arises as to the basis and modality by which the "CARICOM-plus" entity will set about the selection of representatives for the CC. Taking CARICOM alone, and without considering the Dominican Republic, there exists no institutional arrangement for civil society participation in policy debates and decision-making, except the invited brief comments on topical items at the Annual CARICOM Summit by such bodies as the Caribbean Association of Industry and Commerce (CAIC), the Caribbean Congress of Labour (CCL) and Caribbean Policy Development Centre (CPDC).[9] Moreover, it is also interesting to note that the JC has bestowed on itself the mandatory right to attend meetings of the CC. As stated in (Art. 232 Para. 3) "Representatives of the Parties shall attend the meetings of the CARIFORUM-EC Consultative Committee". One would have thought that a forum of civil society organisations should be authorized to invite, rather than be mandated to have representatives of the Joint Council, Trade and Development Committee or Parliament or any other body, as it sees fit and proper in attendance at its meetings.

Given the limited embrace of "civil society organisations" in a political culture sensitive to contentious criticism among some of the political directorate, one may reasonably assume that the selection of "interested" parties by CF Member States may be "hand-picked" so that other than "mainstream" views are unlikely to be entertained for the promotion of "dialogue and cooperation". Views that could offer alternative perspectives and challenge established orthodoxy of how and to what extent the free-trade model is applied to CF EU relations are more likely to be excluded from the proposed dialogue. This "safeguard", as conveyed in the said Art. 232, reflects a deliberate consensus arrived at by negotiators and sanctioned by signatories to the EPA.[10] Taken as a whole, the "institutional provisions" reviewed so far illustrate the need for alternative mechanisms to facilitate inclusion, the attainment of sustainable development and poverty eradication in CF Member States.

## CARICOM/CARIFORUM and the EPA

The present conjuncture faced by CARICOM following the recent signing of the CARIFORUM-EU Economic Partnership Agreement (CF-EU EPA) necessitates a deeper probing of the regional integration process. This has arisen on account of two factors. Firstly, there is an urgent need to have clarification of the juridical and legal basis of the nature and scope of the instrumentality of

CARIFORUM (CARICOM plus the Dominican Republic) as an administrative device. CARICOM Member States operating within the Revised Treaty of Chaguaramas (RTC) have formulated their policies, or are at varying stages of formulation, based on the RTC. Unfortunately, this Treaty has no jurisdiction to impose any obligations, rights and responsibilities to which the Dominican Republic must conform, since it is not a signatory to the RTC. Besides, as a constituent element within the CARIFORUM "configuration", the Dominican Republic assumes responsibilities and derives preferential benefits and privileges as a signatory state of the CF-EU EPA. Such a situation, expectedly gives rise to tensions and conflict in policy and operational terms.

Firstly, there is the concern of an ill-defined CARIFORUM-CARICOM "arrangement"-a sort of common law union introduced to enable EU development cooperation assistance under the Lomé and successor Cotonou Agreements to benefit both CARICOM Member States and the non-CARICOM Dominican Republic. The second area of concern for regional integration arising from the EPA is the enormous institutional infrastructure and layers of decision-making that are intrinsic to the CF-EU EPA. In addition to the absence of a clearly defined legal basis for the raison d'être of CARIFORUM, the EPA has introduced overlapping jurisdictional, technical and procedural functions that can be sources of built-in inefficiencies and significant additional transaction costs for the already heavily indebted Caribbean economies.

Overcoming this "organisational overburden" is no longer an option but an imperative. In particular, having neglected what should have been preconditions for the strengthening of regional integration, in which the EPA would be a subsidiary but significant factor, it is now crucial that what the EPA entails politically and from an institutional perspective, should be widely debated. Indeed, because of the absence of clearly defined and coherent policy processes, there is considerable doubt in the capacity of the EPA, as a "set of trading rules" and "development endeavours", to advance and deepen CARICOM's mature regionalism. Furthermore, in order that tangible value and the potential benefit of the CF EU partnership are achieved, appropriate institutional measures, in terms of capacity and resources as well as an effective structure and process, should be established to function in a coherent and consistent manner. This assumption of coherence underlines the primary importance of a CARIFORUM Development Policy Framework, a task too long delayed by those who have been charged with this responsibility.

The scope and demands of such institutional requirements are an additional reason for a thorough examination of the extent to which the current capacity and level of performance by the CARICOM Secretariat can reasonably be expected

to accomplish the desired goals. The many reservations and unambiguous statements on the weaknesses of the Secretariat's record of accomplishment for service-delivery make one doubtful that expectations would be realised. In this regard, the recent Institutional Assessment of the CARICOM/CARIFORUM Secretariat on its management of the 9th European Development Fund (EDF) allocation for the Caribbean Regional Indicative Programme (CRIP) of 2002-7, indicates a disturbingly low level of programme implementation. As a result, there is an urgent need for a redesign of the measures utilised by CARICOM governance structures, given the challenges presented by the EPA. However, in order to address this concern in a holistic manner, attention should be given to a brief analysis of the remaining three levels of institutional provisions required by the Treaty. These consist of the Joint CF EC Trade and Development Committee (Art. 230); the CARIFORUM-EC Parliamentary Committee (Art. 231) and the CARIFORUM-EC Consultative Committee (Art. 232). Meanwhile, it has already been noted that the overarching responsibility for decision-making and management of the EPA implementation process clearly resides in the JC, organised at the Ministerial level. Thus, subsequent levels of governance serve supportive functions, either as sources of specialized technical expertise, in the case of the Trade and Development Committee (TDC), or by deliberative counsel and proposals from the Parliamentary and Consultative Committees, to ensure an inclusive participatory medium for public representation in the EPA.

On the TDC, the Agreement clearly identifies its composition as, "normally at the senior officials' level", from which the "CARIFORUM States shall mandate one of their representatives to act on their behalf on all matters . . . for which they have agreed to act collectively" (Art. 230). A provision is also made for the TDC to have in its purview "any issue related to the application of the Agreement or the attainment of its objectives." Moreover, whereas the JC will determine its own rules of procedure, those of the TDC shall be established by the JC, to which the TDC shall report annually.

## Trade, Development and Regional Integration

In the description of the functions of the TDC, it should be noted that these are expressed in two separate categories, by reference to the "area of trade" in Art. 230, Para. 3(a) (i)-(viii) and the "area of development" (Ibid. 3 (b) (i)-(v). This separation implies in the thinking of the negotiators, two separate and distinctly parallel "areas" of activity, stemming from an approach that gives credence to

the view of the EPA as primarily, a "trade" agreement with "development" as a residual activity.

It should be noted that consistent warnings and concerted efforts by senior associates of the Caribbean Regional Negotiating Machinery (CRNM) in debating the shortsightedness of such a view, proved unable to convince Chief Negotiators.[11] The compromise to salvage what should have been an all-pervasive articulation with development requirements on the supply-side of CF economies and elaborated throughout the EPA, was arrived at with the Chapter 1 of the EPA addressing "Trade and Sustainable Development".

The conviction of "free trade" as a development strategy underlies the reciprocal trading obligations accepted by CARIFORUM's SVEs as binding with "legally actionable terms," whereas the supportive development actions of the EC are offers of "best endeavour". Here is an example of "asymmetry" in practice that reinforces the structural dependence of Caribbean economies in their relations with "Global Europe". The conditions for market access and opportunities for trade and investment remain without adequate attention to supply-side constraints of the Caribbean and an increasing tendency of restrictive directives and regulations by the EU will curtail market entry by Caribbean entrepreneurs. This should once again serve to underline the importance of having the obligations of the Joint Declaration operationalised, even within the deliberations by the TDC and rigorous efforts made for effective data collection at the national level, so that an opportunity to redress the imbalance is siezed by provisions of the JD.

When examined more closely, the specific functions of the TDC for the "trade area" amount to the following: "compliance" and "elaboration" of provisions of the Agreement, recommendations on cooperation priorities, dispute avoidance and resolution, the facilitation of trade, investment and business opportunities, and monitoring and impact assessment. These undertakings from the perspective of trading obligations. The functions of the TDC, in the "area of development", also refer to "monitoring", a task of "periodic review" and to "review and discuss cooperation issues pertaining to regional integration" (Para 3(b)(v).

It is revealing to find here the assumption that "development" is equated with "development cooperation" and this amounts to aid and donor assistance, as expressed in the specific function attributed to the TDC "to coordinate such action with third party donors" (Para 3(b)(iii). Problematic as it is among development economists, the understanding (the "what") of trade as an instrument of development has not been addressed in the body of the EPA, other than in terms of "best endeavour" pleas for donor assistance. As a result, the functions of the TDC were unable to describe "how" (the practical modalities) this objective can be achieved. As evident as the shortcomings are in the conceptualization of

the functions of the TDC, one can hope these will be overcome in the practice of implementation.

Beyond dealing with "trade" and "development", the functions of the TDC include: "to monitor the development of regional integration". This, in itself, places a tremendous responsibility on the TDC, which will inevitably have to bring within its purview the required policies and constraints that undergird the process towards a CARICOM Single Market and Economy (CSME). This, of course, is "the flagship" that is meant to chart the course of "regional integration", but only as committed to, by CARICOM elements of the collective CARIFORUM Parties in this Agreement.

Once again, an inherent structural disjuncture surfaces because CARIFORUM, a 1975 administrative device, assumed a "trading bloc", is pursuing an entity called "regional integration". But whereas such an entity has obligations, responsibilities, privileges and a limited common economic vision, enshrined in the RTC, the additional member of the "CARIFORUM trade and development bloc", the Dominican Republic, is not bound by the said obligations and responsibilities of the RTC as the legal and political basis of the CSME. Fully cognizant of this "functional and legal disjuncture", the Joint Declaration has attempted to provide a policy opening that can make the day-to-day practice of implementing the EPA, a tangible advancement of "regional integration", taking account of the differential applicability to CARICOM "plus" the Dominican Republic.

Although the EPA does acknowledge the various "regional integration initiatives", the complex task of closing the gap of such a disjuncture calls for an exceptionally high level of managerial skill and political sensitivity to the nuanced reality of regional integration as "a work in progress". The difficulties, as well as tensions, in working towards a meaningful regional integration, with a seamless space for economic development through trading relations, requires a coherent policy framework and concerted efforts at the political and technical levels. Without ongoing engagement, the prospects of the EPA in the area of "trade for development" and promotion of regional integration will remain as benefits in theory, rather than in practice, with the goal of sustainable development and poverty eradication for CF Member States continuing as an illusive goal.

The remaining "institutional provisions" of the Agreement address the CFEC Parliamentary Committee (Art. 231) and the Consultative Committee (Art. 232). The former is a forum for members of the European Parliament and CARIFORUM States legislatives, "to meet and exchange news", while allowing "representatives of the Parties", such as the signatory CF Member States and those of the EU, to attend the meetings. This provision clearly states that on the

Europe side, the members shall consist of European Parliamentary representatives; but, there is no such Caribbean (CARIFORUM) Parliament, conveying thereby another "institutional vacuum" with regard to the rationale and mechanism by which CF Member States are required to determine the composition of their Parliamentary Committee. Much thought will have to be given for national legislatures, instead of the executive arm of government, in keeping with the separation of powers, to arrive at a principled basis for selecting CF parliamentary representatives.

Moreover, had there been a well established and functioning Assembly of Caribbean Community Parliamentarians (ACCP), one may have had an institutional resource from which to draw for satisfying this EPA provision and to serve as a basis for proposals from comparable parliamentary institutions of the Dominican Republic. In the context and experience of European integration, the provision of a Parliamentary Committee makes every sense for "Global Europe". The European Union acknowledges the supranational character of its integration evolution while increasingly searching for ways to balance power of the Executive Commission, directive, policy-making Council and popular representation through the elected Parliament. CARICOM is yet to move purposefully in this direction.

## EPA Institutional Constraints

Regional integration (Article 4), clearly states that regional integration is an integral element of the EPA and a powerful instrument to achieve the objectives of this Agreement. Elaborating on this general statement, the text continues with a reaffirmation of the "importance of regional integration among the CARIFORUM States as a mechanism for these states to achieve greater economic opportunities and enhanced political stability and to foster their effective integration into the world economy." The mechanism of "regional integration" is therefore perceived as having an economic, political and global role.

Undoubtedly, such language draws on the rationale for the EPAs as stated in the Cotonou Agreement (Title 11 Art. 34), in referring to "the smooth and gradual integration of ACP States into the world economy". However, by either oversight or having a different preoccupation, the CF EPA is apparently more concerned with "enhanced political stability" than the much more positive reference of Cotonou in 2000, to "political choices and development priorities". Consequently, one can well ask to what extent is the Caribbean "politically unstable" and needs to be coaxed, or encouraged to see the EPA as a means

for "enhanced political stability?" Moreover, it is questionable to attribute to "regional integration" the qualities of a "powerful instrument" given the historical experience of CARIFORUM, in which political engagement has been miniscule and the progressive liberalisation of trade in the functioning of the Free Trade Area between the Caribbean Community and the Dominican Republic has not made significant advances. This process has so far established a JC and as many as eight (8) Committees, but it is far from clear what have been the results emanating from this "institutional overburden".

More significant is the importance that needs to be attributed to development priorities, as was explicitly stated in Cotonou. Even for CARICOM, development priorities remain in general terms in the RTC and as a useful schematic outline of key areas in the Girvan, et al. Report.[12] The promised Strategic Plan for Regional Development, when completed, would serve as the practical framework by which CARICOM Member States would translate into programmatic interventions, the policy statements of the RTC. One would thereby see the basis and guiding principles for the realisation of the EPA's "greater economic opportunities". However, once again, the cart is before the horse. The Development Chapter is abstract in conception and holds no surprise that its statements are in "best endeavour language". Not surprisingly, the inclusion of such a chapter engendered a fierce battle between negotiators. On the European side, there was strong resistance, since the EPA was being negotiated primarily as an instrument to end non-reciprocal, preferential trading relations with ACP countries under a WTO waiver that expired on December 31, 2007. Thus, development needs were of secondary importance and a residual that would result from marketing openings and investment by European capital.[13]

Art. 4 of the EPA notes that efforts of "regional and sub-regional integration" comprise multiple initiatives, different in scope and levels of membership. In terms of implementing the EPAs, it is understandable that the complexity of competing priorities, the sequencing of responding to demands of policy and operational requirements, and the allocation of responsibilities and resources will inevitably prove to be very challenging. Therefore, in the absence of a single, agreed executive authority, there are risks of dysfunctions, lack of coherence in policy implementation with reduced impact and tensions in compliance with the rules in a host of substantive areas. Clearly, this situation is one that will call for astute and experienced political judgment, outstanding economic management and proven administrative ability. It will require strong networks or organisations, such as universities and research institutes, where such skills and competencies can be sourced. In these circumstances, it seems useful to explore options for a structured facility of the signatory states, individually, and collectively in order

to effectively and efficiently transform EPA obligations and responsibilities into measurable outcomes, given that these can be strategically linked to the development priorities of CARIFORUM countries.

For CARICOM, the design of the CSME serves the purpose, from a trading perspective, to identify the mutual obligations, privileges, benefits and responsibilities of its Member Countries to which the Dominican Republic is not a Party. This element of "disjuncture" has found accommodation in negotiating "trading relations", for fulfilling obligations in keeping with the successor Lomé Convention by the Cotonou Partnership Agreement of the ACP Group and the European Union. Indeed, while it is possible to speak of a strategic and programmatic-oriented "sustainable development and poverty reduction" vision for CARICOM Member States, no such common vision for CARIFORUM has been articulated. Therefore, the task to define an effective regional coordinating mechanism is burdened by structural constraints that could be overcome through the office of the Regional Coordinator (Art. 234), and supported by a Rotating Chairmanship of a CARIFORUM EPA Executive Committee (CEEC), with political supervision of the CEEC undertaken by the CF Council of Ministers. The CEEC would be supported by administrative services of the proposed EPA Implementation Unit, the latter being distinct from the specialized Department for CF Negotiations, formerly the Caribbean Regional Negotiating Machinery (CRNM) that is now incorporated into the CCS.

## Restructuring for an Effective Implementation Mechanism

In Part V. Articles 22732, the EPA Institutional Provisions list a Joint CARIFORUM-EC Council, a Trade and Development Committee, a Parliamentary Committee and a Consultative Committee. It is necessary to decipher the meaning and purpose of this organisational superstructure, because its role is central in mediating the policies and priorities from the decision-making level of the Joint Council to effective implementation of productive activities at national and regional levels. Additionally, the quality and cost of its management will be significant in the determination of the net benefits of the EPA as a contributing factor to structural changes of CF economies, thus serving the purpose of being more than just a "trade agreement".

Examination of the four institutions in the above-mentioned Articles of the EPA suggests that some uncertainty as to whether a thorough "thinking-through" of the functions, purpose, aims and goals, such as the underlying "raison d'être" and intention for establishment of each institution, has been provided. In this

respect, clarity is essential to enable coherence and complementarity among the various functions at different levels of governance. For instance, at the apex of the institutional structure is the JC which "shall supervise the implementation of this Agreement" and "shall meet at ministerial level" (Art 227, Para. 1). This is a Ministerial body performing an overall, supervisory function for the EPA implementation. In combination with this, or supplementary to that principal "supervisory" function, the JC "shall generally be responsible for the operation and implementation of this Agreement" (Art. 227 para. 2). Two additional functions are attributed to the JC, namely, to monitor fulfillment of the EPA's objectives and to examine proposals and recommendations from the Parties for the review of this Agreement (Art. 227 Para. 2 & 3).

Those functions to monitor and examine proposals for review of the EPA are understandably routine aspects of the supervisory management role in the overall governance structure, crowned by the JC, the political decision-making entity. In keeping with Article 5, a comprehensive review of the agreement shall also be undertaken, no later than five years after the date of signature and at subsequent five-yearly intervals. Part of the focus of the review will be a determination of the impact of the Agreement and an assessment of the costs and consequences of the implementation. Additionally, the outcome of the impact assessment, the associated costs and consequences would provide the objective basis for making amendments to the EPA when necessary. Furthermore, developing a methodology with empirically verifiable indicators for monitoring and benchmarking the EPA process is a requirement that should be undertaken by research agencies in the South and North.[14] Moreover, CARIFORUM Member States need to be proactive in these tasks and the CARICOM Secretariat has to take a lead position, if the desired outcomes from the reviews are to be completed in a timely and efficacious manner. Examining also the experiences of the European Union could provide useful examples on how to organise and build a mechanisms for delivering intraregional governance and supranationality. The next section reviews some of the approaches employed by the European Union.

## Aspects of European Integration

Events in Europe from 1957 provide insights that can be instructive for crafting institutional changes in the CARICOM integration process, at the core of which is the distribution of political power and a division of labour which enables effective design and implementation of policy decisions in response to changing global, regional and national circumstances. For instance, in the contemporary

era of trade liberalisation, there exists the strategic policy framework in which political, economic and foreign policy decisions are being made. A major document in which these are contained is Global Europe: A Stronger Partnership to Deliver Market Access for European Exporters (2007).[15]

The process of regional integration in Europe demonstrates notable achievements and an evolution not merely in the number of member countries of the original six, which began with joint economic management of their coal and steel industries in 1950, but also in policy domains and decision-making procedures. The underlying philosophy of this integration initiative was "supranationality in combination with respect for national sovereignty". In a phased, strategic and flexible process, the translation of policy decisions into practice, the growth of European jurisprudence and a network of institutions, Europe's ideology of regional integration is being realised.

By 1957 and the Treaty of Rome, the European Economic Community (EEC) was formed with the expansion of a "common market" for people, goods and services to move freely. The pattern of enlargement from 6 to 9 countries in 1973, when Britain joined, and subsequently to 12 and 15 by 1995, reached an even wider geographical scope covering east and central Europe so that by 2004, the EU was 25 and in 2007, the two most recent members of Bulgaria and Romania now make up the 27 States. The intervening years saw Europe's first plan for a common currency with the creation of the exchange rate mechanism in 1972 and 30 years later, came the Euro. So too, were constant progressions to address economic imbalances by the Regional Development Fund in 1974 and to broaden political participation at the level of the citizens; elections to the European Parliament were held for the first time in 1979.

The progression of European integration, by no means a path free of conflict, shows a consistent drive for institutional evolution to match the overriding political interests of "Global Europe". This is grounded in the logic of free enterprise capitalism for market expansion, the use of "soft power" in global conflict and social democracy to satisfy needs and expectations of the citizenry. Organs of the European Community and its changing institutions were systematically made flexible to find effective measures of power-sharing that accommodate national sovereignty, regional differences and the larger vision of a Europe, with "war never again" and preserved from communism. The overarching political vision, a process of institutional evolution and the balancing of executive authority, decentralized, delegated or devolved in conjunction with political approval by Member States, are key lessons in Europe's phased application of supranationality.

## Concluding Comments

The growing demands facing CARICOM's regional integration has prompted the urgent need for an upgrade of the prevailing CARICOM governance structures by an expansion to include specific supranational functions. The fundamental reasons for such an upgrade are well recognised, having been extensively analysed by Task Forces, Working Groups and many scholarly works.[16] As identified by the TWG (2006), these include the need to accelerate regional decision-making and optimise the functioning of the CSME by "shared sovereignty or collective exercise of sovereignty". The recognition that governance is no longer "an exclusively state-centered process" and the "profound geopolitical and geo-strategic shifts", derived from increasing global interdependence of trade and investment in the framework of neo-liberal market capitalism. The impact of these forces on Caribbean self-determination and a quest for economic growth with equity and justice, makes a strong case for regional integration, with an even more urgent demand for sustained progress in 2009. The political directorate, hardworking officials and administrative cadres within the many regional organisations, including the CARICOM Secretariat (CCS), are without doubt committed to "advancing regional integration". The underlying goal is sustainable development, poverty eradication and appropriate institutional mechanisms for the rights of all CARICOM citizens to be respected, be able to live in freedom and peace, without fear or favour. What has remained a burden, however, to the advancement of CARICOM integration is the notion that an intergovernmental mode of cooperation will be sacrificed by the introduction of supranational institutions. These difficulties have to be overcome, even as CARICOM pivots to manage the EPA, the CSME and the inclusion of the Dominican Republic in CARICOM.

Additionally, the CARICOM Charter of Civil Society needs to be given legally binding status by the appropriate legislative process in each CARICOM Member State. P J Patterson so clearly elaborated this some six years ago at the July 2003 CHG:[17]

> The Charter of Civil Society, which is a codification of a body of civil society ideals and standards of political governance embraced by CARICOM countries, should also contribute to the consolidation of a distinctive regional identity. (It) . . . has been adopted by CARICOM Member States as a non-binding undertaking on standards of governance. It should not be allowed to become a set of pious declarations soon forgotten . . .

Another area of consideration is the feasibility of appointing, with delegated executive authority, a CARICOM High Representative for External Relations and Foreign Trade. This office will *de facto* be the voice and face of CARICOM, in a manner adapted to that exercised by certain of the "representative" functions of the Secretary General, described in the RTC and an enhanced role of the Assistant Secretary General for Foreign and Community Relations. The rationale for this incorporation rests on the recognised need that new demands are placed on CARICOM for a coherent exposition of its foreign policy in many international fora. The current "harmonization of foreign policy" would acquire more integral linkages with global, hemispheric and regional trading issues, which are influenced by the dimensions of political policy. Such an office will benefit by having regular engagement with CARICOM's political and trading allies, while exercising the advantage and weight of a "political grouping" of 14 "sovereign" states. The scope of this paper does not allow elaboration of these suggestions, but it is hoped that subsequent discussions will encourage a constructive exchange on their merits.

## Notes

1. The 18th Inter-Sessional Meeting of the Conference of Heads of Government identified "Security as the Fourth Pillar of the Community, given its ever-increasing importance and its cross-cutting and fundamental nature" (c.f. Communique, St Vincent & the Grenadines, February 14, 2007).
2. The extensive and erudite discussion on the role of Law as an instrument of regional integration and the debate of sovereignty/supranationality are covered by Cuthbert Joseph, "Reconceptualizing the Caribbean Community: Reconciling Individual and Collective Exercise of Sovereignty-A Legal Perspective" in Hall and Benn, *Caribbean Imperatives: Regional Governance and Integrated Development,* Kingston: Ian Randle Publishers, 2005.
3. For an historical overview and critical assessment of events on this process see Dieter Frisch, The European Union's Development Policy. Maastricht, ECDPM, Policy Management Report, # 15, 2008.
4. See an appraisal of the ACS' relevance and prospects in N. Girvan, Cooperation in the Greater Caribbean: The role of the Association of Caribbean States, (Kingston: Ian Randle, 2006).
5. The issue is discussed later in this essay. Brewster's critique of the limited perspective of the Rose Hall Declaration is found in Havelock

R. Brewster, "Mature Regionalism and the Rose Hall Declaration on Regional Governance" in Kenneth Hall & Denis Benn (2005).

6. See Joseph in Hall and Benn (2005:10-19).
7. See Technical Working Group (2006).
8. The enormously complex issues, philosophical, legal, economic and cultural deserve far more scholarly attention than can be provided in this brief essay. Interested readers can consult debates on Europe's Constitutional Treaty.
9. The CARICOM Charter on Civil Society remains a document of voluntary compliance, containing guidelines on areas and measures by which Member States may encourage inclusive democratic decision-making, even though not adopted as a provision in the Community governance structure. The Review Study of 2002 and several appeals have been made for the Charter to be more than a best endeavour initiative.
10. One need not recall public remarks by members of the political directorate of CARICOM Member States in face of the National Stakeholders Consultation in Guyana that sharply condemned the "initialled" EPA as devoid of binding commitments for development assistance for CARIFO-RUM Member States.
11. Cf. Memorandum to Ambassador Richard Bernal, Director General, CRNM from Norman Girvan, Senior Associate, CRNM, November 3, 2007.
12. Girvan et al. (2007), "Towards a Single Development Vision and the Role of the Single Economy".
13. There has been in recent months pronouncements by European Commissioners Michel and Ashton to give the assurance to the ACP Group that in the EPAs "trade is meant to be an instrument of development" as manifested in the case of CARIFORUM with the provision of the 10th EDF Regional Indicative Programme of 165 mn Euro (over 5 years) as double what it was in the previous EDF 5-year allocation 2003-8. The EC is also often at pains to point out that limited absorptive capacity and poor management of allocated funds fail to be utilised in a timely and efficient manner by CARIFORUM.
14. For instance, South Centre; Third World Network (Malaysia); Trade Law Centre (TRALAC); European Centre for Development Policy Management (ECDPM); Overseas Development Institute (ODI).
15. This Communication of the European Communities is the ideological base and policy document that guides the engagement of the EU in bilateral and multilateral trade agreements. It deserves close study, analysis,

debate and understanding the crafting of Caribbean development and trade programmes.

16. This is captured by several contributors to the composite volume on Regional Governance and Integrated Development derived from a UWI Conference in observance of the 30th Anniversary of CARICOM in October 2003. More recently, the Technical Working Group (TWG) on Governance (2006) reiterates the basic rationale for deepening integration.
17. Cf. CARICOM Beyond Thirty (2003).

# 6

# TRANSFORMATIVE POWER OF THE CARIBBEAN DIASPORA

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## Background

The nations of the Caribbean Community (CARICOM) include Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, St. Kitts and Nevis, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago. On 20 June 2007, during the Conference on the Caribbean in Washington DC Heads of State from CARICOM and the United States issued a joint communiqué which served to: "reaffirm [our] unequivocal commitment to a secure and prosperous region and future for the benefit of all of our citizens."[1] Two items are noteworthy in this document: 1) the raison d'être for engaging constructively with the Caribbean region and 2) the significant focus on Haiti.

To begin with, as a neighbouring region in the Western Hemisphere, the parties acknowledged "the multidimensional nature of the security threats and challenges faced by [our] countries with a pledge to continue to work together in the fight against terrorism, trafficking in persons, drugs and small arms, and transnational crime." The best strategy for Caribbean home nations to mitigate these challenges is often debated passionately by Caribbean Diasporans along two poles: regional focus via CARICOM (espoused by smaller member countries) or country focus (advocated by larger member countries). One of the main arguments here is that country appeals should not give way to regional development strategies and vice versa. There is room for both strategies.

Regarding the strong country focus on Haiti, it is explained through cases presented here. There are opportunities and lessons learned from the multiple

engagements involving Haiti. Its historical significance notwithstanding, Haiti represents a major cause around which the hegemony of the Diaspora and the CARICOM can be tested. During the 2009 Haiti Donors Conference in Washington DC., US Secretary of State Hillary Rodham Clinton[2] addressed the Haiti development assistance rationale:

> Why should countries in the Western Hemisphere, Europe, the Middle East and Asia offer assistance to Haiti in the midst of a global economic downturn? Because what happens in Haiti affects far beyond the Caribbean and even the region, this small nation of 9 million people is on a brink. It is on a brink of either moving forward with the help of the collective community or falling further back. And it, as well as this region, will be shaped to a large extent by the decisions that we make.

Abundantly clear is how the fate of one country (in this case, Haiti) and that of the region within which economic, social and political interests are linked. The point stressed here is that the credibility of CARICOM as a centrifugal force can be established through the successful emergence of countries like Haiti, Jamaica, Dominica, Guyana and Trinidad and Tobago.

In the post-Cold War, 9/11 era, globalisation caused the world to become increasingly interdependent and this created a need to modify the approach CARICOM countries and their leadership would use to maintain relevance. The foreign policy developed within the member countries and the international relations among them were also transformed. As one regional scholar summarized, the Caribbean archipelago became one "communal yard" having more commonalities than differences attributable to colonial legacies and the integration of the divergent cultures.

All the CARICOM countries found a safety valve in the form of remittances from large expatriate populations that have immigrated to Europe, North America and major US cities. This Caribbean Diaspora is well documented in an extensive literature that recognises both the functions and aspirations of these "transnational citizens". Transnational here means transcending or reaching beyond natural boundaries. As noted by Schiller and Fouron (2001), "a new form of state has emerged that extends its reach across boundaries, claiming its emigrants and their descendants who remain an integral and intimate part of their ancestral homeland, even if they are legal citizens of another state."[3]

The international donor community has come to recognise the first response role and capacity expressed by the Diaspora and through Hometown Associations during periods of disaster or for humanitarian assistance. Further, acknowledging

that this ever growing segment alleviates economic and demographic problems in the region through remittances, it is useful to view the Caribbean Diaspora as residents of a transnational-state expressing their long-distance nationalism which binds them together into a single transborder citizenry.[4] Their net impact can be recognised in both the home and adopted nations. For this reason, some Diasporans have argued for dual nationality and the preservation of their natural birthrights because their remittances sustain large segments of the home country's population.

The changed US foreign policy expressed by Secretary of State Hillary Clinton called "Smart Power",[5] stressing on the convergence of the three D's (Defense, Diplomacy and Development),[6] accommodates both bilateral programmes and regional platforms. It also recognises Diasporans as critical players in public-private partnerships to accomplish development. Based on the exuberant applause for the US delegation, the tenor and tone of the 2009 Summit of the Americas in Port of Spain, Trinidad, the new Obama administration has found allies within CARICOM and partisans to "smart power". The architect of this new approach to engaging the world was foretold in an old classic discovered in 2002. In his chapter "The Role of the Black Race in the History of Civilization", Anténor Firmin (1885), wrote the following in response to the American abolitionist, Wendell Phillips' praise and analysis of Haiti's defeat of the slave system and its influence on the abolition of slavery in the US.

> Appearances to the contrary, this big country [USA] is destined to strike the first blow against the theory of the inequality of the human races. Indeed, at this very moment, Blacks in the great federal republic have begun to play a prominent role in the politics of the various states of the American union. It seems quite possible that, in less than a century from now, a Black man might be called to head the government of Washington and manage the affairs of the most progressive country on earth, a country which will inevitably become, thanks to its agricultural and industrial production, the richest and most powerful in the world. These are not utopian musings. We only have to consider the increasing participation of Blacks in American society to cast aside our skepticism.[7]

Firmin dedicated his book both to Haiti, and to the Black race. He wrote in the dedication his hope that the book "may inspire in all of the children of the Black race around the world the love of progress, justice, and liberty. In dedicating this book to Haiti, I bear them all in mind, both the downtrodden of today and the giants of tomorrow." It seems he had in mind a man whose reality today

would have been difficult to conjure in 1885, but there is no doubt that he would recognise President Barack Hussein Obama as one of the "giants of tomorrow." The same President Obama named former rivals Vice President (Joseph Biden) and Secretary of State (Hillary Rodham Clinton), the first African-American Attorney General (Eric Holder whose heritage is linked to Barbados) and the first African-American Political Advisor (Patrick Gaspard born in Haiti).

## Introduction

Diaspora reconnection (Wah 1997), identity (Braveboy-Wagner 1989, Hall 1990, Laguerre 1993, Ocampo and Martin, 2003 and Chanady 2007), and ethnicity and religions (Cohen, 2003), are among the several themes covered in the postmodern literature. The extensive list ranges from seminal works by Safran (1991, 2005), Braziel and Mannur (2003), to White Papers published by think tanks, and funded programmes by bilateral and multilateral donor agencies (i.e., World Bank, US Agency for International Development, UN Development Programme, etc.). As a regional and coordinating institution, the Caribbean Community (CARICOM) is positioned to invest in the development of the body of knowledge related to this powerful hegemonic force to highlight the roles that Diasporans can play in the development of the region and its member countries. CARICOM, by virtue of treatises presented in this compilation, will enrich this debate with concrete examples of the transformational roles played by Diasporans in their host land and at times to benefit the homeland. By reviewing linked identity, globalisation and organisation theories here, CARICOM Diasporans can look to replicate models of constructive engagements leading to the transformational development[8] of home nations.

Comparative analyses that have already been presented in this compilation or documented in the literature (i.e., Braveboy-Wagner 1989, Hall 1990, Hillman and D'Agostino 1992, Blouet 2007, and Rioux 2007) adequately describe the complex, yet similar make-up of the Caribbean Diaspora. Summarily, this group from the US has been defined as a dynamic and powerful force that in 2007 sent back $43.5 billion to the region in the form of remittances.[9] The logical framework grounding this work's thesis will be established by:

1. The identity of the Caribbean Diaspora;
2. The traditional socio-political and economic impact of Diasporas in their host and home countries;

3. The vested interests related to the emergence of, and engagement as a Diaspora—vis-à-vis impetus for emigration and evolved interests both within the host and heritage nations.

## Methodology

Literature and document reviews, interviews, interpretation of language from speeches, press releases, written testimony, and participant observations obtained while engaged as a Diasporan-practitioner in the same socio-political space were critical processes for this exercise. An inductive, constant comparative approach was applied to the data and emerging theories. The granularity of the review was refined to a single thesis grounded by organisation, ethnic, migration, identity, globalisation, and transnational political theory.

## Theoretical Grounding

Postmodern literature which looks at identity, cultural practices and cultural production of the African Diaspora (primarily in the Caribbean) and their comportment in the host country, guided this effort. Here, the prevailing thesis extrapolates from Hall (1990), Laguerre (1991), and Chanady (2007). Diasporans' identity is a sense of being as well as becoming, depending on the various ways they are positioned by, and position themselves within the narrative of the past (i.e., liberation from bondage, institution and nationbuilding, etc.) to the social transformation of their present and future states. Requirements in the new land call for the establishment of organisational structures (from *groupements* or loose couplings to institutions). Examples of loose couplings, organisations, and institutions operating within that socio-political space will be shared as a case study for future practitioners.

## A View on the Caribbean Diaspora

Diaspora studies in the literature began with the tracking of the Jewish people and their search for a homeland. Much of what has been learned and theorized about the attitudes and behaviours of a people yearning to connect to a land, place or home with which they strongly identify, revert to the Jewish experience and the establishment of Israel. Glick Schiller and Fouron (2001) itemized the characteristics of what can be considered a classic worldview on Diasporas:

1. Dispersal from an original homeland, often traumatically, to two or more foreign regions.
2. Alternatively, the expansion from a homeland in search of work, in pursuit of trade or to further colonial ambitions.
3. A collective memory and myth about the homeland, including its location, history and achievements.
4. An idealization of the putative ancestral home and a collective commitment to its maintenance, restoration, safety and prosperity, even to its creation.
5. The development of a return movement that gains collective approbation.
6. A strong ethnic group consciousness sustained over a long time and based on a sense of distinctiveness, a common history and the belief in a common fate.
7. A troubled relationship with host societies, suggesting a lack of acceptance at the least or the possibility that another calamity might befall the group.
8. A sense of empathy and solidarity with co-ethnic members in other countries of settlement, and
9. The possibility of a distinctive creative, enriching life in host countries with a tolerance for pluralism.[10]

One missing element from this list is the struggle to pass on the strong senses of affinity and attachment to younger generations who may not have been born on the original homeland. As Cohen (1997) remarked, "just because people leave the homeland does not make them Diasporans".

Some of the characteristics from the list above could have been applied to the Caribbean experience in the New World, considering that Marcus Garvey Black Star Steamship Company was set up in 1917 to return Caribbeans and Negroes back to Africa. Hall (1990) however, distinguishes the old Diaspora paradigm with the following:

> Diaspora does not refer us to those scattered tribes whose identity can only be secured in relation to some sacred homeland to which they must at all costs return, even if it means pushing other people into the sea. This is the old, the imperializing, the hegemonizing form of "ethnicity". We have seen the fate of the people of Palestine at the hands of this backward conception of Diaspora (and the complicity of the West with it). The Diaspora experience as I intend it here is defined not by essence or purity, but by

> the recognition of a necessary heterogeneity and diversity; by a conception of identity which lives with and through, not despite difference; by hybridity. Diaspora identities are those which are constantly producing and reproducing themselves anew, through transformation and differ-ence.[11]

Hall (1990) contends that there is a distinct Caribbean diasporic identity. It cannot be rendered simply as a transposition of an African identity to the New World because the rupture of slavery and the admixture of other peoples built into a Caribbean identity a sense of hybridity, diversity and difference.

Caribbean Diaspora diversity and lack of homogeneity are points of criticism that most often stymies their gatherings or efforts to organise. On the eastern seaboard of North America for example, several Caribbean organisations operate as nonprofit community-based organisations. During the 2008 US presidential elections, several Caribbean groups responded favorably to the dynamic populist candidate and his call to "unite for change". Consider these cases as examples: The campaigns against the deportation of 30,299 Haitian immigrants back to a ravaged country were called disparate and uncoordinated. Even with informal *groupements* for carnival (in Trinidad, Jamaica, Guyana, etc.) and *Raras*[12] (in Haiti), or the formal well-financed soca dance troupes touted during Caribana in Toronto, Canada or the Labour Day Parade in Brooklyn, NY, Caribbeans by and large favour heterogeneity.

During a 5-hour trip within Haiti's Artibonite Valley region from Pont-Sondé to Saint-Michel (on nearly impassable roads) to investigate the destruction and living conditions resulting from the four hurricanes of 2008, at least 15 *Raras* were encountered. The average size of a rara was 200 persons and at times raras were minutes apart and travelling in the same direction. Therein lies the foundational understanding of Caribbean heterogeneity. One may call it organised chaos but the different *Raras* continued to perform in the streetsas we drove back through their segments of the perilous road.

Citing José Marti's seminal work and famous expression "our mestizo America", Chanady[13] alluded to a conception of society in which important internal differences must not necessarily be eliminated for the collectivity to function harmoniously.[14] It can and has been done. In recognising the undeniable power of their ability to act separately and still remain linked by identity, the 2008 Obama-Biden campaign crafted a plan to harness the voice and resources from the Caribbean and the African Diaspora. The Obama team established a well-funded network of volunteers that eclipsed 13 million e-mail addresses by the 2009 44th Presidential inauguration.

The addressees responded to orchestrated messages and such things as Obama's call for service on MLK Jr. Day, donation to the campaign, and house meetings to discuss his policy agenda. Among the 13 million are sub-networks and individual volunteer web pages of concerned citizens identified as Caribbean Diaspora. In an attempt to apply the available Internet technology for the benefit of the Caribbean region, several Diasporans continue to develop Cause pages on the social networking web site, Facebook. The topics of interest range from agriculture to human rights. A census of these groups may reveal a total close to 1 million registered Caribbeans or Caribbean sympathizers with their e-mail addresses for future messaging and campaigns to further Caribbean causes and its development agenda. As an example, Wyclef Jean's Yélé Foundation page boasts 2,149 friends as of this writing.

## Lessons Learned from the Jewish Diaspora

Barnett (2004), in describing the Jewish Diaspora, provided a clear road map for guiding the small, developing, relatively open societies such as those of the Caribbean. Providing further guidance, Rosenau's (1979) theoretical framework effectively classified the variables at play when Diasporans engage the public policy realm of their host country. Their primary influence on foreign policy will be individual, followed by systemic, role, societal, and governmental (political) factors.[15] The evidence from the Jewish communities bears out this practice. The function of the Jewish Diaspora organisations falls into three broad categories: maintenance, defence, and promotion of the community efforts.[16] These categories are pursued at varying levels and some with civil society participation (both domestic and international).

According to their web site, for more than half a century, the American Israel Public Affairs Committee (AIPAC) has worked to help make Israel more secure by ensuring that American support remains strong. From a small proIsrael public affairs boutique in the 1950s, AIPAC has grown into a 100,000-member national grassroots movement described by *The New York Times* as "the most important organisation affecting America's relationship with Israel".[17] Among AIPAC's achievements is its contribution to the development of Israel. Rationally, as Barnett (1996) noted, most Diasporas, including the Jewish one, choose as a main strategy, either communalism which is an effort to create networks of voluntary organisations in catering to the needs of the Diaspora or corporatism, which is an effort to create formal bodies that represent the Diaspora and that are formally recognised by host countries. But could an organisation alone, coalescing

the resources from the community's diasporic fervour lead to the developed Israel existing today? Otherwise, what was so special about Israel which enabled them to bypass certain bureaucratic loopholes and programming bottlenecks?

Barnett (1996) shed light on the Israeli experience which inspires all Diasporans. He used this 1968 World Bank account of Israel's development miracle to make the point:

> These [economic] achievements were largely the result of two factors: a capable and determined population with a broad base of well-educated people who proved able to overcome the difficulties of economic development with ingenuity; and a relatively large and continuous flow of foreign capital originating chiefly from private donations of American Jews and from reparations payments by West Germany. Israel's economic miracle would have been impossible if one of these growth factors—human skills and foreign capital—had been lacking.[18]

Applying these requirements to the CARICOM countries, the first factor holds as a given for the member countries. During the 2009 Haiti Donors Conference, US Secretary of State Clinton cited the following attributes of Haiti and its Diaspora:

> They have endured for generations, through our struggles for independence, through the defeat of slavery in Haiti which inspired slaves and abolitionists in my country, to the hundreds of thousands of Haitians who have emigrated to the United States and have strengthened us through their contributions in politics and business and health and education, in science, sports, and culture—the benefits of which I experienced firsthand as a senator representing New York, which has a vibrant Haitian American commu-nity.[19]

In 2007, the $43.5 billion remittances from the US to the Latin America and Caribbean region outpaced by far any other Diaspora (Mexico received $23.2 billion) proving the capacity of its people. It may be the second factor (i.e., large and continuous flow of foreign capital) that is lacking for the region and its small nations to achieve their own "development miracle." Stressing this point further, Glick Schiller and Fouron (2001) contend "the more prosperous a Diaspora becomes, it is likelier [sic] that it can elaborate its organisations, for being affluent means that Diaspora members can contribute more financial resources and that their access to powerful segments in the host becomes easier."[20] Still, as

a senior advisor on Diaspora affairs at USAID reminds Hometown Associations, Government officials and multinational partners, "Avoid the glorification of remittances; it is only a pain killer."[21]

A closer look at the unspoken message about AIPAC and the Secretary Clinton address reveals that the access to the "powerful segments" of the US political system is a factor which in turn can augment the resources at the Diaspora's command and the talent, acumen, and dedication that are needed for its activities become more available. Moreover, cases where Haitian-American and Jamaican-American efforts to valorise and regularize Diasporans in broad socio-political and-economic realms in the United States mostly resemble the status quo of the Jewish Diaspora. These communities are characterised as being "Jewish" when their comportment or pursuits mirror rent-seeking and political activism fully developed in the Jewish community in favour of Israel.

## Caribbean Diasporans as "Transnational Citizens"

From 1804, the year slavery was abolished in Haiti and the French territories in the New World, up until 1845 in England and 1865, when the US abolished the "peculiar institution", it was necessary for Blacks travelling outside Hispaniola to claim their Haitian identity and nationality as free citizens of a sovereign nation.[22] CARICOM may be a relatively new collaborating community but many of the member nations are old republics whose citizens have transformed their identity and nationalism over the years. Glick Schiller and Fouron (2001), contributed extensively to the understanding of this phenomenon described by the distance and sense of empathy, solidarity, and national pride.

Defined, long distance nationalism is the political ideology of population connected to a particular territory and state, although all those who maintain the set of beliefs and related political practices do not reside within the borders of that state. Long distance nationalists, as transborder citizens, can make contributions to the transnational struggles to fashion states that are more instruments of public interests than private capital. They can infuse into politics at every level, demands for a responsible state. They can build on the concepts of citizenship and states that they have forged through the grassroots struggle for justice and rights as well as against issues of concern in both the host and home countries.

Expressed in those civics terms, Glick Schiller and Fouron (2001) proposed the following roles that the CARICOM Diaspora should consider:

- Spread liberal democratic values back to their home countries.

- Challenge the political theory that envisions each as able to have only one nation (rooted in racialized views of the nation as well as the legal system of states and citizenship formalized after WWI).
- Further the rise and acceptability of diasporic allegiance.
- Act as peace-makers helping in the reconstruction of their places of origin when they have been torn by conflict.

Serve as agents of transformational development in their home countries. Activating transformational development plans depends on providing decision-makers and planners with more appropriate information about the implications of alternative courses of action in specific circumstances. The success of transformational development depends as well, on the organisation of technologies and institutions that are appropriate for and relevant to the socio-cultural, economic, biological and physical environments of the particular areas developed.

## A Case for Caribbean Political Action Committees

Replicating the successful organising techniques modelled by the AIPAC is arguably the way forward for CARICOM's Diaspora. According to Olson (1982), special interest groups that have an advantage in organising rent-seeking,[23] compared with the rest of society, are likely to dominate democracies. This perspective was further developed in Burdhan's (1984) work on rent-seeking in India. While lobbying the US Government for earmarks, tax, immigration and other regulatory policies was highly criticized by (Presidential candidate) Senator Obama, removing the practice from the culture of government proved rather difficult once he became President of the US. In fact, some have argued that rent-seeking is protected or encouraged by the First Amendment of the US Constitution. Thus, it would behoove communities and special interest groups to coalesce and bring forth their desires for public resources through lobbying and other rentseeking activities.

When change-seeking organisations in the Diaspora question why CARICOM countries are stuck in what Khan (2004), calls "stagnant transformation processes" the attention quickly shifts to powerful interests, both internally and in the host country opposed to change "who can impose unacceptable costs on others or on the state.[24] Therefore, if one is to consider the service delivery approach as a condition of an effective nation state, so too is the importance of building constituencies to support reforms or causes which they value. First and often,

an insufficient amount of effort is extended to the important foundational grounding of the movement for change. Anecdotal evidence from participant observers in diasporic community-based organisations supports the notion that an inappropriate leadership approach is often used at founding. Ineffective leadership is a contributing factor to the many disparate and non-strategic efforts encountered much too often in the Caribbean and its Diaspora.

Political Action Committees (PACs)[25] (or 527s—named after the Tax Code enabling them) have been around since 1944, dating back to fundraising efforts for President Franklin Delano Roosevelt. They can give $5,000 to a candidate per election or up to $15,000 annually to any national party committee and $5,000 annually to any other PAC. In turn, a PAC may receive up to $5,000 from any one individual, PAC or party committee per calendar year. It must register with the Federal Election Commission (FEC) within 10 days of its formation, providing name and address for the PAC, its treasurer and any connected organisations. Some organisations representing Caribbean causes attempt to behave like PACs and are often called by politicians to access their member constituents.

In the Washington, DC Metropolitan Area, a group of business people and community organisers decided to create a Caribbean Political Action Committee (CPAC) for the Caribbean community with the intent to raise funds and affect the local political system. An advisory board and a treasurer were selected to help run the PAC as prescribed by the U.S. statutes. From the anecdotal evidence presented at this time, PACs in the Caribbean Diaspora struggle with the role they can play in affecting policies leading to the development of the homeland. These PACs raise money from the group's constituents and make donations to political campaigns. For the cases reviewed during this practice, the sentiment of the groups' leadership was rather restrictive, to focus on the needs of the host country Diasporans over the policies satisfying the growth and transformational development of the home country. Moreover, they appear to lack the mastery of lobbying, caucusing, swaying and coalition building.

Among its accomplishments, CPAC donated $2,000 to a mayoral candidate of Caribbean heritage (Barbados), endorsed and contributed to several Maryland politicians most of whom were successful in their races. CPAC played a "facilitator" role introducing the energetic one-term City Councilman to community powerbrokers and encouraged other Caribbeans to support him financially and with their vote. CPAC has expressed an interest to educate the Caribbean populace in the Diaspora about how "political processes" work and the need to make political contributions to facilitate positive responses from the elected to the needs of the Caribbean community. In other communities PACs

intervene on behalf of their constituents to resolve issues related to employment and housing discrimination.

Prior to his election as Mayor, there were two Caribbean Commissions in the City. The first was an African and Caribbean Commission created for obvious reasons of shared legacies and cultural linkages. From anecdotes collected from informants, it was revealed that the first commission suffered from a lack of leadership. One informant quipped, "that group was mostly ineffective due to the lack of leadership or its ineffective use of political processes." The second Commission served as an advisory to the Mayor rendering it "a toothless tiger" cited another informant. "Still", that informant continued, "it was more effective than the first group because the Chair connected with the [then-] Mayor on a professional level based on common interests." As of this writing and following its expiration, there is no structure in place within D.C. government to deal with the issues and concerns of the Caribbean community.

As a regional coordination institution, CARICOM should assess the merits of subsidizing lobbying in major regional markets like the US, Canada and Brazil. One point of departure may very well be in the Diaspora and through Political Action Committees and Hometown Associations. In fact, senior level representatives of CARICOM have had preliminary discussions with Washington, DC's CPAC about pursuing common interests and developing other PACs throughout the U.S. When PACs seek patrons to sponsor community-building activities or contribute to disaster response campaigns, for example, CARICOM nations are well positioned to provide technical assistance through their embassies. Often criticized for simply receiving remittances and giving nothing back to the Diaspora, the home nations, through their Ambassadors, can support the Diaspora by sharing mailing lists of constituents and private sector partners or by convening them. They can also provide free or at-cost use of facilities and equipment as a contribution to fundraising or community organising events.

A global food, fuel, fertiliser, and financial crisis emerged in the fourth quarter of2008 and gelled in the first quarter of 2009, threatening world stability. The climate was not the most conducive for resource development and rent financing. The many organisations in the community became more insular as a response to the resource challenge. The heterogeneity previously described became even more pronounced, diminishing the likelihood of creating a strong national institution in the model of the American Israel Political Action Committee. When it was suggested to a DC resident and CPAC member that they could consider service to Caribbean countries and the national citizens in addition to those of the Diasporans, he responded: "We have to crawl before we can run." Still, there is sufficient evidence to support maintaining the course to PAC development and

engaging in political activism to create a voice despite appearances of hybridity or experienced heterogeneity within the CARICOM Diaspora. Within that diversity is its strength.

## Recommendations

This chapter concludes with a set of recommendations for practice and future policy development. The recommendations reflect the breadth of the learning facilitated in part, by civic and transnationalism. The following are considerations for policymakers and Diasporans alike as the mechanisms or approaches for contributing to country/ regional development.

1. CARICOM can encourage and support the creation of organisations in the Diaspora financially and with technical assistance, regardless of the diversity, hybridity, or heterogeneity which are natural phenomena of organisations. Donor agencies want a competent partner with a shared cause and vision. The partners can be found at both the national and regional levels. When scale, impact and broader scope are desired, they would need the facilitation of a regional body like CARICOM to coalesce the resources.
2. Once an entity that can carry the message and organise the multi-level platform and interests of CARICOM is identified, there should be an appropriate level of resources and oversight accorded to assure that a universal identity that moves members beyond hybridity is identified, its transformational leadership endures, and the organisational development strategy vies for a sustainable force in the Diaspora's socio-political arena.
3. Diasporans can serve to bridge their homeland to the latest technology available in the marketplace. In multiple circumstances and motivated by incentives and the conditions in their homelands, Diasporans innovate displaying outstanding creativity. For some countries in the CARICOM region, the creativity manifests in the ability to bypass the technology of the 20th century. As an example, a Haitian Diasporan Information Technology expert working on a USAID-funded anticorruption programme proposed a Line of Sight (LOS) system instead of a Local Area Network (LAN) plan which would have been costly, labour intensive, and a great challenge considering the property acquisition that would have been involved with running fiber optic

cables. The donor cited this "out-of-the-box" thinking introduced by this Caribbean Diasporan, as now many developing nations forego cabling fiber optics and go directly to satellite connectivity. Many CARICOM countries will dismiss the opportunity to have all homes wired for telephone usage because of the scale and value of cellular technology and broadband access now possible through satellites. Other formidable examples of Diasporan ingenuity could have been mentioned here.

4. CARICOM and Diasporans should pursue opportunities through public-private partnerships in energy, agricultural technology and biotechnology where advances outpace the prescriptions followed by countries that thrived during the green revolution. From the talent and previously described heterogeneity that is available in the Caribbean Diaspora, there are quite possibly scientists now reviewing the potential applications of molecular nanotechnology and Genetically Modified Organisms (GMOs) to the prevailing conditions in the region. Imagine a region where the population's staple crop, rice, is genetically modified to contain high amounts of Vitamin A (beta-carotene), two genes from daffodils and a third from a bacterium. The opposite scenario, whereby certain CARICOM countries opt to remain major players in the organic, whole food industry, is also true and equally viable.
5. Diasporas should convene to determine the most effective approaches for leveraging philanthropy or their personal contributions of time and effort through "voluntourism"[26]. In one example, a senior attorney[27] with the Department of Justice based in Washington, DC, donated approximately $10,000 through a nonprofit organisation and travelled with a group of medical students from Howard University to his hometown of Port-Salut, Haiti as volunteers on the medical mission. Those funds and the value of the time donated by the medical professional Diasporans could have been further leveraged against other bilateral or multilateral donors or against collections from Rotating Savings and Credit Associations[28] (ROSCAs or *susus,* as commonly known in the Caribbean) that several Diasporans manage despite the global financial crisis of 2008.

## Conclusion

There is a transformative role that the Caribbean Diaspora can play in development of the countries in the CARICOM region. An organised Diaspora can play an even more critical role in CARICOM's diplomatic, economic and political relations vis-à-vis the member countries and the Diaspora's host lands. In a general sense, within the global order, the smaller countries of the world, regrouped as CARICOM, should vie to make their voices heard more clearly through the regional platform. Meanwhile, lessons from transnational citizenship encourage the countries within CARICOM to organise and build coalitions while working through Diaspora Political Action Committees and Hometown Associations that operate more informally but possess a wealth of resources that could be leveraged under the right circumstances and with the appropriate partners.

The collected pool of resources and a concerted level of effort will be required to harness the full potential of the hegemonic force represented by Diasporans. In developed nations like the United States and Canada, where resource allocations are established through earmarked funds or by a central interagency process, lobbying and civic engagement become critical tools for bringing to light causes and glaring needs for development assistance to underserved communities. In a zero-sum game of highly competitive demands on scarce resources, whether the Caribbean region receives funding allocations for the development assistance, its member nations and citizenry desire will depend on its ability to lobby for them.

Rent-seeking will not be the sole prescribed mechanism for acquiring needed resources for transformational development in the CARICOM countries. Tourism, mineral explorations, organic foods, service and light manufacturing industries will continue to exist as opportunities for creating wealth and eliminating poverty in the region. One challenge that now faces both the Diaspora and CARICOM is the continued effort to establish domestic value chains and regional trade corridors that access markets worldwide. As transnational citizens mitigate or resolve these challenges, there will be evolved interests and benefits to communities both within the host and heritage nations.

## Notes

1. "Joint Statement Conference on the Caribbean", White House, Office of the Press Secretary, June 20, 2007.

2. US Department of State. Secretary Hillary Rodham Clinton 2009 Haiti Donors Conference address at Inter-American Development Bank, Washington, DC. Available at: http://www.state.gov/secretary/rm/2009a/04/121674.htm. (Last accessed April 27, 2009).
3. Nina Glick Schiller and Georges Eugene Fouron, Georges Woke Up Laughing: Long Distance Nationalism and the Search for Home. (North Carolina: Duke University Press, 2001), page 19. A related topic that is causing great consternation within a few of these nation states (i.e., Guyana, Haiti, and Jamaica) is their pursuit of dual nationality.
4. Ibid, page 20.
5. Concept attributed to Suzanne Nossel. See Nossel, Suzanne. "Smart Power: Reclaiming Liberal Internationalism". Council on Foreign Relations. Foreign Affairs, March/ April 2004. Available at: http://www.foreignaffairs.com/articles/59716/ suzanne-nossel/smart-power. (Last accessed 23 April 2009).
6. Concept expressed by Secretary Clinton during her confirmation hearing on 1/13/2009: "I believe that American leadership has been wanting, but is still wanted. We must use what has been called "smart power," the full range of tools at our disposal—diplomatic, economic, military, political, legal, and cultural—picking the right tool, or combination of tools, for each situation."
7. Anténor Firmin (1850-1911) was born and educated in Haiti. He studied law and held several political offices before being posted as a diplomat to Paris, where he was admitted to the *Societé d'Anthropologie de Paris* and wrote *De L'Egalité des Races Humaines.*

   He later returned to Haiti and served as minister of finance, commerce, and foreign relations.
8. For a detailed reading linking transformational diplomacy to transformational leadership and transformational development see Herisse, Rockfeler P. May 2007. "The Philosophical Grounding of Transformational Diplomacy—Opportunities in the Emerging USAID Development Paradigm", USAID. Available at: http:// dec.usaid.gov/index.cfm?p=search. getHelp&CFID=12258268&CFT OKEN=12370296. (Last accessed 27 April 2009). See also, Dennis A. Rondinelli and Kenneth Ruddle, "Appropriate Institutions for Rural Development: Organising Services and Technology in Developing Countries", Philippine Journal of Public Administration, Vol. XXI, No. 1 (January 1977), pages 35-52.
9. See *The Index of Global Philanthropy and Remittances 2009.* Hudson Institute. Available at: http://www.hudson.org/files/documents/Index%20

of%20Global%20Philan-thropy%20and%20Remittances%20 2009.pdf. (Last accessed 27 April 2009).

10. Glick Schiller, Nina and Georges Eugene Fouron. Georges Woke Up Laughing: Long Distance Nationalism and the Search for Home. (North Carolina: Duke University Press, 2001), page 26.
11. Stuart Hall, "Cultural Identity and Diaspora", Identity: community, culture, difference, Jonathan Rutherford (ed.), (1990) page 235.
12. Rara derived from Hebrew word *"Ra-rah"* meaning evil act. It represents what the Romans did to Jesus Christ, master of Shabbat (Baron du Samedi). Also, on Good Friday, Haitian people went out on the street with a symbolic man called a Zombie. They whooped the Zombie like the Israelites and Romans whooped Jesus in Israel on Good Friday. *Rarah* is both a religious and political reminder for the ancient Israelites people that believe in Jesus as a Messiah. Available at: http:// en.wikipedia.org/ wiki/Rara. (Last accessed April 23 2009). For more information on Rara see Wesleyan Professor Elizabeth McAlister. Available at: http://rara. wesleyan.edu/. (Last accessed April 23, 2009).
13. For a discussion of the construction of identity in Marti, see Chanady, Amaryl. 1995. "Le *metissage: un nouveau paradigme identaire (à propos de Jose Marti),*" in *Les discours du Nouveau Monde au XIXe siècle au Canada francais et en Amerique Latine,* Marie Couillard and Patrick Imbert (eds.) NY/Ottawa/Toronto, LEGAS, pages 19-28.
14. Amaryll Chanady, Diversity and Imagined Communities in the Americas, Building the Americas, Michele Rioux (ed.). (Brussels: Bruyant, 2007), page 290.
15. James N. Rosenau, "Pre-Theories and Theories of Foreign Policy", Approaches to Comparative and International Politics, R. Barry Farrell, (ed.). (Evanston, IL: Northwestern University Press, 1976), pages 27-92.
16. Michael N. Barnett, "Israel Diaspora Relations in Israel", Comparative Perspective, Gabriel Sheffer (ed.), (1996) page 61.
17. Further details on AIPAC, membership, and programmes are available at: http://aipac.org/about_AIPAC/ default.asp (Last accessed April 27, 2009).
18. Michael N. Barnett, "Israel Diaspora Relations in Israel", Comparative Perspective, Gabriel Sheffer (ed.), (1996) page 111.
19. Available at: http://www.state.gov/secretary/rm/2009a/04/121674.htm. (Last accessed April 27, 2009).

20. Glick Schiller, Nina and Georges Eugene Fouron, Georges Woke Up Laughing: Long Distance Nationalism and the Search for Home. (North Carolina: Duke University Press, 2001), page 61.
21. Remarks made by USAID's Thomas Debass to participants at the 6th Annual Coptic Diaspora Conference. May 15, 2009, George Washington University, Washington, DC.
22. For a more detailed reading on the historical developments in Haiti read C.L.R. James, *The Black Jacobins: Toussaint L'Ouverture and the San Domingo Revolution.* (New York: Vintage Books, 1963).
23. For a thorough reading on the role of institutions in the transformation of states, read Khan (2004) and the evidence from Korea, China, India, Malaysia, Thailand as examples of high growth developers.
24. Mushtag H. Khan, "State Failure in Developing Countries and Institutional Reform Strategies", *Toward Pro-Poor Policies: Aid, Institutions, and Globalisation.,* Bertil Tungodden, Nikolas Stern and Ivar Kolstad (eds.). (New York: Oxford University Press, 2004), page 189.
25. For more information on Political Action Committees see http://www.opensecrets.org/pacs/pacfaq.php, http://www.fec.gov/pdf/colagui.pdf, and http://www.fec.gov/pdf/nongui. pdf. Last accessed May 19, 2009).
26. "Voluntourism" is a way for vacationers to participate in socially conscious volunteer projects during their travels by, for example, helping repair weather-damaged homes, building eco-friendly stoves, planting trees or teaching at an orphanage on a trip.
27. Interview with Jean-Michel Voltaire, Esq. Trial Lawyer, U.S. Department of Justice and Dr Berthie Labissiere. May 9, 2009, Washington, DC.
28. For more information on Rotating Savings and Credit Associations see "The Mutuality of Credit" available at: http://www.gdrc.org/icm/suppliers/rosca.html. (Last accessed May 16, 2009).

# 7

# ECONOMIC MANAGEMENT: PAST, PRESENT AND FUTURE

*Omar Davies*

## Introduction

The crisis affecting the global economy has clearly demonstrated at least three clear facts worthy of note. The first is that there are very few, if any, who can claim to have predicted the depth and widespread nature of the economic downturn which is now affecting virtually every country in the world. The second is that the full extent of the interdependence of the national economies of the world has never before been so emphatically demonstrated, resulting, to a large extent, from the dominance of the United States, particularly in financial markets.

The third factor is that in the face of the crisis, pragmatic policy responses have quickly replaced ideological dogmatism. In many instances, these responses have been ones which officials of the developed market economies and the multilateral financial institutions have consistently warned developing countries to avoid. In particular, the use of deficit financing, by the developed countries, to support "stimulus packages" has won endorsement from the IMF, which traditionally has cautioned borrowing countries against such approaches. However, additionally, in many instances, the responses do not seem to have been subjected to rigorous analysis prior to being implemented. The result is that there have been changes to policies involving significant expenditure within a short time period after an initial announcement.

With regard to the deficiency in analysis, many sought initially to suggest that the root of the crisis was in the US housing market, resulting from what has been termed the subprime" phenomenon. (The term "sub-prime" is a euphemism for the fact that millions of home buyers had been granted mortgages significantly

above what any basic risk analysis would have justified). It was only after the first round of "shocks" that more probing questions began to be posed about deficiencies in the real economy.

Fischer[1] listed seven factors which he identified as the main contributors to the crisis in the financial markets: (i) failures of regulation, particularly in the United States; (ii) the proliferation of "sophisticated" derivative-based financial instruments, the risk characteristics of which were not fully understood; (iii) the housing price "bubble" in the United States, to which the first two named factors contributed; (iv) inadequate risk management within financial institutions; (v) inappropriate methods of compensation in financial institutions which contributed to excessive risk-taking; (vi) overly expansionary monetary policy—particularly in the United States-over the 2003-2006 period; and (vii) international imbalances which helped to generate the problem.

There will be no attempt in this presentation to explore all the factors listed by Fischer. However, from our vantage point, any *post mortem* of the crisis must include a careful assessment of how regulators in all areas of the financial sector failed to identify glaring deficiencies and to take steps to ameliorate the full effects of the fallout. Possible answers lie in sloppy analysis on the part of the regulators, fraud by executives in the financial sector, or a combination of both. Furthermore, the unfolding revelations related to the Madoff Ponzi scheme would suggest that collusion by senior officers of the Securities and Exchange Commission (SEC) facilitated the continued existence of this venture. Questions have also been posed about the work of rating agencies which maintained AAA ratings for many of the institutions up to the day of their collapse.

As has been intimated earlier in this paper, the initial policy response by the US authorities seemed to have been based on the erroneous assumption that addressing the problem in the mortgage market would resolve the more general challenges facing the US financial system. This assumption was flawed in two respects. In the first instance, the initial estimates of the level of resources needed to address the problem were woefully inadequate. Whilst the sub-prime crisis was significant, it only represented the "tip of the iceberg" as it brought to the fore myriad deficiencies in the US economy, not the least of which is the extent to which much of that country's consumption was financed by credit from the rest of the world. The size of China's holdings of bond issues by Fannie Mae and Freddie Mac (approximately$400B) is a case in point. An important question for the future is whether external resources of the level of the recent past will be available to finance US consumption.

Furthermore, there has been the recognition of a growing disjuncture between the financial sector and the real sector economy. This latter observation

applies not only to the United States, but more generally to other economies. Capital deficient economies, like many in the Caribbean, pay a "penalty" to access external financing in the form of high interest rates. However, little notice has been taken of the far greater use of external credit by an economy such as the US, sourced at the low interest rates justified by the country's AAA ratings. The failure to understand the wider spread of the problem also confirmed glaring shortcomings in the regulatory system of the financial sector, at both the national and multinational levels.

The "knock on" effects have been far greater than anticipated, reflecting both the dominance of the United States in the world economy, as well as the reach of multinational financial houses. The impact on European economies is illustrative. The British and German economies shrank by six (6) per cent in the final quarter of 2008. At the same time Standard & Poor's (S&P) has downgraded the sovereign bonds of Greece and Spain and warned of possible similar action against others. Of special interest is China, which many had hoped would have been an exception, but which has also suffered with growth in 2008 at a seven-year low.

From the perspective of the Caribbean, the extent of the dependence of small regional economies on the health of those of the US and Europe demands a close monitoring of developments in both the financial and real sectors. The "incoherence" of some of the policy responses makes the task of monitoring that more difficult. Therefore, logically, even the planning of defensive strategies aimed at ameliorating the effects of the downturn in the major world economies becomes challenging, when the full extent of the crisis remains unknown. However, in addition to monitoring developments in the major economies, the world-wide crisis has brought into sharp focus the need for the regional Caribbean states to realistically assess the structure of regional economies and the way in which future socioeconomic growth can be sustained.

## Fundamental Questions

The widespread nature of the crisis and the fact that analysts, whether in the private or the public sector, continue to underestimate its full extent, have combined to raise fundamental questions about the future of macro-economic planning and management worldwide. A stark example of a failure, to date, to assess the full nature of the crisis, and to formulate effective and appropriate responses, can be seen by the actions of the Central Bank and Treasury department of the United States. It would not be unkind to describe as "chaotic"

the way in which policies and actions have been implemented and reversed in short order. On the one hand, Bear Stearns was saved; on the other, with no clear reason for the differential treatment, Lehman Brothers was allowed to fail. Subsequently, attempts have been, and are being made, to save several other financial institutions. In virtually every case of attempted "rescue", the level of support, provided initially, has proved inadequate. Furthermore, there is still no settled *modus operandi* for the form which intervention should take.

There has also been the inevitable consequence of trying to design policies aimed at addressing an economic problem, whilst seeking to satisfy different special interests. The phrases "Main Street" and "Wall Street" have been used to delineate the interests of the ordinary taxpayers as opposed to those of the owners and managers of financial institutions. However emotionally appealing, the suggested attempt to rewrite mortgage agreements to prevent foreclosures is likely to end in chaos.

There are too many operational questions left unanswered. For example-Will there be a cap on the size of mortgages? Will creditor institutions be compensated for the differential between the original and new rates of interest? For how long will any such cap on rates be maintained/enforced? What further steps will be taken if reduced rates, however implemented, do not have the desired impact, in terms of reducing the number of foreclosures?

Fed Chairman, Bemanke, who is a recognised student of the Great Depression has sought to explain this lack of coherence in response:

> One of my conclusions from my study of the Great Depression is that people tend to think of orthodoxy as safe. But strategy should depend on the situation. In a severe crisis, orthodoxy can prove to be a very bad strategy.[2]

Concerning the depth and breadth of the crisis, the financial problems of the three big automakers as well as the possibility of a looming disruption in the commercial mortgage market were not issues which had been initially contemplated. It is estimated that already, the mind-boggling sum of seven and a half trillion US dollars has been committed to addressing the problems in the US, with no clear indication as to how much more will be needed.

Some questions come to mind as we begin to assess what should be the future approach to macro-economic management at the national level and indeed, at the multinational level. There are several such questions; I will select but four.

1. What is an appropriate structure for the financial sector, at the national and at the international levels?

2 Related to the above question, but stated separately for emphasis: how should the financial sector be regulated at the national and multinational levels?
3. How can sustained real sector growth be promoted? and
4. What is the most appropriate relationship between the public and private sectors in stimulating recovery?

No attempt will be made to specifically answer each of the above questions in this presentation. In any event the answer to questions such as #1 and #2 will only be developed over a period of intense discussions and negotiations at both the national and multilateral levels. However, the questions provide the backdrop against which the rest of the discussion will be framed.

## Dominance of the Free Market Orthodoxy

In some quarters, the questions which have been posed above were assumed, up until this crisis emerged, to have been settled for all time. Macroeconomic management, based on complete adherence to 'the market', has dominated decision-making in most major economies for nearly three decades. The election to office, within a short timeframe, of President Reagan in the United States and Prime Minister Thatcher in the UK, two leaders who had virtually identical positions on the role which the private sector should play in the economy provided the political support for this approach to economic decision-making. The early part of this era also coincided with the demise of the former Soviet Bloc and so advocates of significant State involvement in the economy, were placed on the defensive.

The influence of the Reagan/Thatcher axis was not contained to their own countries nor to North America and Western Europe. Rather, their shared position on macro-economic management dictated the policy stance of the Washington-based multilateral financial institutions (MFIs), the IMF, the World Bank and the IDB, and logically, the subsidiary organisations such as the Caribbean Development Bank (CDB). Furthermore, the policies of bilateral institutions such as USAID complemented, or were virtually identical to, the dictates of the MFIs.

The strength of the axis was bolstered by the use of "cross conditionalities" by the Washington multilaterals. As such, the granting of loans by the World Bank and the IDB to a country was once explicitly linked to the approval of its macroeconomic policies by the IMF. So firmly established were these

"cross-conditionalities" that governments seeking support, either to finance fiscal expenditure, or to meet balance of payment obligations, were often required to accept and implement policies which often turned out to be inimical to real sector growth.

Ironically, these institutions, which existed primarily to issue loans, began to refer to themselves as "donor agencies". As such the conditionalities were exacted in return for the loans which were "given". Within the context of the policy dictates of the MFIs, "privatisation", "liberalisation" and "deregulation" became the 'buzz' words defining macro-economic management. The mantra, stripped to basics, was "get the prices right".

The complement to increasing the dominant role of the private sector was a retreating State with a reduced role for government, not only in the real economy but also as it relates to regulatory activities, e.g., in terms of barriers to free trade, or in the conduct of institutions in sensitive areas of the economy such as the financial sector. The recent admission by former Fed Chairman, Allan Greenspan that his major error during his tenure was the assumption that private financial institutions would develop their own means at self-regulation, represents a clear indication of how far this doctrine had taken hold. Not surprisingly, part of the backlash of the crisis is the demand, particularly from European leaders, for significantly more strict regulatory oversight of financial institutions.

An essential part of the doctrine was the systematic reduction and elimination of national restrictions on the free movement of all inputs for production, with one obvious exception. This was the movement of labour. The North American Free Trade Agreement (NAFTA) is the best example of this. An interesting element of the campaign in the Democratic Party primaries, leading to the recent US Presidential election was the extent to which President Obama and Mrs Clinton competed with each other to criticize free trade arrangements-in particular NAFTA-in terms of the alleged impact on employment levels in the country. The main cause for this position was the reduced ability of US firms to compete internationally in a growing number of sectors.

The crisis which has now engulfed the world, beginning with the largest economy, the US, has forced a rethinking of the dominant dictates of the Reagan/Thatcher era. Even without this being explicitly stated, it is clear that, in the short to medium term, there will be increased State involvement in the major market economies, most notably within the US. The extent of the departure from "conventional wisdom" was revealed when Fed Chairman Bernanke found it necessary to explain why his institution would not be involved in financing the "bail-out" of the auto industry. That the question was raised at all is a clear indication of the extent to which orthodoxy has been abandoned.

## Jamaica's Situation

Jamaica has provided many graduate students with a platform for research into the policy dictates from the MFIs. It should be recalled that due both to the need to access balance of payment support, as well as investment capital, Jamaica had been a case study of the policy dictates of the multilaterals, particularly in terms of reducing the role of the State in the economy. This reduction in the government activity went beyond the endorsement and implementation of privatisation/divestment programmes.

It was suggested that the State's role in the country should be restricted to the provision of social services as well as the preservation of law and order. Virtually all other activities should be handed over to the private sector. It was thinking along these lines which led, for example, to the disastrous experiment in privatising public transportation in the Kingston Metropolitan Area.

There was also the policy that all "prices" should be market determined. Within that context, the high interest rates resulting from using aggressive monetary policy to stabilise the foreign exchange market and to curb inflation were also applied to loans made by State development banks to the agriculture and manufacturing sectors. Such were the conditionalities contained in Structural Adjustment Loans (SALs) which the GOJ accessed primarily to meet external obligations. The main consequences of pursuing such policies was that the loan portfolios of both development banks-the National Development Bank (NDB) and the Agricultural Credit Bank (ACB)-declined, even as their profits grew from investing in high-yielding government securities.

The attempt by the Manley-led Administration to defy the dictates of the IMF in the late 1970s is well documented. However, few seem to recall that former Prime Minister Edward Seaga, who came to power at the same time as President Reagan, and who was seen as the standard bearer for free market policies in the Caribbean, himself took a defiant stance against many of the policy prescriptions of the MFIs. In the mid-1980s, faced with rising public dissatisfaction with the results of the programmes advocated by the "Washington Consensus", he demanded a review of the macro-economic blueprint which had been laid down.

Even in later years, the influence on national policies from the Washington consensus continued. A primary objective was the reduction of the influence of the political directorate in economic decision-making. An example of this attempt was seen in the proposal advanced concerning the relationship between the Bank of Jamaica and the Ministry/Minister of Finance when inflation seemed to have become an intractable problem in the early 1990s. It was strongly argued

by prominent members of the private sector that the only solution lay in making the Bank of Jamaica "independent" of the political directorate.

The then Administration accepted the need to end the use of the Bank of Jamaica to finance GOJ expenditure. Consequently, the decision was taken, and has been adhered to since then, for the Ministry of Finance to obtain financing from the private sector (domestic and external) but not from the Central Bank. However, the proposal that the central bank should be "independent" of the political directorate was rejected. Thus, the Governor of the Bank of Jamaica has continued to report to the Minister of Finance and to be part of the overall macro-economic management team.

Reference has already been made to the stance taken by former Prime Minister Seaga in terms of his objectives to the macro-economic policy dictates of the Washington multilaterals. These differences continued during the '90s and led the Administration of PJ Patterson to take the decision to terminate the country's borrowing relationship with the International Monetary Fund, given the documented negative consequences of the policy prescriptions associated with loans from that institution. This decision has been erroneously characterised by some as being politically motivated. This is patently not true.

The decision was taken because, in many instances, the Administration found the IMF prescriptions technically deficient and counterproductive. In particular, the policy of using devaluation as the main tool to reduce unit cost and to increase efficiency in the domestic economic sectors had been shown not only to be ineffective, but also to be counterproductive. Successive rounds of currency devaluation led to increased instability in the labour market, reduced productivity, capital flight and higher levels of inflation. Against that background, the Administration entrusted local technicians with the task of designing an economic programme geared at addressing the twin problems of inflation and the chronic shortage of foreign exchange.

Available data show the results of the policies implemented through IMP Programmes and those following the termination of borrowing from that institution. With regard to inflation, the period following the termination of borrowing from the IMP, saw six (6) consecutive years (19972002) of single digit price movements, the first that had been achieved since the 1960s. Furthermore, the Net International Reserves (NIR) which stood at (US) $10M in January 1994, increased to an amount in excess of (US) $2,000M, fostering the stabilisation of the foreign exchange market.

## Crisis and the Retreat from Orthodoxy

The crisis which has now engulfed the world has forced a rethinking of the dominant dictates which have been inherited from the Reagan/Thatcher era. Without this being explicitly stated, it is clear that, sometimes by default, we are in for an extended period of increased State involvement in national economies, even in the United States. In fact, President Obama has been spared the accusation of implementing "left leaning" economic policies by the fact that it is under President Bush's watch that the US Government had become a dominant player within the financial sector. Furthermore, the support for the auto industry and the possibility of the need for additional resources mean that this dominance will also hold true in terms of the heart of that country's manufacturing sector.

Given widespread public despair about the future, President Obama has been able to justify proposed actions as pragmatic steps which need to be taken to provide hope for the ordinary citizen ("Main Street"). Consistent with Mr Bernanke's view of the limited value of orthodoxy in times of crisis, the proposed interventions defy ideological labels. Rather, the attempt to foster bipartisan support for the stimulus package has led to an interesting mixture in terms of new investments in physical infrastructure and new technologies, as well as tax breaks, which most agree will do little to stimulate increased demand. The compromise on this latter aspect of the stimulus package was made simply to obtain the support of an adequate number of Republicans in both Houses to ensure passage of the legislation.

In contrast, President Sarkozy of France is unambiguous in his position on the role of the State vis-à-vis the private sector. He has stated bluntly that the crisis indicates the need for a more activist role for the State in the economy.

Nonetheless, the composition of Mr Obama's economic team provides some interesting pointers as to the direction of US macroeconomic policies in the future. Both the chief of his economic advisers, former Treasury Secretary Laurence Summers and former Fed Chairman, Paul Volcker are strong advocates of a more activist State, including increased regulation of the financial sector. It is widely known that Mr Summers is the main architect of the proposed "stimulus package". Despite the size of this increased expenditure by the Federal government, four critical issues have not been adequately addressed.

The first is the impact on the fiscal profile of the United States Government of the levels of unprogrammed expenditure and tax "refunds" contained in the package. The size of the interventions which have already been committed will, by itself, significantly change the debt profile of the United States Government for the next decade. However, still to be calculated are the "contingent liabilities"

associated with the guarantees which have been provided for various institutions deemed "too big to fail". The support which has been provided for AIG, Citibank and Bank of America are the most blatant examples.

A second issue, which is related to the first, is that financing the resulting budget deficit is based on the assumption that the rest of the world will continue to purchase US Treasury Bonds despite the low yields. The implications of this assumption have not escaped attention elsewhere. A senior adviser to President Medvedev of Russia has raised the issue directly. *"What is discouraging is Obama's statement that he is going to run a $Trillion deficit for years to come. For us that means that all the free liquidity in the world will run into American Treasury Bills".*[3]

The third unanswered question is: how will this level of unprogrammed government investment be managed and monitored? On the one hand, it is clear that there is great, and justified, public mistrust of the leadership of the private sector entities which have received, or are seeking, support from government. Furthermore, the responses to this mistrust and the cries for closer monitoring and oversight have been largely cosmetic. Offers to accept $1 per annum salary, to reduce annual bonuses or to travel on commercial airlines, have greater public relations, as opposed to substantive, impact.

However, the fact is that even in the US, with its large pool of highly trained professionals, there are simply not enough available public sector officials with the required competencies to be placed in positions to monitor "intervened" institutions. In addition, there is also the question of the appropriate stance of those persons appointed to be the public "watchdogs". How do they balance the inherent conservatism associated with public sector stewardship with the innovative risk-taking spirit which is a fundamental requirement for market-driven decision making? The fourth related question associated with these unplanned interventions by the State is: should there be a clearly articulated "exit strategy" to be employed in each sector?

In terms of the financial sector, former Fed Chairman, Paul Volcker's positions on regulation are well known. He has consistently articulated his concerns about the departures from traditional banking practices which have mushroomed in recent years. Such practices are ones to which Fischer (2008) has made reference. Volcker's views on the needed regulatory reform of financial systems at both the national and international levels are reflected in the recent publication by the influential body, The Group of Thirty, containing eighteen (18) recommendations for the reform of the world's financial system.[4] President Sarkozy of France has already served notice that whilst the support of the government of the United States for such an overhaul would be welcome, it would not be indispensable. Specifically, he has asserted *"In the 21st Century, there is no longer only one country*

*that says what we should do and think: we will not accept any return to a single way of thought".*[5]

From the perspective of the Caribbean, which has become a leading location for "off-shore" financial activities, it should be expected that there will be increased cooperation between the regulatory authorities in Europe and North America in tracking such institutions. There should also be no question that whatever is the pretext for investigations—money laundering, financing of terrorism or tax evasion-there will be increased pressure on such operations and consequently, on the governments of the host countries.

Concerning the issue of independence of monetary policy, a position most strongly advocated over time by the multilaterals, the recent crisis has had an interesting consequence. One would have noted that, in seeking to craft responses to the various crises which have faced the US financial sector and economy, former Secretary of the Treasury Paulson and Fed Chairman Bernanke essentially worked in tandem. In fact, in many instances, the Fed seems to have played a more activist role in terms of supporting the real economy.

A final point worthy of note is the reaction of the MFIs to the intervention by governments of the developed economies in their financial sectors. The support by the MFIs for such interventions is in stark contrast to the objections which were raised in the mid-1990s, when Jamaica sought assistance from these institutions to resolve problems in its financial sector. The clear advice was to allow the troubled institutions to fail, as intervention could create "moral hazard" with depositors expecting the State to rescue them in the future whenever an institution failed.

Many of the interventions made recently have been based on the "too big to fail" premise. An interesting question which has been raised, in light of the size of the interventions which have been required, is whether explicit limits should be placed on the dominance of any institution in an economy. Recommendation l(d) of the Report of the Group of Thirty, speaks directly to this issue and suggests that limits be placed in each jurisdiction on the maximum size (relative to the national economy) of any institution.

## The Future of Macro-economic Management in the Caribbean

There is increasing awareness that the impact of the present crisis on the leading economies of the world, will continue to have negative repercussions on Caribbean economies. This is particularly true given the region's dependence

on the US economy. Furthermore, it should be accepted that, at least for the medium term, both the governments and private sectors of the region's major trading partners will be focusing almost exclusively on domestic issues. This will hold true until there is clear evidence of recovery in their own main economic sectors. From the Caribbean's perspective there are several consequential policy imperatives.

However, before exploring possible policy initiatives, it is important for Caribbean governments, as well as those of other developing countries, to recognise the following: Whilst the extent of the crisis and the flawed analysis which have been advanced, provide the opportunity for a reassessment of accepted macro-economic policy dictates, the "fall of the mighty" provides no concrete benefits to the "weak". Although developed economies are facing an environment of tight liquidity, many developing countries will find it difficult to access new loans. Therefore, the choices to be made by developing economies in terms of macro-economic management, will become even more difficult.

The first policy imperative relates to the role of the market in determining and defining policies in this period. Despite the extent to which the crisis has revealed deficiencies in policies based on total adherence to market economics, Caribbean governments do not possess the resources to accommodate and sustain expanded levels of state interventions. There will be need for short-term measures aimed at alleviating hardships of the lowest income groups, or to support vital economic sectors. However, supporting such expenditure through significant levels of deficit financing cannot be sustained and must be avoided.

The second imperative is that regional governments must maintain constant monitoring of developments in the major world economies. This monitoring must go beyond traditional interest in our major trading partners but should also encompass developments in countries, e.g. China, where policy actions can have worldwide repercussions.

Thirdly, it should not escape notice that virtually nothing has been said about assistance to developing countries in the deliberations of the developed economies on the way forward. Even whilst appreciating the inevitable focus on domestic concerns by the officials of the developed world, the Caribbean region should take the lead in ensuring that developing economies are considered, as new international financial and trading arrangements evolve. The forthcoming conference involving heads of most countries in the Western Hemisphere, to be hosted by Trinidad and Tobago, provides a unique opportunity for a coherent set of demands from developing economies to be articulated.

Two important issues which should be placed on the agenda are debt relief and expanded lines of credit, needed to keep domestic production going. The

MFIs must play the critical role in this regard, given that tight liquidity remains a constraint in all the major market economies, thus restricting access to what had become normal use of resources from the international capital markets. The arguments are not based simply on morality and equity, but rather on pragmatic considerations. The export earning sectors in the region are inextricably linked to the health of the major economies. As such, several countries in the region will have difficulty meeting external obligations, including debt servicing without special support on concessionary terms.

At the same time, there is an immediate need to develop initiatives to respond to the domestic challenges. It must be made clear from the outset, that there is no "silver bullet". Note has been taken by some of the actions undertaken by various governments to stimulate their domestic economies, in compensation for the downturn in private sector activity. In Jamaica's case, the ability of the State to play a more catalytic role in the economy is constrained by five main factors: (i) the existing high level of indebtedness; (ii) a deteriorating fiscal situation; (iii) a volatile foreign exchange market; (iv) the losses which continue to accrue by five major state-owned entities, namely: Air Jamaica, Clarendon Alumina Partners (CAP), the Sugar Company of Jamaica (SCJ), NROCC and JUTC; and (v) the extent to which critical sectors, e.g., health and education, remain under-funded.

The Bank of Jamaica, in its attempt to stabilise the foreign exchange market and to reduce the rate of devaluation of the local currency against the US dollar, has drastically increased interest rates. Even whilst there are questions about the effectiveness of this measure, an immediate consequence of the action will be the increased share of interest payments as a per centage of total government expenditure.

Simply put, the country faces a major conundrum requiring the most intricate coordination between fiscal and monetary policies, on the one hand, and policies aimed at stimulating economic activity, on the other.

For the reasons stated above, implementing a 'stimulus package' poses real challenge for the Jamaican authorities. There is no question that the preparation of the Budget for FY 2009/10 will be problematic. Regardless of the final level of expenditure which is determined, there is little room for a significant expansion of economic activity on the part of the State, based on present levels of revenues. Nonetheless, there are certain clear imperatives for government action.

In the first instance, regulation of the financial system must be enhanced. Areas of deficiency must be addressed forthwith with more precise monitoring of the status of the non deposit-taking financial institutions, particularly the securities dealers. The unprecedented action of the Bank of Jamaica to provide

these entities with liquidity support, in the face of margin calls from external financial institutions, is to be commended. However, it raises questions about the future relationship between the Central Bank and the Financial Services Commission (FSC), in monitoring and regulating these institutions. In addition, the required action to complement the regulatory structure governing the management of Pension Funds must be expedited. The structured, and more formally regulated, growth of this aspect of the financial sector represents a real opportunity for increasing the level of domestic savings.

In terms of real sector activities, there is need for the State to provide support for expanded food production and construction activity, maximising the potential value of presently under-utilised assets. In the case of the former, this support can be relatively "inexpensive". For small farmers, the support required is essentially assistance with inputs and to identify and secure markets. For larger farmers, a major positive would be access to presently under-utilised state-owned lands. As regards the construction sector, there are existing agencies, in particular, the National Housing Trust (NHT) which can work with all other specialized financial institutions in simultaneously fostering residential home construction and providing cheaper mortgage financing. Again, the GOJ, by making available lands for such developments, can complement the interventions of the various state agencies.

Another area deserving of special mention is increasing the level of domestic savings. It has long been established that a major part of our external debt problem derives from the fact that the level of domestic savings is too low. This has led to the need to seek funding from external sources to meet investments in infrastructure and human resource development, even when there is no need for additional foreign currency for balance of payment support.

Reference has already been made to the potential contribution of an expanded pensions industry. This present crisis provides the opportunity to additionally boost levels of domestic savings through the consolidation of the various statutory deductions: NHT, NIS, HEART and the Education Tax and placing them on a standardized platform. This action would significantly increase total inflows, *ceteris paribus,* compared to present levels. The main institutions needed to execute such a programme are already in existence via the NHT and the National Insurance Fund (NIF). In both instances, the *quid pro quo* for increased contributions from companies and workers would be greater benefits from such institutions. However, the higher level of inflows resulting from this consolidation would provide some of the resources needed to finance the presently under-funded health and education sectors.

In the final analysis, a major positive which one can draw from this period of crisis is a rejection, hopefully permanently, of the appeal to simplistic slogans, as opposed to analysis, to inform macro-economic management. All nations need, at this stage, to seek to determine analytically what are their strongest assets and also the areas of greatest challenges and then develop the appropriate macro-economic programme within that context.

The technical capacity to develop the appropriate policy responses exist nationally. Whilst we should remain open to external support and advice, the lack of clarity and consistency of the interventions in the most advanced economies, should have been clear demonstration that there is no superior formula which has been developed "elsewhere". At the same time, any approach which relies simply on promoting "hope in the face of adversity" is doomed to failure, and the most disadvantaged will pay the greatest consequences of misguided policy responses.

## Notes

1. Stanley Fischer, "A New Global Financial Architecture? Lessons Learnt from the Crisis", presented to the Trilateral Commission (Europe), Nov. 7-9, 2008. Paris
2. Ben Bernanke, quoted in the *Financial Times,* Jan. 5. 2009.
3. Igor Yurgens, quoted in the *Financial Times,* January 28, 2009.
4. Financial Reform (A Framework for Financial Stability) Group of Thirty, Washington, D.C.
5. French President Nicolas Sarkozy speaking at a conference on Capitalism and Ethics, held in Paris, Jan. 7, 2009. Quoted in the *Financial Times,* Jan. 8, 2009.

# 8

# THE IDEOLOGICAL ROOTS OF THE GLOBAL FINANCIAL CRISIS: LESSONS FOR CARICOM

*Courtney Blackman*

## Introduction

There is general consensus that the current global financial crisis, which originated in the United States of America, is the most devastating since the Great Depression of the 1930s. Martin Wolf described the unfolding events as the "disintegration of the financial system, without which, no modern economy could survive."[1] Iconic Wall Street institutions like Lehman Brothers, Bear Stearns and Merrill Lynch have vanished or been absorbed by other banks, and more than 50 banks across the country have failed and been closed by the Federal Deposit Insurance Corporation. The US Treasury and the Federal Reserve have also injected billions into major financial and non-financial institutions that had become insolvent but were deemed 'too large to fail'. The effects of the crisis have been felt worldwide, not least of all in the CARICOM Caribbean.

Meanwhile, millions of Americans have lost their jobs; more than a million have lost their homes to foreclosure, and millions more have seen sharp reductions in their pensions and retirement funds. What is more, the crisis threatens the very position of the United States as the world's sole Super Power, for it is the tremendous advantage it enjoys as the world's leading financial centre and issuer of the international currency, that provides the financial resources to support its global responsibilities and ambitions.

Timothy Geithner, Secretary of the US Treasury, and Lawrence Summers, Chairman of the President's Council of Economic Advisors, have summed it up this way in a joint statement:

The financial system failed to perform its function as a reducer and distributor of risk. Instead, it magnified risks, precipitating an economic contraction that has hurt businesses and families around the world . . . . The current financial crisis had many causes. It had its roots in the global imbalance in saving and consumption, in the widespread use of poorly understood financial instruments, in shortsightedness and excessive leverage at financial institutions. But it was also the product of basic failures in financial supervision and regulation.[2]

They put forward proposals for "a new financial foundation . . .through modernisation of financial regulation and supervision." Understandably, the diagnosis of the causes of the crisis by these two superb technocrats, and the proposed policy responses, are intuitive and pragmatic as, indeed, the urgency of the situation requires. But they do not explain why, in the land where two-thirds of the living Nobel Laureates in Economics reside, economic policy makers and corporate leaders failed to recognise the gathering threats to the financial system, and why the initial policy responses to the crisis were so tentative and, at times, bumbling. Since the CARICOM and US economies are so dissimilar, the Geithner-Summers analysis and prescriptions are of only limited value to us. Caribbean economists and policymakers need an understanding of the American *problematique* that is more deeply rooted in scientific enquiry if we are to glean useful lessons from the American experience.

The great British economist, John Maynard Keynes, famously wrote:

> . . . the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else.[3]

The enormity of the current crisis suggests that the ideas on which American policymakers based their decisions were seriously flawed. In fact, those were the same ideas that underpinned the neoliberal economic paradigm which gained ascendancy during the 1990s in the universities and ministries of finance of developed countries. Through their loan conditions, the IMF and World Bank also imposed the neoliberal paradigm on numerous developing countries, including some within CARICOM. Readers of my most recent publication, *The Practice of Economic Management: A Caribbean Perspective,*[4] will be aware of my relentless criticism of the neoliberal paradigm for more than two decades. This paper argues that the current economic crisis represents its massive failure, and is therefore an occasion for its dislodgement by a new paradigm or, at least, its radical reconstruction.

The collapse of the US financial system was aided by the coincidental rise of the doctrine that the purpose of Business is the maximisation of shareholder value—'shareholder value' for short. The new doctrine replaced the longstanding 'stake-holder theory'-that the purpose of Business is the "just" allocation of corporate earnings among all parties affected by the activities and decisions of the firm. That so many American financial houses and corporations have failed outright or had to be bailed out by Government-with many CEOs and senior executives being marched off to prison-strongly suggests that the prevailing management principles which guided their corporate policies were also seriously defective. Unfortunately, the neoliberal and the 'shareholder value' paradigms would be mutually reinforcing in their malignant effects on the American polity, destroying trillions of dollars of financial capital in the process.

This Paper begins with a discussion of the concept of the 'paradigm', the intellectual construct on which it hangs. Next, the origins of both the neoliberal economic and 'shareholder value' paradigms and their rise to dominance in the 1990s are chronicled. Thirdly, their joint impact on US monetary and financial policy in the decades leading up to the current crisis is explained. Fourthly, the prospects of an overthrow or other modification of the neoliberal and shareholder paradigms will be speculated upon. In conclusion, lines of approach to the development of a truly CARICOM paradigm of economic development are suggested.

## The Concept of the Paradigm

The generic meaning of 'paradigm' is 'model' or 'pattern'. Its usage has in recent times been extended to mean the model underlying the theories and practice of a scientific subject, no doubt reflecting the influence of Thomas Kuhn's concept of the paradigm in his seminal work, *The Structure of Scientific Revolutions.* [5] Kuhn adopted this concept to explain revolutionary changes in scientific thinking-what modern scholars term a 'paradigm shift'. The most famous case of a paradigm shift was the overthrow of the Ptolemaic geocentric paradigm, placing the earth at the centre of the universe with the sun and planets revolving around it, by the heliocentric Copernican paradigm, which placed the sun at the centre of the cosmos with the earth and other planets revolving around it.

Kuhn at first identified two essential conditions for the overthrow of a paradigm: firstly, the existing paradigm must suffer an unacceptable technical breakdown, thus creating a crisis; secondly, a novel and clearly superior paradigm must be available. He did concede, however, that in the example given above

"several factors external to science played a particularly large role."[6] In his postscript to the third edition he therefore introduced the element of 'community' into his concept of the paradigm: ".it stands for the entire constellation of beliefs, values, techniques, and so on shared by the members of a given community."[7] He goes on, "If this book were being rewritten, it would therefore open with a discussion of the community structure of science, a topic that has recently become a significant subject of sociological research and that historians of science are also beginning to take seriously."[8] In other words, subscribers to a given paradigm constitute a distinct community which, in turn, is subject to pressures from the wider community that can critically influence the triumph or overthrow of a paradigm. This is especially true in respect of the social sciences for reasons that Magnus Blomstrom and Bjorn Hettne explain:

> Since society is in a continuous state of flux, the social sciences are particularly prone to paradigm crises; however, the process of adjustment is hampered by the fact that theories may serve both ideological and legitimizing purpose. The paradigm change must therefore be politically sanctioned.[9]

## Rise of the Neoliberal Paradigm

Neoliberalism is the direct descendant of the *laissez-faire* paradigm inaugurated by Adam Smith's *Wealth of Nations* in 1776 and refined by successive Classical economists, culminating with Alfred Marshall's *Principles of Economics*_in 1920. The Classical paradigm failed to deal effectively with the massive unemployment of the Great Depression of the 1930s and was superseded by the Keynesian paradigm.[10]

However, it is more accurate to say that Keynesianism built on the Classical paradigm. Keynes left almost intact the elements of the Classical paradigm dealing with the determination of prices in respect of individual economic units, now termed 'microeconomics', focusing instead on how full employment and stability of the aggregate economy might be maintained, now called 'macroeconomics'. A group of eminent scholars, most notably Sir John Hicks, sought to formalize Keynes work and to synthesize it with classical economics, thus giving rise to the Neo-classical and Neo-Keynesian schools; a few others, known as post-Keynesians, devoted themselves to further development of pure Keynesian theory. However, throughout the three decades following World War II, the active ingredient of the prevailing economic paradigm was unmistakably Keynesian.

When Keynesian policies failed in the late 1970s and 1980s to resolve the problem of 'stagflation', i.e., the simultaneous occurrence of inflation and unemployment, President Reagan in the United States and Prime Minister Thatcher in the United Kingdom gave ideological and political legitimacy to a vigorous counter-revolution launched by the Chicago School of Economics, under the leadership of Milton Friedman. Keynesianism was overthrown and the Classical laissez-faire paradigm reinstated.

The collapse of the Soviet Union in 1989 and the break-up of the Communist Bloc was regarded as a victory for the 'free market' system over Marxist-Leninism, and a triumphal and more virulent neoliberal mutation evolved in the 1990s to become the dominant economic paradigm. neoliberal economists soon began to occupy the top posts at leading American universities and the US Treasury, and there was a changing of the guard at the IMF and World Bank. The new dispensation came to be known as the 'Washington Consensus', and its mandate, in the words of President George W. Bush, was "to ignite a new era of global economic growth through free markets and free trade."

The underlying tenet of the neoliberal paradigm is that the unfettered workings of the free market ensure outcomes that cannot be improved upon by government intervention. Intrinsic also to neoliberalism is the valuation of the interests of individuals above those of society. As Mrs Thatcher once infamously remarked, "There are no societies, only individuals,"-as if individuals could survive outside of society!

The markets postulated within the neoliberal paradigm are even more remarkable than those of the Classical and Keynesian paradigms, which at least distinguished between various types of market-monopolistic, imperfect, etc. Neoliberal markets are populated by 'rational' participants, are universally 'efficient', can process all available information and are reliably self-regulating. Most remarkable of all, Price Theory, the central model of the paradigm, can be used, according to Karl Brunner, "to explain the whole range of social phenomena.", a characteristic also attributed to Marxism by true believers.[11] Indeed, neoliberal markets more resemble deities than intellectual constructs.

The fact that politicians, businessmen, and even professional economists, who regard their discipline as a science, regularly proclaim their *belief* in the 'free market', suggests that the neoliberal paradigm has degenerated into an ideology. (The response of this author is that he believes only in God!) Indeed, Alan Greenspan, the former Chairman of the Federal Reserve, let the cat out of the bag when he admitted in October 2008 to the House Committee on Oversight and Reform that there had been "a flaw in his ideology". In a sense, everyone

has an ideology but no one needs be an ideologue. The characteristic of the true ideologue is the refusal to modify theory in the face of uncomfortable fact.

The Washington international financial institutions, together with the World Trade Organisation, were designated to carry out the mandate of the 'Washington Consensus', the major policy prescriptions of which were:

1. Financial liberalisation: removal of interest rate ceilings, abolition of exchange rate controls and the floating of currencies.
2. Financial globalisation: removal of restrictions on inward and outward capital flows.
3. Financial deregulation and privatisation of government enterprises.
4. Free trade: removal of restrictions on imports and exports.

A major casualty of the paradigm shift to neoliberalism was the banishment of development economics from the mainstream of the discipline. Indeed, it has almost disappeared from the curricula of leading American universities as the findings of distinguished development economists on the critical importance of institutions in economic development were thrown out the window and, flying in the face of history, the catalytic role of Government in economic development was denied. Caribbean born Nobel Laureate, Sir Arthur Lewis, had made the latter case most forcefully of all:

> No country has made economic progress without stimulus from intelligent governments, least of all England, the foundations of whose greatness as an industrial power were laid by a series of intelligent rulers, from Edward III onwards, or the United States, whose governments, state and federal, have always played a large part in shaping economic activity.[12]

Another unfortunate fall-out from the paradigm shift to the neoliberal paradigm was, in the words of Nobel Laureate George A. Akerlof and Robert J. Shiller, "the steady emasculation of Keynes's *General Theory*."[13] Several crucial Keynesian insights were ditched with unfortunate consequences, the most important three being: the importance of psychological factors in the investment process-what Keynes called 'animal spirits'—the concept of the 'liquidity trap', future uncertainty, and the recognition of the inherent instability of the capitalist system—the only area of agreement between Keynes and Karl Marx.

## Shareholder Value Paradigm

It is debatable whether the current crisis would have occurred in the absence of the paradigm-shift from 'stakeholder value' to 'shareholder value', which became the standard fare at business schools in the USA and around the world, including the CARICOM Caribbean. Professor Michael Jenson of the Harvard Business School, the prophet of this paradigm shift, argued: **"Corporations vest control rights in shareholders because they are the ones that bear business risk and therefore have the appropriate incentives to maximise corporate value."**[14] He saw CEOs as the agents of the shareholders, whose primary, if not sole, responsibility was the maximisation of shareholder value as measured by the stock market. The challenge of corporate governance, he concluded, was how shareholders might exercise control over Management from such a distance.

The solution to this problem, he believed, was the alignment of shareholder interests with those of CEOs by tying executive pay to stock market performance. CEOs were therefore encouraged to hold company stock, and were paid an increasing proportion of their compensation in bonus awards of company stock and stock options, as an incentive to put the interests of shareholders first. Whereas in 1980, stock options represented only two per cent of executive compensation at major corporations, the proportion in 2008 was estimated to be over 60 per cent. Not surprisingly, the incomes and benefits of corporate executives have risen by leaps and bounds, while those of other employees have stagnated. Some retiring CEOs, and failed ones, have walked away with pension packages and golden parachutes of up to $200 million, while thousands of other workers were being laid off or forced to accept lower wages.

In practice, there were both managerial and ethical downsides to the maximisation of shareholder value. Since the movement in stock price was the measure of shareholder value, and since corporate earnings, which drive stock prices, were published quarterly, CEOs naturally shifted their concerns towards short term considerations. As a result, they neglected issues, such as marketing and research and development, which are critical to the survival of the enterprise. Consequently, in their reach for consistently outsized increases in profits, the CEOs of revered Wall Street financial institutions chased after risky off-balance sheet returns from investments in exotic derivatives and hedge fund bets, forgetting that their primary fiduciary responsibility was to the depositors.

But most serious of all, the linkage of their compensation to the price of their company stock put CEOs at moral hazard. The weakest among them were seduced into using unethical, and often illegal, methods of inflating the market value of company stock, feathering their own nests in the process. The stories of

Enron and WorldCom provide the most egregious examples of Top Management 'cooking the books' to deceive investors into purchasing their company's worthless stock long after they themselves had bailed out. Those two companies eventually collapsed, destroying the jobs, benefits and pensions of their employees. On Wall Street, the CEOs of revered institutions forgot that their primary responsibility was the safety of clients' deposits and investments, and are much to blame for the current crisis.

## Countdown to the Crisis

Cracks in the neoliberal paradigm have been evident for some time. In the 1990s, attempts at financial liberalisation promoted by the IMF-under the influence of Ronald McKinnon's flawed thesis of 'financial repression'-turned out badly in Latin America, while in Jamaica the entire indigenous banking sector and the largest two life insurance companies collapsed. Financial crises also erupted in Mexico, Argentina, Brazil, Russia and Thailand, following the opening of their financial markets to unfettered capital inflows and outflows.[15] Meanwhile, the FTAA negotiations have gone nowhere and the latest WTO negotiations are deadlocked. The spectacular collapse in 1998 of Long Term Capital Management, a hedge fund run by Nobel Laureates Myron Scholes and Robert Merton, proved, in retrospect, to be a shadow cast by coming events; only the 'bailout' by its creditors, orchestrated by the Federal Reserve Bank of New York, avoided a wider collapse of the financial markets.

However, the countdown to the current crisis really began with the repeal in November, 1999, of the Glass-Steagall Act of June, 1933. The Act had separated bank types according to their business (commercial and investment), and founded the Federal Deposit Insurance Corporation for insuring bank deposits. Its repeal allowed commercial banks to underwrite and trade instruments, such as mortgage-backed securities and collateralised obligations, and to establish so-called structured investment vehicles (SIVs) that bought those securities, legislation for which the commercial banking industry had been lobbying since the 1980s.

By 1999, the neoliberal paradigm had become the conventional wisdom, and the Bill, which passed in both the Senate and the House of Representatives with overwhelming majorities, was signed into law by President Clinton. It also helped the neoliberal cause that Fed Chairman, Alan Greenspan, who had been appointed by the first George Bush and reappointed by Mr Clinton, was himself a firm believer in the self-regulatory powers of the 'free market'.

Professor Hyman P. Minsky, a prominent 'Post-Keynesian' economist, was the most vigorous opponent of the trend towards deregulation. He argued that "turbulence-especially financial instability-is normal in a capitalist society". "Capitalism is unstable because it is a financial and accumulating system with yesterdays, todays and tomorrows." He considered the New Deal reforms and subsequent institutional developments inadequate for the maintenance of financial stability in what he termed a 'Big Government economy'. "What is needed" he added, is a restructuring of the economy, reducing the inflationary impetus due to 'Big Government' even as it retains the power of 'Big Government' to prevent deep depressions."[16] Professor Minsky lectured my graduate class as a visiting professor at Columbia University in 1967, and greatly influenced my thinking as a central bank governor in the 1970s and 1980s. The works of Professor Minsky, who passed away in 1996, have experienced something of a revival since the onset of the financial crisis.

In 2002, President Bush persuaded Congress to pass a $1.6 trillion tax cut bill that, in one fell swoop, transformed President Clinton's legacy of fiscal "surpluses as far as the eye can see" into fiscal deficits that reached far beyond the horizon. In so doing, he transgressed the Keynesian principle of contra-cyclical macroeconomic policy in which surpluses accumulated during the economic upswing are drawn down in times of recession to kick-start economic recovery. The Bush tax-cuts effectively removed the fiscal policy option from the table so that the full load of economic stabilisation fell on monetary policy which, as John Maynard Keynes had famously observed, was like pushing on a string. As the recession that had begun in 2001 deepened and the fear of deflation grew, the US Federal Reserve aggressively cut interest rates to as low as one per cent, only to stumble into the classic Keynesian liquidity trap, a situation in which investment activity is unresponsive to even sharp reductions in interest rates. The combination of low mortgage rates and easily available loans set off a housing bubble and spawned the deadly "sub-prime" mortgage loan.

A sub-prime mortgage loan is one made to a borrower who does not qualify for a loan at the most concessionary interest rate, and must therefore pay a higher rate to reward the lender for the extra risk he is taking. Some lenders find it more profitable to package and 'securitize' sub-prime loans for lending to other investors. Between 2001 and 2004, the sub-prime mortgage market grew from $160 billion to $540 billion. Under pressure from the Administration and Congress, Fannie Mae, the government sponsored mortgage insurer, brought on its books $300 billion of sub-prime loans that it either retained or sold to domestic and foreign investors—including some in the Caribbean. When the housing bubble burst in 2006, home prices fell precipitously. In many instances,

homeowners' equity fell below their mortgage indebtedness. As the recession deepened, millions of homes were foreclosed as owners defaulted on their mortgage obligations, resulting in enormous losses for the holders of subprime mortgage securities around the world. It is a bitter irony that Government, whose intervention into the economy is so deplored by the neoliberal school, was the only institution able to rescue the 'free market'.

## After Neoliberalism and Shareholder Sovereignty

The neoliberal paradigm has clearly suffered "an unacceptable technical breakdown, thus creating a crisis", and so satisfies Kuhn's first requirement for a paradigm shift. However, his second requirement, the availability of "a novel and clearly superior paradigm", is missing, since the Post-Keynesian school did not acquire traction to challenge the conventional wisdom. Kuhn also reminds us how difficult it is to overthrow even comprehensively failed paradigms. It was decades before the heliocentric paradigm finally prevailed! Similarly, the neoliberal school will not go quietly into the night. Professor N. Gregory Mankiw of Harvard University thinks that "despite the enormity of recent events, the principles of economics are largely unchanged" but conceded that the teaching of economics would have to change "in some subtle ways."[17] Professor Dani Rodrik, also of Harvard, agrees that both the 'Washington Consensus' and financial globalisation have failed; however, he insists that the problem is not with mainstream economics itself but with its inappropriate application.[18]

The late Professor John Kenneth Galbraith explains, in his inimitable style, why mainstream economists hold on so dearly to their failed paradigm:

> . . . there is, first of all, the vested commitment to established belief. This is a powerful constraint. Few economists wish to reject what was accepted in their earlier education and defended and elabourated in their own teaching, writing and scholarly discourse. To abandon what they have learned and taught is to admit earlier error; this we all resist. As we do, it may be added, the demanding thought required in accommodating to change. The latter, economists, far from uniquely, find inconvenient, even painful.[19]

Happily, there has also been an avalanche of newspaper articles and books challenging the neoliberal paradigm. Professor Paul De Grauwe of the University of Leuven observed: "Cherished myths have fallen victim to economic reality."[20] George Cooper has savaged the 'efficient market hypothesis', [21] and Justin Fox

has exposed the myth of the 'rational market'.[22] Most interesting of all is the work, *Animal Spirits,* by Akerlof and Robert J. Shiller, which, harking back to Keynes, stresses the importance of psychological drives, such as 'confidence' and 'fairness', in the study of economics.[23]

But politics will also play an important role. The financial crisis has required massive and costly government intervention to restore financial stability and to prevent the economy from sinking into depression, as well as the tightening of bank regulation and supervision on which all sides agree. It will be difficult for mainstream economists, and even for politicians, to continue parroting President Reagan's catchy sound bite, "Government is the problem, not the solution." It is most likely that the neoliberal economic paradigm will undergo some degree of reconstruction, with certain Keynesian elements re-incorporated and the spurious 'efficient' and 'rational' market hypotheses abandoned.

Politics has already begun to erode the 'shareholder value' paradigm. Public outrage at outrageous corporate pay packages has put considerable pressure on Congress and the Administration to rein in CEO compensation. Professor Jensen himself has begun to harbour doubts about the paradigm he spawned, and has begun to talk about integrity in corporate governance, [24] while Jack Welch, the legendary Chairman of General Electric and among the first CEOs to embrace "share holder value', now describes the maximisation of shareholder value as "the dumbest idea in the world". [25] Meanwhile, the top American business schools are beefing up their courses on Ethics, and MBA students at some Ivy League schools have voluntarily elected to take a Hippocratic-like oath to be honest in all their business dealings, and to put the interests of stakeholders first.

Fortunately, there is available a novel alternate paradigm, propounded by the late Professor Peter F. Drucker, which is clearly superior to 'shareholder value'. Drucker was deeply concerned about ethical issues arising from the prevailing paradigm but he focused primarily on issues of managerial effectiveness and the survival of the organisation. Since companies earn profits only through customer/client purchases, and since no company can survive without profits, he placed the emphasis on customer/client satisfaction. For him, the purpose of Business "is to create a customer,"[26] and the primary responsibility of Management is continual innovation in the production of goods and services toward the goal of customer satisfaction. If Management is successful in doing this, he was confident that more than enough profits would be realised to satisfy the legitimate interests of all stakeholders-including the shareholders. Stephen Green, executive chairman of HSBC, also an Anglican priest, captures in a few words, the pernicious interaction of the two paradigms in question.

"Shareholder value cannot and should not be elevated to the exclusion of all else. It is a by-product of providing goods and services. When the by-product becomes the end, then we distort the whole market. The market is necessary but not sufficient. So 'No' to market fundamentalism!" [27]

## Towards a Truly CARICOM Paradigm

Whether or not the neoliberal paradigm is overthrown, reconstructed or merely modified, CARICOM economists must no longer be content with hand-me-down models of so-called 'mainstream' economics. As the late Lloyd Best reminded us *ad nauseam,* "we must tailor our economic models to fit our own history, culture, circumstances and aspirations". In today's uncertain world, I suggest that we start by going back to first principles. I offer the following lines of approach:

1. Economies comprise of **people,** not of graphs, statistical data or mathematical symbols. The demand curve reflects human needs and tastes; the supply curve represents the collective efforts of workers.
2. Even most primitive markets are subject to informal regulation. Appropriate regulation promotes market efficiency, in the absence of which even the most sophisticated markets will malfunction. Indeed, "If it's free, it's **not a market; if it's a market, it's not free".**
3. The market is a self-organising social system: it does not cerebrate; only **people** do; it cannot have more knowledge than we do.
4. Economies and markets do not have problems, only people do. Our new paradigm must therefore be **people** oriented.
5. The market is a social tool for the **inexpensive,** but not necessarily **optimal,** allocation of resources. We must determine what we want the market to do for us, not *vice versa.*
6. A market is efficient only if it can do what we want it to do.
7. The validity of a theory is not confirmed by mathematical proof but by its consequences for the welfare of people affected by the policies stemming from it.
8. The market is useful towards the solution of **some,** not of **all,** problems!
9. If market outcomes are socially beneficial, we should accept them; if they are not, we must intervene as robustly as required—as have the American authorities in response to the current global financial crisis.

10. Always keep in mind the words of the late Professor Arthur Okun: **"The market needs a place, and the market needs to be kept in its place."**[28]

Back in the 1970s and 1980s, a number of young and brilliant Caribbean economists at the Mona Campus of the University of the West Indies—known as the *New World Group* and led by Lloyd Best—gallantly attempted to develop a new Caribbean paradigm of economic development. Operating within the 'dependence' paradigm, they succeeded in constructing a useful analytical model of underdevelopment but, failed to come up with an operational model.[29] This failure was attributed to epistemological, not intellectual, shortcoming, and so the University has since been called upon to incorporate the study of Philosophy into its curriculum. It has been revealed that a course in philosophy has recently been introduced at the Cave Hill Campus in Barbados. What is needed is a fully fledged faculty of Philosophy across the University system. The *raison d'etre* of a University is the search for knowledge, and philosophy is the science of knowledge.

In view of the spectacular failure of the neoliberal economic paradigm, it is urgent that this generation of economists take up where the *New World Group* left off. While the economists are doing their thing, Business School faculties and corporate leaders within CARICOM should turn their backs on 'shareholder value' and embrace Drucker's doctrine that "the purpose of Business is to create a customer."

## Notes

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# 9

# FROM OFFSHORE\GOVERNMENTAL TO ONSHORE\ENTREPRENEURIAL ECONOMIES

*Kirk Meighoo*

## CARICOM economies' global performance

**Table 9.1 Ranking of CARICOM Countries in the 2007-8 UN Human Development Index (HDI)**

| HDI rank | | Life expectancy at birth (years) | Adult literacy rate (% aged 15 and above) | Combined gross enrolment ratio for primary, secondary and tertiary education (%) | GDP per capita (PPP US$) | GDP per capita (PPP US$) rank minus HDI rank |
|---|---|---|---|---|---|---|
| *High Human Development* | | | | | | |
| 31 | Barbados | 76.6 | | 88.9 | 17,297 | 8 |
| 49 | Bahamas | 72.3 | | 70.8 | 18,380 | -12 |
| 54 | St. Kitts and Nevis | 70.0 | 97.8 | 73.1 | 13,307 | -4 |
| 57 | Antigua and Barbuda | 73.9 | 85.8 | | 12,500 | -4 |
| 59 | Trinidad and Tobago | 69.2 | 98.4 | 64.9 | 14,603 | -14 |
| *Medium Human Development* | | | | | | |
| 71 | Dominica | 75.6 | 88.0 | 81.0 | 6,393 | 19 |
| 72 | Saint Lucia | 73.1 | 94.8 | 74.8 | 6,707 | 15 |
| 80 | Belize | 75.9 | 75.1 | 81.8 | 7,109 | 1 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 82 | Grenada | 68.2 | 96.0 | 73.1 | 7,843 | -7 |
| 85 | Suriname | 69.6 | 89.6 | 77.1 | 7,722 | -9 |
| 93 | Saint Vincent and the Grenadines | 71.1 | 88.1 | 68.9 | 6,568 | -4 |
| 97 | Guyana | 65.2 | | 85.0 | 4,508 | 12 |
| 101 | Jamaica | 72.2 | 79.9 | 77.9 | 4,291 | 11 |
| 146 | Haiti | 59.5 | | | 1,663 | 2 |

Source: United Nations Human Development Report

In comparative global terms, CARICOM's economic performance in its founding in 1973 to the present has not substantially changed its comparative economic ranking as a group. To be sure, individual countries have achieved some success-notably Barbados, Bahamas, St. Kitts and Nevis, Antigua and Barbuda and Trinidad and Tobago have attained standards of living classified as High Human Development by the UN. On the other hand, others have faced serious challenges-notably Jamaica, Guyana, and Haiti (See Table 1).

Indeed, CARICOM's largest and most populated territories—Belize, Suriname, Guyana, Jamaica, Haiti, comprising over 85% of CARICOM's population (66% excluding Haiti) and over 95% of its total territory—are its poorest performing economies, ranking between 80 and 146 in the Human Development Index (HDI), out of 177 countries.

To be sure, in tourism, offshore banking, and Liquified Natural Gas (LNG) and petrochemicals, the region has become a global participant of some importance. However, the centres of ownership and management of these enterprises are foreign-based and not located within CARICOM's domestic entrepreneurial space—continuing the economic pattern from the days of King Sugar in the 18$^{th}$ and 19$^{th}$ century.

Moreover, even for the better-off performers in CARICOM, the macroeconomic indicators do not adequately reveal the economic challenges of the region. In the well-off dual economies of CARICOM, overall macroeconomic indicators mask the underdevelopment of the backward sectors. Indeed, the sector in which most CARICOM citizens live and work remain low-wage,

high unemployment, low-productivity, and comparatively uncompetitive in the global context, with restricted opportunities for individual advancement. This underperformance can be gleaned, for example, from the 2008-9 Global Competitive Index, in which out of 134 measured countries, the four ranked CARICOM economies fared poorly: Jamaica at 86, Trinidad and Tobago at 92, Suriname at 103, and Guyana at 115 (see Table 9.2).

**Table 9.2 Rankings of CARICOM States in Selected Global Indices, 2008**

| | Global Competitiveness Index Rank (out of 134) | Global Ranking among Remittance-Sending Countries | Remittances as % of GDP | Emigration rate of Tertiary Educated Persons (%) |
|---|---|---|---|---|
| Jamaica | 86 | 4 | 18.5 | 82.5 |
| Trinidad and Tobago | 92 | - | - | 78.4 |
| Suriname | 103 | - | - | 89.9 |
| Guyana | 115 | 2 | 24.3 | 85.9 |
| Haiti | - | 3 | 21.6 | 81.6 |

Sources: Global Competitiveness Index; World Bank Migration and Remittances Factbook

Also relevant are the data surrounding migration and remittances. According to the World Bank, the Caribbean has the highest emigration rate of tertiary educated persons in the world, comprising all 10 of the top 10 countries in 2006: Suriname (89.9%), Guyana (85.9%), Jamaica (82.5%), Haiti (81.6%), Trinidad and Tobago (78.4%), St. Kitts and Nevis (71.8%), Grenada (66.7%), Barbados (61.4%), Dominica (58.9%), St. Vincent and the Grenadines (56.8%). Guyana, Haiti, Jamaica, and the Dominican Republic (member of CARIFORUM) ranked among the world's top 10 remittance-sending countries, placing 2$^{nd}$, 3$^{rd}$, 4$^{th}$, and 7$^{th}$, and making up 24.3%, 21.6%, 18.5%, and 10.0% of each country's GDP, respectively (see Table 9.2). Remittances are the number one source of foreign exchange earnings in many of CARICOM's foreign exchange-dependent economies, exceeding earnings from some of the top exported goods and services. While the full meaning of these statistics can be debated, it cannot be argued that these are indicators of healthy economies.

## Flawed diagnosis, flawed prescription: the failure of CARICOM's economic relationship-building strategy

CARICOM's relationship-building has been consistent since its foundation in 1973. Tellingly, the most powerful incentive to action and development has been the attempt to protect preferential trading arrangements with the UK and later, Europe. CARICOM's predecessor, CARIFTA, was largely spurred by the UK's application to join the (then) European Community (EC), and CARICOM's formation in 1973 was stimulated by the UK's actual entry that year.[2] Furthermore, the West Indian Commission's 1992 Report, *Time for Action,* was driven by the creation of the European Union through the 1991 Maastricht Treaty, and the 2001 revised Treaty of Chaguaramas was hastened by the termination of the previous preferential treatment under the Lomé Conventions with the EU, and the requirement to enter Economic Partnership Agreements (EPAs) based on the principle of reciprocity. Indeed, this reactive and defensive, rather than proactive, developmental timeline reveals a major weakness, a clear symptom of deep problems of diagnosis and prescription.

To be fair, however, CARICOM has achieved a certain level of success in its aims, particularly relative to its small size, by displaying diplomatic skill in extracting concessions from various international partners, beginning particularly with the Lomé Convention and the ACP group in negotiations for preferential treatment in trade with Europe. This success has been extended to the Commonwealth and World Bank as well, most recently by leading the way to have these bodies recognise special needs of (and special regimes for) Small Island Developing States. But, what has been the economic effect of this relative diplomatic success? A 2009 report by the World Bank and Organisation of American States (OAS) (commissioned by CARIFORUM) reiterates its 2005 conclusions that:

> although unilateral preferential trading arrangements were established as a development tool to stimulate and diversify Caribbean exports, the prevailing consensus is that ". . . trade preferences have not delivered expected results". [and that] despite trade preferences, the Caribbean's integration into the world economy has been slow and compares poorly with some Asian countries with similar levels of integration 30 years ago . . . The Caribbean's share of world trade has also been declining while countries such as Malaysia and Thailand have increased their share . . . Weaknesses in access and low quality of infrastructure together with low labour productivity have resulted

> in relatively high production costs compared to competitor countries of Asia . . .World sugar production costs have fallen by about 40 per cent in real terms since 1980, while those in the Caribbean have been rising, and preferential quota prices have also been falling. Similarly, in bananas, the Caribbean countries are amongst the highest cost production in the world, rooted in low land productivity, and higher labour and transportation costs. The region's competitiveness is low reflecting its high costs of doing business, labour market rigidities, tariff dispersion, and trade costs. Most of the Caribbean countries' overall performance of doing business ranks below that of comparable developing countries, including Mauritius, Hong Kong, Malaysia, and Singapore . . . Perhaps one of the most critical weaknesses identified within the Caribbean regional and international trade negotiations construct has been the endemic failure of the regions (sic) institutions both at the national and regional levels to take advantage of the market access opportunities presented through either one-way preferential arrangements or in more recent times, negotiated trade agreements with international partners.[3]

Twenty-five years of one-way free trade with the US in the CBI, 23 years of oneway free trade with Canada in CARIBCAN, 36 years of quotas and preferential access to Europe in Lome and Cotonou, and the more than a century of Imperial Sugar Preferences, have not transformed our economies which remain dependent, peripheral and, by definition, low-wage.

Indeed, a US Congressional Study Mission and Symposium on the CBI held in Barbados, September 18-9, 1987, found that "there was virtual unanimity at the symposium, as there is in the Caribbean in general, that the CBI has not fulfilled its promise of stimulating economic growth and development."[4] Despite the dismal record with one-way free trade, some opinion leaders and policy makers promote the supposed benefits of reciprocal free trade.

Notably, the 2009 World Bank/OAS Report quoted above advises no new strategic thinking or aims, but simply forwards more recommendations on how CARICOM might more effectively integrate into the world economy, improve trade and increase competitiveness, and essentially blames failure on poor implementation and/or weak policy formulation. To be sure, we concur with much of the analysis, and indeed there has been poor implementation of earlier recommendations and weak policy formulation. But, despite the useful detail, the overall analysis is still too superficial. The question that arises is, given that we have long acknowledged and anticipated the problems identified in the report, what continues to prevent us from formulating and implementing sensibly

recommended solutions? This is the crucial missing element in the diagnosis, risking the same conclusions to be arrived at again, ten years from now.

The report itself provides a clue, for it is indeed a prime illustration of CARICOM's epistemological failure. It is all too commonplace that our well-meaning allies and partners in the International Development industry, the multilateral lending agencies such as the IMF, EU, World Bank, IDB and the ratings agencies, have habitually misunderstood Caribbean economies and have forecast and diagnosed incorrectly. Yet we either fail to see this, or we fail to acknowledge it. It is difficult to say which is the greater fault.

Still, CARICOM and its member Governments have largely surrendered their epistemological sovereignty to these "authoritative" entities and accept their under-informed diagnoses of our economic problems accordingly. It is indeed symptomatic that the CARIFORUM countries did not commission a regional body, such as the University of the West Indies (UWI), University of Guyana, the Caribbean Centre for Monetary Studies, or the Caribbean Development Bank for the study. But the truth is that these Caribbean bodies most likely would not have recommended or analysed much differently and would have intellectually and epistemologically bowed to these institutions out of their own free will. This is a singular failure of Caribbean independence, which must be fully addressed elsewhere.[5]

To begin to correct this situation, we need to understand that it is we who have privileged access to Caribbean economic data, which it is primarily our responsibility to analyse. Our understanding of why we continue to find ourselves in our current economic position is of vital importance. CARICOM's economic diagnosis (and therefore its prescriptions) appears no more specific (i.e., not based on serious observation of, and reflection on the way CARICOM's economies actually work) than the generic ones found in (foreign) university textbooks and multilateral agency reports. When our analysis does appear to acknowledge our institutional, historical, and structural contexts, it appears to do so only insofar as it assists us in securing development concessions, preferences, favourable terms of trade and investment, aid, low interest loans and so forth. It has not yet been fully accepted that the establishment of the West Indies as slave colonies in a global economy has profoundly shaped our peculiar economic context, with specific institutional and social relationships which must be overcome to produce healthy economic growth and development. It is our responsibility to formulate and implement the policies to achieve this.

## Refining Economic Diagnosis, Toward Prescription: The Case of Trinidad and Tobago

We can refine our diagnosis by examining in greater detail the experience of arguably the most important economy in CARICOM, Trinidad and Tobago.

To be sure, Trinidad and Tobago is blessed with its petroleum resources, which has allowed for both upstream and downstream development, provided abundant government revenues available for national expenditure, and enormous foreign direct investment inflows during boom periods.

However, it should be noted that this blessing is limited. Despite the impressive wealth flowing through Trinidad and Tobago for the past 14 years (real GDP grew at 14.4% in 2003 and 12.2% in 2006), the country has continued to experience problems of violent crime, infrastructure, education, inequality, health, basic utilities, poverty, education and governance associated with much poorer countries, some problems actually worsening during the boom.

For instance, Trinidad and Tobago's HDI rank is 14 places lower than its GDP per capita ranking (see Table 1), suggesting that the country's wealth has been translating poorly into widely-shared human development. Alarmingly, its HDI rank has actually fallen 10 places from 49 in 2001 to 59 in 2008.

In addition, Trinidad and Tobago is the world's 3rd largest emigration country, according to the World Bank's Migration and Development Factbook 2008, with 28% of its population counted as emigrants. As noted above, Trinidad and Tobago is also ranked the world's 5th largest emigration country of tertiary educated citizens, with 78% of the population with tertiary education counted as emigrants. Trinidad and Tobago's chronically high emigration rate suggests a deep vote of no confidence by a significant proportion of its citizens.

Economically, the Global Competitiveness Index 2008-2009 places Trinidad and Tobago at a surprisingly poor 92 out of 134, immediately below Libya and immediately above Kenya. Its ranking has, in fact, fallen 54 places from its position of 38 in 2002. Its Ease of Doing Business rating has fallen 25 places from 55 in 2006 to 80 in 2009, Corruption Perception Index rank 41 places from 31 in 2002 to 72 in 2008, and Global Peace Index rank from 94 in 2007 to 98 in 2008. These give us a very different view of the state of the Trinidad and Tobago economy during the boom.

This paradox of economic growth and declining development indicators must be adequately diagnosed. Firstly, we note that Trinidad and Tobago's economy is extremely import-dependent (over 61% of Gross Domestic Expenditure in 2008), yet the vast majority of foreign exchange is generated

by the foreign-owned petroleum sector (over 88% of all export earnings came from petroleum, gas, and petrochemicals in 2008). Indeed, the entire economy is dependent on, and therefore dominated by foreign-owned, multinational industries in the petroleum-based sector. Notably, this sector provides little overall employment (4% of the labour force in 2007), has few developmental linkages to the rest of the economy and depends on massive amounts of foreign direct investment. Moreover, these are "vertical" investments in which Trinidad and Tobago's (foreign-owned) operations constitute components low on the product value chain, while higher value-added elements are located elsewhere in the multinational corporate web. The main link with the rest of the economy is provided through payments to government via taxes and royalties (in coveted foreign exchange).

This results in a dual, lopsided economy with one side dependent on the other. During growth periods, development is concentrated in the petroleum sector, effectively offshore, at the expense of the onshore economy. For instance, investment is almost entirely skewed in the direction of the petroleum sector. In 2005, for example, 91.2% of all Foreign Direct Investment Capital was directed to Petroleum Industries alone. This economic behaviour is commonly referred to elsewhere as "Dutch disease",[6] but in the Caribbean, has a longer history, deeper significance, and distinctive characteristics and context. Lloyd Best had referred to it as the Plantation Economy, in which the overseas-controlled sugar industry has been replaced by the overseas-controlled petroleum industry, but with similar effects of national underdevelopment.

In addition, the revenue blessings that do come from petroleum-based industries are of limited and unpredictable duration, perversely unrelated to domestic economic or political factors. They follow a well-described, documented, and theorised boom-and-bust cycle, which results, in short-term maladjustment and long-term economic stagnation, in the words of Best.[7] For instance, according to World Bank figures, over the 30-year period 1975-2005, Trinidad and Tobago's average growth rate was a mere 0.6 % per annum, despite seven years of expansion from 1975-82 and eleven years from 1994-2005.

The economic illusions of prosperity provided by booms usually result in overconfident, massive Government expenditure, which as a matter of course, do not transform (indeed, often intensify) the dependent nature of the economy, while the expenditure is routinely misinvested in nonproductive activity very often allocated to foreign contractors, consultants and firms, on the one hand, and for local political patronage purposes, on the other. These expenditures typically cannot be sustained during bust periods (during price, demand, and/or investment declines), and accordingly, long-term government plans are

abandoned to deal with immediate foreign exchange and revenue crises (to pay public servants and purchase necessary imports), while the patronage base of ruling parties is undermined.

In bust periods-which follow when there is a drop in international commodity prices and/or foreign demand-foreign investment slows or halts in the petroleum-based sector, leaving the underdeveloped domestic economy on its own. This results in severe economic contractions and disinvestments, which effectively wipe out previous gains made.

Indeed, there is much to learn today from the previous economic contraction of 198393, which followed the boom of 1974-82. In many ways, Trinidad and Tobago was in a much stronger position at the end of the last boom than it is today.

With the oil price drop in 1983, petroleum production slumped, associated government revenues plummeted, and foreign investment dried up or even left, which forced the government to take over loss-making plants in order to save jobs. This shook the entire economy, not just the petroleum sector.

Yet, most did not diagnose or forecast correctly during the boom. For instance, in 1983 Trinidad and Tobago had been graduated by the World Bank, without a phase-out lending period, because of (in the Bank's words) "Trinidad and Tobago's relatively easy access to international capital markets, . . . [the] country's social development [being] . . . well above the level of most bank borrowers and above, also, the level of some countries already graduated by the Bank, and . . . [Trinidad and Tobago's] net foreign reserves, measured as a proportion of the country's annual imports, [being] . . . also larger than in most other countries, including the developed ones." This had been announced in the 1984 Budget speech.

That very year, however, Trinidad and Tobago entered 10 years of economic contraction from 1983-1993, wiping out the previous gains. The country was ranked the world's 11th worst performing economy in *The Economist*'s World in Figures 2006, contracting at-2.2% per year over the entire period. By 1988, the country had no net foreign exchange reserves, banks collapsed, many people lost their jobs and homes, incomes fell, pensions were destroyed, and the country had a coup attempt with citizens claiming refugee status in Canada.

Similarly, on 30 June 2008, the US graduated Trinidad and Tobago from its Generalised System of Preferences (GSP) because the country had become a "high income" country according to World Bank statistics. The Government of Trinidad and Tobago has boasted about this graduation as a special achievement. By the end of that very year, the financial crisis had hit, and forecast growth for 2009 in Trinidad and Tobago has been recently revised downward to 0% by the Central Bank of Trinidad and Tobago.[8]

The movement toward full employment, too, was also unsustainable, based as it was on government revenues derived from the petroleum sector. In 1980, the unemployment rate dropped below 10% for the first time in the country's recorded history. In 1982, it reached its lowest point at 9.9%. However, when the price of oil fell, unemployment skyrocketed to 22.3% in just five years. The official figures for the youth unemployment rate, and for rural areas like Cedros, were much higher. Importantly, the attempted coup of 1990 (which saw the overthrow of the Government for six days)—and the looting, which was more physically devastating than the coup itself—came out of this environment.

Today, the Trinidad and Tobago Government has proudly pointed to the country's low unemployment rate, which stood at 4.2% in 2008. Yet, the Ministry of Local Government has claimed that there are 75,000 registered employees of the Unemployment Relief Programme, or 12% of the labour force, being "employed" in unemployment relief. On top of that exist many other controversial labour absorption programmes, wholly funded by government. In the first quarter of 2009, layoffs have already been significant. A budget deficit is projected for 2009-the first since the Asian crisis ten years ago—which will certainly impact on the unemployment rate and other labour absorptions schemes. One must wonder, with dread, what the 81 (acknowledged) armed gangs will do when they no longer have the opportunity to receive State contracts for unemployment relief.

Savings and surpluses during the 1974-82 boom were also seen to be illusory and precarious as they, too, emanated from petroleum revenues and virtually nowhere else in the economy. For instance, since 1974, the Government put aside 47 "Special Funds for Long-Term Development" apart from the Consolidated Fund, for specific uses, such as health, education, infrastructure, etc. In 1980, the Funds stood at TT$4.4bn (US$1.8bn) or 81% of the 1980 budget. By 1983, however, the administration's total withdrawals from the "Long Term Funds" stood at TT$15bn (US$6.25bn), leaving a paltry TT$169m remaining in the accounts, just after the first year of oil price declines. The country had no "long term savings" left for 1984 and afterward. [9]

The Trinidad and Tobago Government today proudly refers to its savings in the Heritage and Stabilisation Fund (HSF). The 2008 Budget Speech announced that the HSF stood at US$2.46bn, roughly TT$15.5bn, or only 35% of the 2008-9 Budget. Funds may not be deposited into the HSF in 2009 at all, given the projected budget deficit. One anticipates what will happen to the HSF when revenues continue to fall, and the vast commitments on recurrent expenditure, wages, and debt remain, while foreign exchange is needed for essential imports yet not generated anywhere else in significant quantities.

Similarly, in 1981, the country had 19.5 months of import cover in foreign exchange. However, when the petroleum revenues fell, in five years the reserves were exhausted, and from 1987 to 1993 the country had virtually no foreign exchange (0.8 months cover in 1987, and deficits after that). This led Trinidad and Tobago to the IMF in 1988, a justification cited two years by the attempted coup-makers.

Today, the Trinidad and Tobago Government has also boasted of the country's current import cover, which stands at 11 months, ignoring its better position previously. Even then, Trinidad and Tobago eventually had to devalue, restrict foreign exchange sales, and impose import controls. Such shortage will not be merely a government problem, as most private sector businesses too, will not be able to survive in a climate of government's foreign exchange shortages.

All this is to demonstrate that the macroeconomic indicators presented by the Government-and reinforced by the international and multilateral agencies-inadequately diagnoses the soundness of the Trinidad and Tobago economy. The dependence on the monocrop offshore sector continues to be debilitating to sustained economic growth and development.

## Developing the onshore economy

One obvious solution to the problem of national dependence on the foreign-controlled offshore sector is to develop a robust foreign-exchange earning (or foreign-exchange saving) onshore economy, where the bulk of the population (96%) is, in fact, employed.

As noted, the onshore economy-Governmental and Non-Governmental-is extremely dependent on foreign exchange. Over 2005-7, for instance, exports and imports-conducted in foreign exchange, not TT dollars, which are practically untradable-exceeded the country's entire GDP, at 102.7%. During this period, 96.5% of export earnings came from petroleum, gas, and petrochemicals. This onshore economy basically recycles and consumes foreign multinational revenues channelled through national Governments. This extreme dependence is the most perverse and unsustainable aspect of the existing onshore economy.[10]

This circulation of vital foreign exchange and revenue is conducted primarily through the annual Budget process. Due to the underdevelopment of the onshore sector, Government occupies a dominant role in the economy and society. The largest Budget items in 2008 were transfers and subsidies (comprising 56.5 % of recurrent Government expenditure in 2008), wages (20.5% of Government expenditure in 2008; the State is the largest employer in the country, accounting

for 35% of all paid employees; and this does not include daily paid and casual workers, consultants on contract, persons in unemployment relief and labour absorption programmes), purchases of goods and services (15.3% of Government expenditure in 2008; the State is the largest purchaser of goods and services, and many private sector entities depend for their survival upon State contracts and revenues), and the most significant investments (public or private) in social, economic, and physical infrastructure. Indeed, in the Trinidad and Tobago economy, fiscal policy, rather than monetary policy, is the most important economic signal. In this structure of state dependence, one might imagine the number of opportunities for corruption.

Outside of the Government, the private sector (which, as we see, is hardly independent of Government) is an oligarchy organised into a few dominant, elite, ethnic cliques which form a handful of conglomerates, each of which owns its parallel import, wholesale and retail distribution, finance, transportation, and media firms, with significant intra-firm transactions. The preferred business strategies of the oligarchic conglomerates are importing, franchise-holding, agency services, licence purchasing, and unofficial reselling—from food to entertainment, to raw materials to machinery and equipment, to production inputs to knowledge itself—with very few goods or services developed locally. This lack of innovation affords limited profitability and slow growth. According to the 2007-8 UN Human Development Report, only 0.1% of GDP is invested in Research and Development (R&D), no reported patents have been granted to residents, no receipts of royalties and licence fees are reported, and no researchers in R&D are recorded. High incomes and profitability for owners and senior managers in this low productivity environment can often only be achieved through monopolistic price-fixing, restricted markets, and labour exploitation. (To be fair, and to their credit, some conglomerates have now more seriously attempted to enter the energy sector, which is a crucial requirement to overcome the dependent dual economy handicap. The main effort, in methanol production, has now collapsed, and the other efforts remain limited.)

Firms that operate outside of these oligarchic networks do so against the odds, facing great obstacles to growth, expansion, and long-term sustainability. Lloyd Best quite aptly referred to these economic outsiders relying on their own resources as "maroon firms." Competition is stifled and new entrants are discouraged. For instance, Trinidad and Tobago's overall Doing Business rank in 2008 was 80 out of 181 countries, ranking especially poorly in the sub-categories of enforcing contracts (167), dealing with construction permits (84), registering property (164), and closing a business (181). Additionally, security issues/crime, transportation, customs delays, utility unreliability, bottlenecks, corruption and

other externalities unnecessarily create high costs of production. This ensures that the onshore economy remains import-dependent and oligopolistic, following the dominant conglomerate business model.

The financial sector, with its high interest rates, wide loan and deposit spreads, and consumption bias in lending; the lack of a developed capital market for investment opportunities; persistent allegations of insider trading and lack of respect for intellectual property and confidentiality; and combative management-labour relations in a low-wage environment make for an onshore economy that discourages investment not only by foreigners, but by nationals as well.

In order for the onshore economy to be developed, its stifling oligarchic and Government-dependent characteristics need to be overcome. This is, in fact, a more precise prescription to support the main recommendation of the 2009 World Bank/ OAS report that the Caribbean "design a full-fledged trade and growth strategy".

We contend that this diagnosis of and prescription for the Trinidad and Tobago economy provides a model to understand other CARICOM economies as well. The above analysis may be transferred to other CARICOM economies by replacing Trinidad's petroleum industry with foreign-owned tourism, bananas, offshore finance, and/or mining as the primary foreign exchange earner alongside an import-dependent onshore economy. Regardless of the offshore industry, the onshore economies very likely will resemble each other quite remarkably, with its lack of competitiveness, Government-dominance and oligarchic structure. However, this hypothesis must be subjected to empirical scrutiny, after which further theoretical refinements may be made. Subject to further evidence, we remain confident that the above analysis will prove useful to diagnosing other regional economies as well, and will have profound implications for CARICOM's economic relationship-building for economic development.

## Innovative-Entrepreneurial Onshore Economic Development: An Alternative to Government-centric strategies

Hitherto, CARICOM's relationship-building for economic development has been overly enthralled by Government-led solutions, Government spending, Government wooing of large-scale foreign direct investment, and misjudging the health of their economies by focusing on Government-level measures such as macroeconomic indicators and sovereign credit ratings. Far too little emphasis

and analysis has been placed on transformation of the onshore economy and too much emphasis on Government action, Government-to-Government arrangements, and Government's direct participation in economic development.

Indeed, given Government's role in actually supporting Caribbean underdevelopment-through its facilitation of vertically-integrated foreign direct investment, maintenance of the apartheid-like dual economic structure, and its politically convenient dominance of their economic and social landscapes (perhaps helping to explain the "lack of political will" to implement transformative economic strategies)-further Government dependence through similar large offshore foreign direct investment cannot be a logical strategy to build a viable onshore economy and solve our economic problems of underdevelopment. While diversifying the vertically-integrated foreign-controlled offshore sector is a strategy that has grown the economies of South-east Asia to high-wage, semi-peripheral status in the world economy (close to the high-wage, branch-plant and commodity-exporting economies of Canada or Australia, say, which appears to be the aim of most mainstream economic development recommendations for the Caribbean), it has done so to the benefit of government mainly, increasing its domination of society and economy, and decreasing citizen autonomy. Rather, the dependence of the onshore sector (including the Government) on the foreign exchange revenues of the offshore enterprises, must be reduced. The onshore economy must start to earn significantly more of its own way in the world.

Indeed, it has been persuasively argued that the Caribbean's historic focus on attracting large, established, multinational firms and vertically-integrated foreign direct investment has resulted in its underdevelopment, not only economically, but also politically and administratively.[11] For instance, the Fernand Braudel Center has examined the incorporation into the European world economy of the Caribbean (1650-1700), the Ottoman Empire (1750-1820), and southern Africa (18701920), through the establishment of low-profit economic activity vertically integrated into highly profitable global commodity chains. It was found that:

> While the changes in production processes seemed to be parallel, the changes in the political arena seemed to be opposite. But these "opposite" changes had the effect of making the three zones look similar after incorporation whereas they had looked quite different before incorporation. The zone with a strong bureaucracy [Ottoman Empire] saw a weakening of its strength. The zone with a nonexistent bureaucracy [Southern Africa, Caribbean] saw its creation. The zone with a large unified state [Ottoman Empire] saw the beginning of dismemberment. The zone with tiny political entities [Southern Africa, Caribbean] saw the creation of larger ones. The end result

> was medium sized states of medium strength. These states were not strong enough to interfere effectively with the trans-state flows of the factors of production in the world economy, but they were strong enough to maintain internal order and guarantee the availability of a labour force for cash-crop production.[12]

The argument is that the political peripheralisation, administrative weakness, and policy ineffectiveness of CARICOM states is a direct product of its historic economic role in the world economy. Accordingly, it is crucial that CARICOM pay attention not simply to the degree of incorporation into the global economy (focused on by the 2009 World Bank/OAS Report), but the precise ways in which CARICOM economies are incorporated. As George Beckford famously noted, the Caribbean has been participating for four hundred years in modern world economy, and still cannot be said to be part of its mainstream. The lack of differentiation between types of integration into the global economy is a gaping diagnostic hole in the 2009 World Bank/OAS report. Indeed, we believe that the international institutions' (and most Caribbean political parties') focus on attracting foreign investment to fundamentally drive Caribbean economies, derives in large measure, from their inherent scepticism about Caribbean peoples' ability to build their own viable onshore economies.

What alternatives exist to vertical foreign investment and Government-focused development paradigms? In an important study on differences between global capitalisms *(Good Capitalism, Bad Capitalism and the Economics of Growth and Prosperity),* William Baumol, Robert Litan, and Carl Schramm distinguish between slow-growth variants ("bad capitalism")—i.e., oligarchic capitalism (e.g., Latin America, the Middle East) and state-guided capitalism (e.g., Southeast Asia)—and faster-growth types ("good capitalism")—i.e., big-firm capitalism (e.g., Europe, Japan) and innovative-entrepreneurial capitalism (e.g., USA). These distinctions are very useful, even though in the real world, economies usually display characteristics of more than one type. In their exhaustive empirical study, each form is acknowledged to have specific benefits and drawbacks (for example, state-guided capitalism may be necessary for underdeveloped economies to achieve fast growth during "catch-up" periods). But, overall, innovative-entrepreneurial capitalism is demonstrated as providing the surest path to rapid national growth and development. This type of capitalism is perhaps best distinguished by constant product, industry, technological, and market challenges to the national (and international) economic status quo, reflected in a noticeable churning of top firms, e.g. the list of top US companies in 2005 by revenue is significantly different from the list of top firms in 1995, and 1985, etc. However,

they conclude that the most sustainable form of fast-growth capitalism should combine elements of both innovative-entrepreneurial and big-firm capitalism, so that new products and industries can be made to serve the widest possible markets quickly and efficiently.

Other types of capitalist economies (like those in the Caribbean) can judiciously adopt policies to affect the distinguishing features of innovative-entrepreneurial capitalism, to achieve faster economic growth and transformation. These features are: (1) it must be easy to start and grow a business; (2) productive entrepreneurs (i.e., those who expand total output, rather than merely redirect a larger share of existing output to themselves) that challenge the economic and social status quo must be rewarded, not penalised, for their successes; (3) there must exist effective disincentives for unproductive activity (i.e. business that merely re-appropriates existing wealth, or diminishes total output); and (4) winners must be kept on their toes.[13] This fits in very well with our recommendation to develop CARICOM's onshore economies. One caution must be noted, however, in that Baumol et al. are pessimistic about the potential to easily transform oligarchic capitalism (whose characteristics CARICOM onshore economies appear to possess) toward an innovative-entrepreneurial mode, given the self-interest of elites in the extant system. They note that the significant-even revolutionary-changes that are required often must be urged by some form of pressure, internal or external. If CARICOM can provide such pressure, it will play a useful role, indeed.

In addition to the argument for growth-related reasons in favour of encouraging innovative-entrepreneurial capitalism in the onshore economy, is another argument based on the current global economic crisis. It has been persuasively argued that the current crisis is the end of a long-wave (50-to 60-year) economic cycle, called the Kondratieff cycle.[14] That is, the current Kondratieff cycle began from about 1945, and up to 1967/73 the world economy grew at a tremendous rate due to the birth and expansion of significant new industry, production methods, and technological platforms (the A-phase). After an almost 30-year period of continuous growth, industrial production reached its peak and further industrial expansion became less profitable in the capitalist centres. During this time, manufacturing moved to cheaper areas of the global economy, and the highest global profits were made not by production, but by financial manipulation, speculation and debt-fuelled growth (the typical B-phase activity). Today, the colossal debt overhang has finally been called in, as such debt overhangs have done in preceding Kondratieff cycles (in the Great Depression of 1929, the Panic of 1873, the Six Year Depression of 1837, and so forth). These ends of long cycles, which necessarily see severe price corrections downward, are particularly traumatic. The world economy then requires a fundamental reorganisation

through the creation of new industries (often based on significant new platforms) to generate a new long cycle of growth. In other words, the global economy will only get out of its depression through the development of entirely new industries-inherently unpredictable-to propel the beginning of a new Kondratieff cycle (A-phase) of solid growth and development. In this context, encouraging innovative-entrepreneurial economies in CARICOM Member States may help the region leap frog to a stronger position in a new global economy, if it becomes an active part of a global innovation process.

One does not have to accept the entirety of this analysis to accept the crucial recommendation which flows from this diagnosis: that CARICOM, as a priority, needs to build the right international economic relationships to nurture innovative global entrepreneurs operating out of the Caribbean.

## Recommendations for CARICOM's Relationship-Building for Economic Development in the 21st Century

Given this diagnosis, obviously, the first principle for CARICOM's relationship-building for economic development must be to increase the viability of CARICOM's onshore economy, in particular, its private sector.

To be fair, CARICOM has increased the participation of its private sector in its relationship-building endeavours. However, not only are current levels of inclusion of the private sector inadequate, the oligarchic nature of the onshore private sector (and its dependence on the offshore sector) is not usually dealt with as a serious obstacle which needs to be overcome. This is a sensitive but crucial task, which will have to be carefully navigated.

Despite the preceding criticism of the Caribbean economy (both the offshore and onshore sectors), many of the existing economic actors will of practical necessity need to play a role in the healthy transformation of CARICOM's onshore economies. As a whole, these actors must not be driven out of business, or out of the country (as happened at independence and in the militant political movements of the 1960s and 1970s throughout the region), but rather provided with the incentives to engage in faster, more innovative, more competitive, and more equitable onshore growth. In the short to medium-term, the offshore industries will need to be maintained at the very least to support the otherwise weak revenue base of governments and the meagre foreign-exchange earnings of the onshore economies. The elite conglomerates will have an important role to play in keeping alive the onshore economy and also, in future, in bringing to wider national markets, innovations developed by new entrepreneurial

firms. Direct government economic involvement will also continue to be necessary for welfare purposes during the transition to faster-growth, innovative-entrepreneurial onshore economies, and for regulatory purposes where markets are weak, underdeveloped, imperfect, or otherwise threatened by manipulation. In the medium-to long-term, however, the offshore and onshore sectors should be more balanced in terms of their status as economic drivers (i.e. the onshore economy should not be dependent on the offshore, and national participation in the international offshore economy should increase, making distinctions between the two less meaningful), local conglomerates should operate in a well-policed, competitive, entrepreneurial environment, and Governments should play a less direct and dominant role in economics and social life, so that citizens may not be politically and economically dominated, even victimised, by an all-pervasive State.[15]

In this task, CARICOM may well seize on the opportunity presented by the recent crises in Guadeloupe and Martinique, spurred by the current global recession. There, national strikes against exploitation and profiteering by racially-organised local oligarchies—the same phenomena we have discussed in Trinidad and Tobago—have forced the French Government to intervene. CARICOM may wish to enter dialogue with the French Government—currently committed to transforming the economy of mainland France toward more innovative-entrepreneurial dynamism, as well—to help solve the problems of oligarchic markets in the entire region. Cooperation in Competition Commissions, for example, may be one example. (Indeed the CARICOM Competition Commission, whose inauguration in 2008 is a welcome start, was funded by the EU.)

In addition, CARICOM may wish to enter into dialogue with the United Kingdom following the damning findings from its recent Commission of Enquiry into corruption in the Turks and Caicos Islands, in which the local administration has been found to display "political amorality and immaturity and. general administrative incompetence."[16] CARICOM may wish to participate in helping establish better economic governance systems or implement alternative remedies to the re-imposition of Crown rule, in order to ameliorate the corrupt culture of business-government relations. This exercise should be of great benefit in assisting the development of CARICOM's onshore economies as well, given that results from the Corruption Perceptions Index suggest that similar levels of corruption are found in independent CARICOM states as well, and form part and parcel of the dysfunctional onshore economies of the region. (The three ranked Eastern Caribbean states are admirably exceptional CARICOM members with relatively high scores on the CPI, followed by grimly poor scores for the larger territories; see Table 9.3. It would seem sensible for these states to lead

efforts in building international partnerships for ethical reform of CARICOM's economic governance.)

**Table 9.3 Corruption Perception Index Rankings for CARICOM Members States**

| Country Rank | Country /Territory | CPI Score 2008 | Standard Deviation | Confidence Intervals* | Surveys Used** |
|---|---|---|---|---|---|
| 21 | Saint Lucia | **7.1** | 0.4 | 6.6-7.3 | 3 |
| 22 | Barbados | **7.0** | 0.5 | 6.5-7.3 | 4 |
| 28 | St. Vincent and the Grenadines | **6.5** | 1.5 | 4.7-7.3 | 3 |
| 72 | Suriname | **3.6** | 0.6 | 3.3-4.0 | 4 |
| 72 | Trinidad and Tobago | **3.6** | 0.7 | 3.1-4.0 | 4 |
| 96 | Jamaica | **3.1** | 0.3 | 2.8-3.3 | 5 |
| 109 | Belize | **2.9** | 1.2 | 1.8-3.7 | 3 |
| 126 | Guyana | **2.6** | 0.2 | 2.4-2.7 | 4 |
| 177 | Haiti | **1.4** | 0.4 | 1.1-1.7 | 4 |

Source: Transparency International

The attraction of foreign investment will remain an important goal of CARICOM's relationship building, but with a more focused purpose. For instance, such investment should not be focused on the generation of foreign exchange and other revenues for Governments to redistribute onshore. The investment that should be attracted should be able and willing to participate in an onshore economy, rather than simply form links in international commodity chains, unconnected to the onshore economy and domestic entrepreneurship. Participation, competition and interaction with other firms in the onshore economy should assist in increasing the competitiveness of onshore firms and onshore markets by breaking oligopolistic and monopolistic sectors.

CARICOM's conventional focus on trade agreements will remain important as well. Indeed, overseas markets will remain vital for innovative entrepreneurs as long as CARICOM onshore economies remain low-wage and competition is stifled through oligarchic capitalism. However, these trade negotiations should not focus on sustaining offshore commodity production for vertically- integrated, multinational industries (e.g. sugar, bananas). Rather, CARICOM's negotiations should be focused on securing markets for onshore output, in order to strengthen the foreign-exchange earning capacity of private Caribbean industry. CARICOM

may have to focus on developing access to specialised niche markets, as opposed to mass national markets, for premium foreign exchange earners such as organic agriculture, luxury, health and gourmet foods, health services, health tourism, and cultural industries. This will involve much closer working relationships with the Caribbean private sector than exists at present.

In addition to securing market access for products, CARICOM must focus on fostering closer and more intimate ties with innovative-entrepreneurial economies with a view to also using them, where possible, as springboards for our own global entrepreneurs. Rather than focusing on trade in goods (particularly if we do not have much more to trade than basic bulk commodities produced by huge multinational firms, such as in petroleum, sugar and bananas, over which CARICOM citizens have little or no control in any case), relationship-building should attempt to secure practical learning opportunities for individual citizen-entrepreneurs and small and medium enterprises, even in specific economic jurisdictions perhaps—state level, city level, or national level, wherever innovative-entrepreneurial activity is encouraged. CARICOM's relationship negotiations should shift focus away from agreements which strengthen multinational vertical investment offshore, or traders, importers, distributors, and other middle-men, which make up the bulk of our low-growth, low-wage oligarchic onshore economies.

For instance, the General Agreement on Trade in Services (GATS) (a treaty of the WTO) covers four modes of supply for international service provision, including "commercial presence" and the "presence of natural persons" (i.e. the presence of service providers in a foreign, consuming country). Via the GATS CSME-type arrangements (enhancing mobility of investors and capital) may be negotiated with countries which make it is easy to establish start-up businesses and which are open to foreign investment, so that our citizens can learn and develop skills through operating in such competitive environments. The United States is the principle innovative-entrepreneurial economy in the world at the time of writing. However, Denmark, Taiwan, the UK, New Zealand, and others have been ranked by the World Bank among the least costly places to establish new business start-ups (and which are generally open to foreign investment). These countries, as well as innovative-entrepreneurial zones of India and perhaps China, may be targeted. No doubt, these new types of arrangements will involve much tougher negotiations, as this will touch on sensitive issues of national security and immigration. However, we believe that it will be more meaningful, democratic, and transformative.

Indeed, the current EPA between CARIFORUM and the EU already includes arrangements for CARIFORUM nationals to establish businesses

and provide services to EU consumers from within the EU itself. For example, the agreement related to tourism and travel-related services allows Caribbean businesses to invest in Hotel, Restaurant, Catering and Beverage Services, Travel/Tour Operator Agencies, Tourist Guide Agencies, and Spa Services in any European Community country. In addition, Caribbean businesses can obtain visas for staff from the Caribbean to work in the company hotel, restaurant, agency or spa (their commercial presence) in Europe. Contractual service suppliers can travel to Europe to provide Travel Agency and Tour Operator services in all European Community countries (except Ireland), and Tourist Guide services (except in France, Lithuania, Poland, Portugal or Spain). The existing EPA also allows Caribbean businesses to provide Hotel, Restaurant and Beverage services, Catering services, Travel Agency and Tour Operator services, and Tourist Guide services from their home country to consumers in Europe. Development assistance is provided for the development of internet marketing strategies for SMEs in the tourism sector.[17] Similarly detailed agreements have been arrived at for Auditing and Taxation Services, Engineering and Architectural Services, Recreational, Cultural and Sporting Services, Health Services and Social Services, Advertising, Market Research and Management Consulting Services, Medical Services, Environmental Services, Research and Development Services, Communication Services, Construction and Related Engineering Services, and Distribution Services. Elsewhere, there has been serious policy consideration given by the Commonwealth Secretariat and others to further liberalising the "presence of natural persons" from developing countries in developed countries, as part of the growth of the international trade in services.[18] These discussions may usefully guide CARICOM's relationship-building to transform its onshore economies.

Similarly, Baumol et al. have recommended that that the United States, in particular, assist in generating innovative entrepreneurs in developing countries by sponsoring the equivalent of "reverse Fulbright" scholarships/ internships for university students and recent graduates to go to the United States to take an entrepreneurship practicum at a leading university and to then serve as interns in innovative-entrepreneurial companies.[19] In 2006, the Kauffman Foundation initiated such a programme for students from the UK and Italy. CARICOM should negotiate for a Caribbean student component. Not only would such an experience impart practical knowledge, but it would also instil an appreciation for innovative-entrepreneurial endeavours and what legal, institutional and other environmental conditions are required to make them flourish. Government officials could also be exposed to such experiences.

Other areas in which CARICOM could broaden its existing trade negotiations include the area of financing innovative-entrepreneurial ventures. It should be recognised that the United States has by far the most developed venture capital industry in the world, far in advance even of Europe and Japan. However, concrete suggestions have been made for the co-ordinated and systematised distribution of financial risk internationally at different stages of business development, so that innovative-entrepreneurial firms operating out of the Caribbean can source appropriate finance externally, until they reach a level of risk that can be more adequately managed by regional financial institutions.[20]

Indeed, such intricate financial trade and business partnerships may justify revisiting the attempts of Dr Eric Williams and Suriname's Prime Minister Severinus Désiré Emanuels to secure Associate Status in the European Community for CARICOM states.[21] This can form part of a renegotiated Regional EPA. Such status will strengthen the aspects of transformation that go beyond trade, for example, ensuring that economic, competitive and regulatory standards follow high international criteria (for there will no doubt be minimum conditions that will apply in order to be granted and to maintain Associate membership); affording opportunities for CARICOM states to participate in ongoing deliberations which will impact Regional EPAs; facilitating regulation and monitoring of flows of entrepreneurs and investment from CARICOM to the EU; and last but not least, the establishment of much closer economic ties to the non-independent French, Netherlands, and British Caribbean territories. This Associate membership then may be leveraged for other regional associations, in innovative-entrepreneurial regions of Asia, for example, to secure and safeguard these more intimate types of relations.

In addition, CARICOM should build the requisite relationships to organise and harness the latent power of its overseas citizens in North America, Europe and elsewhere to transform its onshore economies. The networks, skills, and businesses of CARICOM emigrants should be used to break local oligopolies, help penetrate foreign markets, access overseas finance, attract investment, create international partnerships and otherwise grow Caribbean businesses on a global scale.

Put differently, CARICOM's relationship-building efforts should shift from its focus on special and differential treatment in trade agreements and foreign investment to provide Government revenue and job creation, to securing microeconomic benefits of market and firm robustness and competitiveness in its onshore economies.

## Conclusion

In sum, CARICOM needs to permanently devote resources to rethink, analyse, diagnose and refine its relationship-building for economic development for the greater benefit of its citizens. CARICOM must move from its reactive and defensive approach—responding to the shifting trade and economic agendas of its powerful trading partners—think more clearly and pro-actively about transforming its onshore economies, and devise creative, innovative ways to achieve these goals. The strategy of the past 30 years has not yielded the anticipated fruit, and we argue that this is not so much the result of poor implementation, as much as deficient diagnosis and pursuing inappropriate aims. Abdicating our epistemological and intellectual sovereignty to the international institutions is a major contributor to the problems of Caribbean underdevelopment. We have placed here a spirited challenge to existing analysis and recommendations, based on serious observation and diagnosis of the Caribbean economy.

## Notes

1. For example, see Arthur Lewis, Eastern Caribbean Federation (Trinidad: Report to the Prime Minister Federal Government of the West Indies, 1961); Arthur Lewis, Eastern Caribbean Federation: Further Notes—1962 (Trinidad: Report to the Prime Minister Federal Government of the West Indies, 1962); Arthur Lewis, Proposals for Eastern Caribbean Federation of Eight Territories (Trinidad: Federal Government of the West Indies, Trinidad, 1962); Arthur Lewis, The Agony of the Eight (Bridgetown: Barbados Advocate, 1965); Dud-[2] ley Seers, "The Limitations of the Special Case", *Bulletin of the Oxford Institute of Economics and Statistics,* Vol. 25, No. 2 (1963); Dudley Seers, [3] "The Mechanism of an Open Petroleum Economy", *Social and Economic Studies*, Vol. 13, No. 2, June (1964); Dudley Seers, "A Step Towards a Economic Management Sector Unit, Latin America and Caribbean Region, World Bank; Department of Trade and Tourism, Organisation of American States; Governments of CARIFORUM Countries, April 2009). Political Economy of Development (illustrated by the case of Trinidad/ Tobago)", *Social and Economic Studies.* Vol. 18, No. 3, September (1969); William, G Demas, *The Economics of Development in Small Countries with special reference to the Caribbean* (Montreal: McGill University Press for the Centre for Developing Area Studies, 1965); Havelock Brewster and Clive Y. Thomas, The Dynamics of West

Indian Economic Integration (Mona: UWI, Institute of Social and Economic Research, 1967); Steve De Castro, Problems for the Caribbean Air Transport Industry (Mona: UWI, Institute of Social and Economic Research, 1967); Alistair McIntyre, Norman Girvan and George Beckford, Possibilities for Rationalising Production and Trade in the West Indies (Mona: UWI, Institute of Social and Economic Research, 1967); Norman Girvan, The Caribbean Bauxite Industry: The Scope for Rationalization and Regional Collaboration (Mona: UWI, Institute of Social and Economic Research, 1967); Lloyd Best, "The Mechanics of Plantation-Type Economies: Outlines of a Model of Pure Plantation Economy", *Social and Economic Studies,* Vol. 41, No. 3, (1968), pages 283-326; George Beckford, Persistent Poverty: Underdevelopment in the Plantation Economies of the Third World. (London: O.U.P, 1972).

2. For example, see Anthony Payne, *The Political History of CARICOM.* (Kingston: Ian Randle Publishers, 2008).
3. Caribbean: Accelerating Trade Integration: Policy Options for Sustained Growth, Job Creation, and Poverty Reduction, Report No. XXX (Washington, DC: Poverty Reduction and
4. Quoted in Winston H. Griffith, "CARICOM Countries and the Caribbean Basin Initiative", *Latin American Perspectives,* Vol. 17, No. 1 (1990), page 33.
5. The author provides some relevant analysis in Kirk Meighoo, "Caribbean Civilisation?" in *CARICOM Options: Towards Full Integration Into the World Economy,* Kenneth Hall and Myrtle Chuck-A-Sang (eds.), *The Integrationist,* Vol. 3 No. 2, (July 2006); and Kirk Meighoo, "Organic Theorising Inorganic Societies or The Need for Epistemic Sovereignty beyond Radicalism and Rebellion" in *The Caribbean Integration Process: A People Centred Approach,* Kenneth Hall and Myrtle Chuck-A-Sang (eds.), (Kingston: Ian Randle Publishers, 2007).
6. cf. W.M. Cordon and J.P. Neary, "Booming Sector and De-industrialisation in a Small Open Economy", The *Economic Journal,* No. 92 (1982), pages 825-848.
7. cf. Lloyd Best, "The Mechanics of Plantation-Type Economies: Outlines of a Model of Pure Plantation Economy", op. cit.; George Beckford, *Persistent Poverty: Underdevelopment in the Plantation Economies of the Third World,* op. cit.; R.M. Auty, *Sustaining Development in Mineral Economies: The Resource Curse Thesis.* (London: Routledge, 1993); J. Sachs and A.M. Warner, Natural Resource Abundance and Economic Growth (NBER Working Paper 5398, National Bureau of Economic Research, Inc., 1995).

8. Indeed, just before this paper's final revision, the Governor of the Central Bank of Trinidad and Tobago announced that Trinidad and Tobago would achieve no growth in 2009 and that the slowdown was steeper than he had anticipated in his previous announcements. See Monetary Policy Report, Central Bank of Trinidad and Tobago, April 2009.
9. Kirk Meighoo, *Politics in a 'Half-Made Society': Trinidad and Tobago, 1925-2001.* (Kingston: Ian Randle Publishers, 2003).
10. This is an extension of the historical fact that the Caribbean economy, after the destruction of the Amerindian world, was established by outsiders as part of overseas sugar production, and never by inhabitants for self-provisioning. As Orland Patterson put it, the West Indian Islands "are unique in World history in that they present one of the rare cases of a human society being artificially created for the satisfaction of one clearly defined goal: that of making money through the production of sugar", in *The Sociology of Slavery: An Analysis of the Origins, Development and Structure of Negro Slave Society in Jamaica, Studies in society* (London: MacGibbon & Kee, 1967), page 9.
11. For example, cf. George Beckford's 1972 classic, Persistent Poverty, op cit. cites the damaging impact of what is today usefully called vertical direct investment by the traditionally large multinational plantation enterprises. Looking at political underdevelopment from a more historical and sociological perspective in a single state, see Kirk Meighoo, *Politics in a 'HalfMade Society': Trinidad and Tobago, 1925-2001,* op. cit.
12. Report On An Intellectual Project: 15 The Fernand Braudel Center, 1976-1991 (Binghamton, NY: Fernand Braudel Center). Available at: http:// www.binghamton.edu/fbc/fbcintel. htm, (Last accessed April 10, 2009).
13. William Baumol, Robert Litan, and Carl Schramm, *Good Capitalism, Bad Capitalism and the Economics of* 16 *Growth and Prosperity.* (New Haven: Yale University Press, 2007).
14. For the contemporary and future projections of Kondratieff cycles, Immanuel Wallerstein has written a number of pieces over many years which have been uncannily prescient, including *The Age of Transition: Trajectory of the World-system 1945-2025* with Terence K. Hopkins (New York: Palgrave Macmillan, 1996). Investors also use Kondratieff waves to predict returns on various types of long-term investments and anticipate trends: 17 see http://www.chartingstocks. net/2008/11 / kondratieff-vindicated/ (Last accessed April 13, 2009); http:// www. kwaves.com/kond_overview. htm (last accessed April 13, 2009). 18 In

addition is the remarkable book by John L. King, *How to Profit from the Next Great Depression* (New York: New American Library, 1988) who remarkably predicted in great detail the unravelling of the financial markets over the next two decades. In a parallel vein, the *Economist* ("Minsky's moment", April 2, 2009) has highlighted the revival of mid-20th century economist Hyman Minksy's reputation for his understanding that after periods of solid economic growth, financial markets eventually exaggerate and distort business cycles by creating unsustainable speculative bubbles and bad debt.

15. Kirk Meighoo, "Trinidad and Tobago General Elections 2007: One-Party Dominance and Lessons for the Long View", *The Round Table,* Vol. 98, Issue 400 (February 2009), pages 1736, for further discussion on the link between political and economic centralisation in Trinidad and Tobago.
16. Interim Report of the Commissioner The Right Honourable Sir Robin Auld, Turks and Caicos Islands Commission of Inquiry 2008-2009 into possible corruption or other serious dishonest in relation to past and present elected members of the Legislature in recent years, Presented to His Excellency, Gordon Wetherell, Governor of the Turks and Caicos Islands, February 28, 2009. Available at http://www.tci-inquiry.org/interim_ report.html (Last accessed 20 April 2009).
17. International Trade Centre Business Briefing, Trade Policy, Series on CAR-IFORUM-European Communities Economic Partnership Agreement Issues: Part 1, April 17, 2009.
18. In particular, L. Alan Winters has written much on the subject. See T.L. Walmsley and L.A. Winters "Relaxing the Restrictions on the Temporary Movements of Natural Persons: A Simulation Analysis", CEPR Discussion Paper No. 3719, (London: CEPR, 2003); LA Winters, T.L. Walmsley, Z.K. Wang, R. Grynberg, Liberalising Labour Mobility under the GATS, Economic Paper, No. 53 (London: Commonwealth Secretariat, 2003); L.A. Winters, "GATS Mode 4: The Temporary Movement of Natural Persons", University of Sussex, Centre for Economic Policy Research, London, Centre for Economic Performance, LSE. Available at www.ycsg.yale.edu/documents/papers/Winters.doc (Last accessed 20 April 2009).
19. Baumol et al., *Good Capitalism, Bad Capitalism and the Economics of Growth and Prosperity,* op. cit., page *174.*
20. Avinash Persaud, "A Vision for Financial Services in the Caribbean: Ambition and Obstacles". Paper presented at 'Investing in a connected future', The 5th Euromoney/LatinFinance Caribbean Investment Forum,

Hilton Trinidad & Conference Centre, Port of Spain, Trinidad & Tobago, April 4-5, 2005.

21. Eric Williams, *Inward Hunger* (London: Andre Deutsch, 1969); Eric Williams, *From Columbus to Castro* (London: Andre Deutsch, 1969), Anthony Payne, *The Political History of CARICOM,* op. cit.

10

# THE CARIBBEAN IN THE CHANGING GLOBAL POLITICAL ECONOMY

*Gale Rigobert*

## Introduction

The paper assesses the opportunities for and constraints to Caribbean[1] development in the current global context. The historical antecedents that inform the socio-economic and political conditions that have characterised the region's evolution are encapsulated in its experiences of slavery, colonialism and independence from European powers. But more poignantly, is the fact that the Caribbean from its very inception was inserted into the international division of labour (IDL) to perform a very specific economic and, latterly, political role.

Much of the discussion that ensues is informed by an acknowledgement of the asymmetries inherent in the global political economy (GPE) and the implications for growth and development in the region. The most recent manifestation of globalisation has exacerbated the stark differences between the haves and the have-nots, along a whole host of variables, for example, income, wealth, health, technology,[2] innovation, knowledge and information.

The paper identifies the opportunities that exist for Caribbean growth and development, even against the backdrop of a changing global political economic climate and deepening disparities, both intra-and inter-nationally. It means, therefore, that the region has to (re) think the ways in which it interacts in the international system. It has to re-negotiate the terms of engagement and demand more from its foreign (economic) relations.

How the region achieves this is contingent on its understanding of itself, its historical and current role in the international division of labour (IDL). More

importantly, however, is an awareness of the emerging opportunities in the global political economy (GPE) for small developing states such as those of the region.

## The Question of Definition: What Caribbean?

Wide disparities in the definition of the *Caribbean* demand some interrogation of the relevance of the concept "Caribbean" as a geographically and territorially defined space. The information communications technological (ICT) revolution has eroded notions of physical spaces. The tentacles of communications are far-reaching, redefining traditional conceptions of territoriality, locality, location, distance, size and the relations informed by the interactions across physical spaces.

As the Caribbean region engages in a redefinition of "self", that exercise of necessity has to incorporate that large Caribbean population resident outside of the territorial Caribbean, that is, the Caribbean diaspora. Increasingly, that group is being perceived as a major actor in Caribbean international relations, having made inroads into the socioeconomic and political spheres of its adopted homelands. It means, therefore, that the diaspora can act as a meaningful bridge (both politically and economically) to major actors in the North. That connection and the potential development impact have for too long been ignored, overlooked or marginally incorporated into the region's broad development strategy. Hence, the paper seeks to assess the relevance of the diaspora, to consider it as a critical element in the region's development thrust.

## Characterising the state of the Global Political Economy (GPE)

There is an anxiety that pervades the international community at this time. The decline of the US dollar vis-à-vis other major currencies such as the British pound and the Euro; the subprime crisis in the USA; the financial crises in the USA, UK, and Germany which threaten to ripple throughout the global economy; the rise of China as a major player in international affairs and the strategic manoeuvres of Russia, have stirred troublesome claims of an apocalyptic collapse at "worst" and at "best", a reconfiguration of the global political economy.

Certainly, the present configuration of the global political economy is in a state of flux. Recent claims of the imminent decline of the US's hegemonic position are rife, seemingly giving credence to earlier predictions of the "fall of

the empire" (Wallerstein 2002, 2003, Galtung 2007). When juxtaposed with the increasing power of the BRICs, China's staggering growth and Russia flexing its political and economic muscle, there is cause to pause and ponder the implications of the emerging realities.

There is a great deal of edginess surrounding the meteoric rise of China, which registered annual growth rates of more than 10% for the last five (5) years. If China continues along that trajectory, it is poised to surpass the USA and become the world's leading economy within the next decade. The current economic slowdown in the USA fuels that notion. Of course there is a great deal of scepticism in some quarters, but to the extent that China is bandied about as a plausible alternative global economic giant, it warrants the attention of the international community. Perhaps the difficulty with China is the epistemological absurdity that it connotes: a communist, capitalist power. China is an oxymoron at best, having gone against the grain of the neoliberal tradition in its multiple facets.

The international development architecture is one that hinges on the core principles of neoliberalism: the assumed primacy of the market (the market that knows best), the market will produce optimum outcome and has inbuilt or even inherent self-correcting mechanisms that translate into minimal government interference. It is that thinking which informed the deregulation that characterised the decade of the '80s, championed by the International Monetary Fund (IMF) and the World Bank (WB). So, when the US government injects US$700 billion to prop up Wall Street and the British government saves failing financial institutions while Russia comes to the rescue of Iceland, one wonders whether this sounds the death knell of neoliberalism as we have known it, at least since the post war years. This provokes the question, *what will the post neoliberal world look like?* This concern is further compounded by the recent unfettered wave of globalisation, itself largely driven by the logic of neoliberalism.

## The Caribbean in a Globalised World

Globalisation has given rise to changing currents in the global political economy with seismic implications for every sphere of human existence. Already, the region is reeling as a response to the liberalisation of traditionally protected markets, having benefited historically from preferential access to European markets in particular.

In an increasingly interdependent and interconnected global economy, the tornadic events of the last few years have had dire political and economic

implications for Caribbean economies. The region has to guard against a false notion of its national economies being insulated from, or immune to, the global economic convulsions, with imagined inbuilt buffers to shield it from the vagaries of the global economy. The reality is that there is an immediateness about the ways in which events occurring in seemingly distant places affect the economies of the region. Together, these changing realities have reshaped the contours of the space in which countries engage with one another and with other actors in the global community.

Globalisation implies deepening relations and interdependencies across physical borders and the implications are that the menu of concerns on the global political agenda covers issues that can no longer be viewed in isolation; neither can they be dealt with adequately by one or a few actors. The gravity and span of these issues demand a multi-faceted response, including both state and non-state actors. For example, security concerns have evolved beyond Realist interpretations of security as the preservation of a nation's territorial integrity and the physical protection of its people. More recently, security has become more multi-dimensional, incorporating the so-called "soft threats". Hence, rising concerns about health security (with the HIV/AIDS pandemic topping the list), environmental security, human security, economic security, food and energy security.

Furthermore, as interaction within the international community becomes more pluralistic, involving several stakeholders representing multiple interests, one anticipates a revised role for the state in the conduct of both domestic and foreign relations, as facilitator, more so than the architect or forerunner. It means, therefore, that the state, too, needs to engage in some worthwhile introspection, rethinking how best it can adequately fulfil the role and function of a *Westphalian state,* while shedding some of its traditional responsibilities (be it willingly or forcibly).

States tend to guard their sovereignty and autonomy jealously. Moreover, states in this part of the world, being relatively young, defend their sovereignty and autonomy even more vociferously. Arguably, this can account for the hesitation which is sometimes evident when matters arising at the regional level with respect to deepening the regionalisation initiative, are perceived as encroaching on the sovereignty of Member States. However, states may be called upon more and more to weigh the cost of holding on to their individual sovereignty at the expense of sinking into the ever-widening gulf of poverty and economic depression. As the trend tends towards deeper and wider integration movements globally, governments in the Latin America and Caribbean region may be called upon to shed their historical misunderstandings, correct the relative psycho-cultural

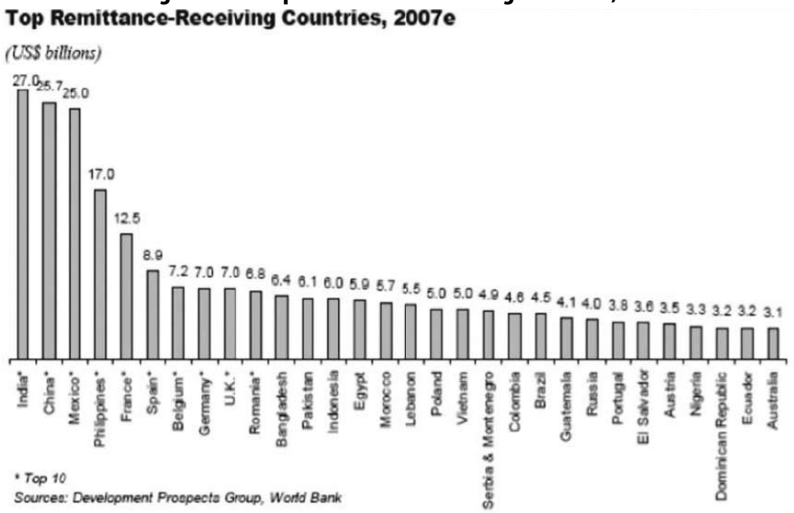
distances and endeavour to forge closer relations. The pressures of globalisation are such that there are few other options on offer: the *go it alone* option is certainly no longer available!

The region, therefore, has to (re)position itself in the global political economy, with a view to maximising the gains associated with globalisation and minimising the attendant losses. That response has to deviate from a seemingly historically individualistic, reactive posture, to one which is collective, purposeful, proactive and pragmatic. Pragmatism is particularly critical here. It is an acknowledgement of the inherent vulnerabilities of the region, but, a simultaneous recognition of its strengths and the opportunities available to it as well. That is the platform upon which any development strategy has to be founded.

## What Role for the Caribbean Diaspora?

Migration is growing at an accelerated pace, creating new growth benefits to source countries, through remittances, brain gain and foreign direct investment (FDI). These are fast becoming important variables in the development discourse. A more inclusive definition of the Caribbean to include its diaspora means, therefore, an opportunity to expand the resource base of the region.

**Figure 10.1: Top Remittance-Receiving Countries, 2007**




Source: Migration and Remittances Factbook, 2008

In 2007, remittances to developing countries amounted to US$251 billion. In 2007, India and China were the top two remittance-receiving countries, receiving US$27.0 and US$25.7 billion respectively. A review of the data depicted in Figure 1 highlights the growing significance of remittances. In fact, much has been said about the critical role of the Chinese and Indian Diasporas, respectively, in fuelling the Chinese economic miracle and stirring India's[3] economic growth (Devan & Tewari 2001, Shahid Yusuf, 2004). The 50 million Chinese diaspora, for example, are well positioned to do business with China because of their cumulative entrepreneurial experience, specialized knowledge and relationships (Weidenbaum & Hughes 1996).

In this region, 24% of Guyana's GDP is earned through remittances, while Jamaica's is 18%. In 2006, the USA topped the list of remittance-sending countries estimated at approximately US$42.2 billion, and it is quite likely that it has retained its position as one of the top remittance-sending countries. Following the events of the last month, triggered by the sub-prime crisis in the USA, one can begin to anticipate the economic fallout. These valuable money transfers are susceptible to financial and economic shocks in the North. One is not yet certain what the magnitude of the crisis might be. However, to the extent that the region's economies are intricately linked to that of the US through formal trade, economic transactions and through the informal exchanges, the anxiety that currently pervades is justifiable.

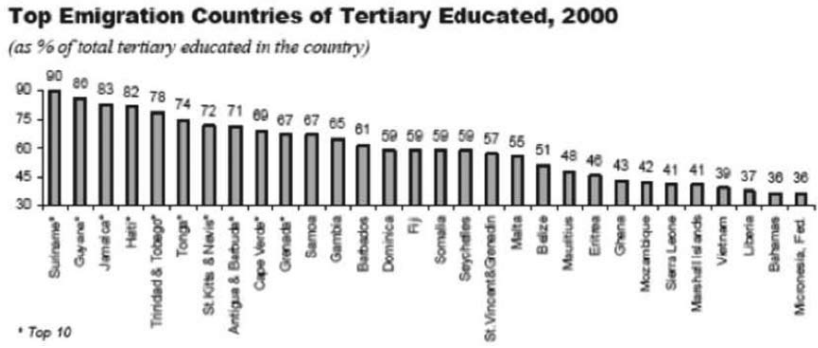
The nervousness exhibited in our diaspora, as a response to the present global economic difficulties could be mitigated if some form of formal or institutionalised framework existed to better manage and capitalize upon the outflow of resources from the North to the region. Already, it has been reported that citizens of Trinidad and Tobago have been withdrawing large sums of money held in US banks and transferring their holdings to local commercial banks back home[4], in part because of the perceived relative insulation of the financial sector in Trinidad & Tobago. However, these deposits are not being tapped into or channelled into productive endeavours that are likely to eventually offset the economic slowdown anticipated due to a loss of oil and gas revenues.

Thus, an area in need of critical interrogation is how government policy can help manage, inform or influence how recipients use remittances. Some, like Calderón, Lopez et al. (2008) have already argued that the growth potential of remittances can be enhanced when complemented with appropriate policies (Calderón, Fajnzylber and Lopez 2008).

Migration out of the region is likely to continue. How the region responds to migratory trends, therefore, is critical. While there is a steady outflow of Caribbean nationals to metropolitan cities in the North, governments of the

region have not been able to deconstruct that reality and craft an adequate policy response to maximise the potential gains associated with this trend. In 2000, 90% of Surinamese who received a tertiary education migrated, followed closely by Guyana, Jamaica, Haiti and Trinidad and Tobago, as reflected in Figure 10.2.

**Figure 10.2: Top Emigration Countries of Tertiary Educated 2000**




Source: Source: Migration and Remittances Factbook, 2008

It means, therefore, that a large proportion of the already small numbers who access tertiary education, are leaving the region. Hence the alarm that often characterises the discourse on migration and the attendant brain drain. However, this need not necessarily result in a human resource crisis. For example, emerging forms of information and communications technologies (ICTs), if harnessed properly, can create new opportunities for tapping into that pool of expatriate talent. The region needs to explore more innovative ways of capturing and capitalizing on that talent, virtually, Devan and Tewari (2001), for example, lament that developing countries have done little to leverage their expatriate talent. This region needs to address this matter with a degree of urgency, given the data reflected in Figure 10.2, which is indicative of a trend that is not likely to slow down any time soon, as graduates of the region migrate to the North in search of better career and growth opportunities.

## CARICOM at a Crossroad

The region is now at a crossroad, one characterised by the Economic Partnership Agreement (EPA) between CARIFORUM and the European Union (EU), and the CARICOM Single Market and Economy (CSME). Despite the gains inherent in the CSME, there have been mixed responses and various

degrees of implementation throughout the Community. This arguably is a reflection of the extent to which countries find themselves in a curious dilemma, wanting simultaneously to satisfy the various requirements under the CSME, while promoting and adhering to their domestic economic and political agendas. The two endeavours need not necessarily be mutually exclusive. However, to the extent that governments are first and foremost answerable to their national constituencies (with obvious implications for the likelihood of re-election), and latterly fulfilling their regional mandates, one can begin to appreciate the *political* conflict.

The region finds itself in a similar quandary with respect to the EPA. The burning question is *what's in it for CARICOM?* Again, it is evident that the concern is: *to what extent has the region essentially prostituted its market and economy, based on perceived gains to be had from the EPA.* The current disagreements with respect to the EPA are a vivid manifestation of the contestation among the various paradigms on development. The contention exists along the epistemological fault line of neoliberalism and all that it connotes, and some degree of nostalgic nationalism and relative economic autonomy. The myriad perspectives essentially fall into one of these two camps.

The recent debates over the EPA and the various voices, even within CARICOM, tell an interesting tale. While there is significant recognition that the tides are changing and preferential arrangements are a thing of the past, and that the neoliberal order now dominates the current thinking and practice in trade and economic relations, there is still this subconscious expectation that the former colonizers will attend to the needs of the region in the most sympathetic way. At the same time, there is this lingering suspicion with which some in the region treat any engagement with actors from the North. Further to which, in light of the asymmetries that have historically characterised relations between the region and Europe (and that hold true for North-South relations in general), there is this burning desire on the one hand to de-link from Europe, reducing the region's dependence on its markets, and instead seeking to establish or to deepen relations with Southern partners.

The recent *Manning Initiative,* a proposed political and economic union,[5] introduces another dimension. The suggestion is for a deepening of the interaction among a subgroup of CARICOM states. The region's history suggests that perhaps one can anticipate many of the concerns that will arise out of this latest initiative. Immediately, one wonders whether these small island states have the capacity to participate meaningfully in yet another regional organisation, given their resource shortage. It is already evident that participation of these small islands in the existing regional organisations is limited, due to their

incapacity to engage with the plethora of issues and attend the many meetings that their membership warrants. Moreover, questions arise, naturally, about the differentiated roles and mandates of the respective regional organisations. Or is it that, yet again, one should be wary of the likelihood of institutional overlap, duplication of efforts or even the danger of working at cross purposes? Or, can one not be a wee bit optimistic and instead anticipate that this proposal will fill an institutional and political void yet to be satisfactorily fulfilled by the existing arrangements? Moreover, why should one hesitate to embrace this recent move, given the supposed altruism within which it is couched?

What really is the quarrel about, and why the mixed responses even from within? Perhaps part of the answer resides in the acknowledgement of the increasing exposure of the region to the vagaries of the international market, having lost the protection to which it had become accustomed. This naturally gives rise to a concern about the wherewithal of the region to withstand the international competition to which it is being exposed.

Hence, the question of "size and vulnerability" has again returned to the fore in the context of the EPAs. The ensuing debate and the issues that are provoked prove rather interesting, not least because, upon close scrutiny, it appears that the various positions are informed by ideological differences. The varied responses are quite understandable given their epistemological biases.

## *From Vulnerability to Resilience*[6]

It would appear that ways of thinking about the region's problems have been imposed on it, reflecting the manner in which the dominant powers with which the region relates have conceptualized them. But these ways of thinking and, therefore, of acting do not reflect the specific characteristics of the respective countries or the region as a whole. The Caribbean has been inserted into an intellectual hegemonic paradigm that is characterised by an ideological framework with a vocabulary that, for too long, has been ill-suited to adequately reflect the particularities of the region. In this vein, one is reminded of Stephanie Neuman's assertion that Even central concepts such as anarchy, the state, sovereignty, rational choice, alliance, and the international system are troublesome when applied to the Third World (Neuman, 1998:2).

The region's implicit (and perhaps even explicit) embrace of these intellectual frameworks has, in part, handicapped it in its bid to circumvent its vulnerabilities. In fact, the concept of "vulnerability" itself tends to confuse, rather than enlighten our thinking. Should the region continue to present its "vulnerability" (herein

implied powerlessness and weakness) as a key plank in its negotiation strategy? The danger in this approach would seem to be a tendency to assume a somewhat fatalistic posture in the conduct of the region's affairs.

Should the region not, instead, perceive vulnerability as a condition (inherent, courted or induced[7]) that warrants an innovative and proactive response? For it is easy to see that the region's vulnerability has served as a double-edged sword. There is no denying that much of the region's foreign policy and development strategy have been premised on its vulnerability, and the assumption and, indeed, expectation that the international community should respond sympathetically. This approach may have run its course.

New policy and negotiation approaches couched in the language of neo-liberalism are less accommodating to the "*emphasising vulnerability* 'approach. A new vocabulary has emerged, sounding the death knell of the old, which embraces concepts such as preferential treatment and special and differential treatment and so on. To what extent has the region begun to contemplate what that emerging way of thinking about and presenting its arguments might be and, more importantly, ensuring that it is an adequate reflection of the specific characteristics and requirements of the region (and of course, SIDS in general), and that it also seeks to empower rather than to handicap or even cripple the region. Make no mistake, however, in thinking that this is any small undertaking.

## Re-thinking the "terms" of interaction

Embedded in the region's collective psyche is the notion of vulnerability and its attendant handicaps. "*Vulnerable*", *"weak", "smalt* and *"powerless"* inform an even more incapacitating vocabulary . . . and, by extension reaction (or non-reaction bordering on inertia)! Where does the region begin? Certainly there is need for a vocabulary that enthuses and energises. Part of this re-wiring of the region's collective mindset demands the injection of a language that celebrates and highlights the region's strengths and capacities.

An important platform from which to begin, is reforming the intellectual discourse on who *we* are as a people, the development focus of the region and the framework of interaction. The people of the region must refuse to accept the notion of an "absence of alternatives" because the terms of the region's interaction have been hard-coded into the framework of the WTO, the recent EPAs and various international fora (that have not always, necessarily worked in the best interest of the region). Politicians, policymakers, decision-makers and citizens alike, must acknowledge an imbalance of power in the international community

which is here to stay—at least for a while. But the people of the region also need to recognise that, having acknowledged the realities of interaction within the international community, they should seek to equip themselves to respond proactively by arming themselves with the requisite analytical and negotiating skills and a ***mindset of possibility*** which will empower them to navigate whatever "little" spaces are allowed them in the increasingly competitive global economy. These are the precursors to a culture of resilience.

Resilience implies that there is an innate understanding of who *we* are as a people, our inherent and created capacities, a much better understanding of the outside world and how that colours the conditions of interaction, and what the *real* possibilities are. That broad understanding will begin to reshape the perception of *our* world and how the outside world is constructed. But, more importantly, it will involve the reclaiming of *our* own minds, as we engage in the process of self-(re)definition and the development and embrace of a new language of resilience and empowerment.

## Global Restructuring: Shifting Paradigms

The world finds itself at a critical juncture. The US economy is in freefall and the US government has had to intervene to help mitigate the potential economic fallout both within the USA and internationally. The interconnectedness of the global economy means that the cascading effects of this crisis will be felt the world over. One is still uncertain as to the extent to which this will fuel the existing disenchantment with the neoliberal discourse, deepening the debate about the credibility and legitimacy of neoliberalism as the organising framework of interaction in the global political economy. In fact, some may already feel vindicated, having earlier denounced the neoliberal economic order and its highly elitist global economic governance structure.[8] However, notwithstanding the current troubles of the US, the contours of the global economic order and its underlying ideological principles remain relatively intact, despite the epistemological challenges and the critiques levelled against the neoliberal discourse.

The recent financial and economic troubles have exposed the volatility of the US economy and, in conjunction with the rise of China as an economic giant, have tilted the global economic hierarchy. Phillips (2007:1) asserts

> . . . the emergence of China has already had an appreciable impact on the context in which development strategies are formulated and indeed

> the broader prospects for development across all the regions of the world, inasmuch as it has been pivotal to a redrawing of global production and value chains, a restructuring of the global division of labour, and a restructuring of patters of global demand and of the terms of trade.

This development has obvious implications for Latin America and the Caribbean. The changing power relations demand that the region rethink how it sees itself in relation to the BRICs and how best it can align itself with these emerging powers, mindful of their increasing and significant role in the GPE. In this vein, the One-China policy continues to pose a challenge to some CARICOM Member States, in light of the growing economic prowess of China (the People's Republic of China), hence the political debacle that ensued when the current administration in Saint Lucia opted instead to engage with Taiwan, which meant a foreign policy shift away from that which the Kenny Anthony administration had pursued for the previous 10 years.

The emerging global power dynamic means that the region must (re)negotiate its alliances in the international community. This is a necessary preamble to understanding where the Caribbean now finds itself within the current context of the GPE. The region has begun to feel the effects of the tectonic shifts delineated above, and is responding accordingly. This is evidenced by, for example, the more robust moves to deepen relations with countries of the South, such as Brazil and, of course, China. Admittedly, some, like Guyana's President Jagdeo, for example, have moved further ahead than most, in forging relations with Brazil.

The rise of the New Left in Latin America has created political ripples in the region, further energised by President Hugo Chavez's explicit courting of CARICOM Member States. The Petro Caribe and ALBA initiatives have been viewed not necessarily with the benevolence that the architects intended. One is yet to ascertain the extent to which there is likely to be a convergence of interests between the two regions (that is, Latin America and the Caribbean) which then justifies such developments. Nonetheless, the initiatives have found resonance in the region, albeit to varying degrees. The groundswell of antineoliberal sentiments in Latin America has fuelled concerns about the ideological and political intent of Petro Caribe and ALBA. In many respects these manoeuvres have been perceived as a mechanism to counteract the FTAA and American imperial interest in the region.

Other recent developments include Russia flexing its military might in August of this year, evidenced by its intervention against Georgia in the border clashes between Georgia and its breakaway region of South Ossetia. It sought to complement this by coming to the financial rescue of Iceland. The message

is unequivocal: Russia has made a comeback, triggering speculations about the emergence of a new Cold War. Russia's explicit aim was to signal to the world that it should not be overlooked as a superpower in the context of changing power configurations. Russia's resurgence on the global stage is marked by very bold foreign policy manoeuvres, including its reappearance in Latin America. Russia's return to the doorstep of the USA is no less strategic and tactical now than it was in the heyday of the Cold War (or should we begin to make the distinction between this one and the last and say the *first* Cold War!). The implications are all too obvious.

Perhaps this development should be greeted with some excitement and anticipation. The end of the *first* Cold War meant the loss of geopolitical salience to the LAC region with the attendant economic losses. Maybe Russia's activities in this region may mean a refocusing of the United States' radar on the LAC region, bringing with it the associated gains. Nonetheless, Russia's (re)engagement with countries in the region should not be treated casually.

Barack Obama's win in the US presidential elections in November 2008, created heightened expectations of a more sympathetic tone in the conduct of Caribbean-US relations, informed in part by a perceived ethnic affinity, which incidentally is mirrored in Africa as well. This sentiment of a new hope resonates all over the world and, indeed, within the US itself. The Obama regime is keen to put an end to American isolationism and to revise the perceived unilateralism which has pervaded much of US foreign policy, in particular, its response to the attacks of September 11th, as evidenced by its engagements in Iraq and Afghanistan.

Some are very optimistic about the capacity of Obama's administration, to change the global perception of America and reversing the ills of hyper-capitalism and neoliberal globalisation, declaring boldly:

> This is a rare moment in history. A more responsive America, better attuned to the rest of the world, could help create a new set of ideas and institutions-an architecture of peace for the 21st century that would bring stability, prosperity and dignity to the lives of billions of people (Fareed Zakaria, 2008).

A noteworthy word of caution is necessary here. The Obama administration cannot be reasonably expected to respond adequately to the ever expanding list of very troublesome issues that characterise his work agenda. Some, naturally, will be left disappointed, and among those, are the many in this region who expect a

swift turnaround in US-Caribbean relations, presuming that there will be more *carrots* on offer!

The work at hand is to continue to craft a development path for the region in this seeming state of flux.

## Whither Goes the Caribbean: Conclusion

There are many contending views on the development path most appropriate to small developing states such as the ones under consideration here. The region's experimentation with the various approaches to development is well documented. Arguably, there have been varying degrees of success. However, the burning question remains how much more can be achieved in the current climate, given the region's historical experience with the various formulae for growth and development? Additionally, does the present climate offer any new variables that may lead one to expect an outcome that is markedly different from that of the past? The quest for a new paradigm of development must be informed by these considerations.

The dizzying pace of political and economic changes, especially at the top tier of the global hierarchy, means that critical consideration needs to be given to an immediate, but well-thought out response and course of action. That process begins with a redefinition of "self". That exercise of necessity has to be conducted in tandem with an examination of the role and location of the Caribbean in the global political economy.

Perhaps the tumultuous events of the last few months will give a greater sense of urgency to the need for economic diversification and a reduced reliance on one or few foreign markets for exports. The Caribbean is already bracing itself for the economic repercussions, with the tourism sector being most susceptible. Those islands (Antigua & Barbuda, Barbados, St. Lucia, Tobago etc) which are heavily reliant on tourism for the generation of foreign exchange and GDP growth, may be confronted with a sharp drop in visitor arrivals, reduced tourist expenditures and a consequent decline in earnings. It means that the various tourism agencies throughout the region will have to double their efforts to attract visitors to the region, offering attractive deals to compete with other destinations, in what is likely to become, if not already, a shrinking market.

This engagement with the issues of concern to the region thus far, has unearthed many of the challenges that confront the international community in general and the region, in particular. The onus is on this generation, (while

issuing a word of caution), to equip the next generation to rise to the challenges before them. More importantly, however, is the need to identify the opportunities for growth and development. Much has been said about the ICT revolution and its inherent growth potential, even for resource-poor counties. For some, the growth potential of ICTs remains a superfluous endeavour. However, ICTs have become ubiquitous and in many respects have become the cornerstone of recent growth and development strategies the world over. The growth of India, China and Singapore are to a large extent attributable to the critical role of ICTs in their respective development strategies.

The region has no choice but to move in the direction of e-development, situating research and development (R&D) and technological innovation high on its agenda. The region's greatest resource is its people (including its diaspora), and the dawn of the ICT age means that a perfect opportunity has arisen for the region to move beyond clichéd endeavours, to implementing meaningful policies, effected by its people, which seek to alleviate poverty in the region. In this regard, the anticipation is that a pluralistic approach which embraces multiple actors and stakeholders, and employs an eclectic mix of indigenous ingenuity and adaptation of foreign conceptions of growth will be tailored to suit the specificities of the region. This means, therefore, that the region has to find innovative ways of crafting and effecting its foreign economic relations with the view to exacting maximum gains, even against a backdrop of significant changes in the global political economy.

## Notes

1. For the purposes of this paper, the Caribbean as defined here, goes beyond the physically and territorially defined space of all lands washed by the Caribbean Sea to include also that group of Caribbean nationals resident abroad, that is, the diaspora.
2. For more detailed discussion on the technology gap in the current phase of the technological revolution, dubbed a "digital divide" refer to Rigobert, "The Digital Divide: A New Imperialism?" in Bissessar, 2004; and "ICTs and Caribbean Development: Bridging the Digital Divide" in World Sustainable Development Outlook 2005: *Global Competitiveness: A Common Goal in A Digital Society.* Edited by Allam Ahmed. SPRU-University of Sussex, UK, 2005.
3. Although both the Chinese and Indian diasporic communities transfer massive amounts of capital through remittances to their home economies,

an important distinction has been made, with respect to their differing attitudes toward investment, through FDI. This in part, accounts for China's huge economic success vis-à-vis that of India, despite the fact that India tops the chart in remittance flows (Huang and Khanna 2003).

4. *Daily Express,* Friday December 5, page 10. Trinidad & Tobago.
5. Professor Vaughan Lewis and Dr Cuthbert Joseph have been commissioned by Prime Minister Patrick Manning to produce a report by the end of 2008 on the feasibility of such a union.
6. Much of this section appeared previously in the *Trinidad Guardian* Newspaper, March 2008.
7. Here I have borrowed from Herb Ad-do's typology of vulnerability.
8. See, for example, *Deglobalisation: Ideas for a New World Economy* by Walden Bello, who argued that the crisis of global capitalism has been long evident, marked not in the least, by the failure of globalisation and neoliberal democracy to alleviate the socio-economic woes of the world's majority. Hence, he recommends what he dubs "deglobalisation". Bello in advocating "Deglobalisation", argues in favour of a more decentralised, pluralistic system of global economic governance, which allows countries to pursue more particularistic strategies for growth and development.

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# 11

# CARICOM AND THE MILLENNIUM DEVELOPMENT GOALS

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## Overview

The overriding aim of governments of most developing countries is to achieve sustainable development. In practice, however, the implementation and management of both domestic and international public policy will not automatically contribute to that goal. The Millennium Development Goals (MDGs),[1] devised and adopted for mobilising international action for development, can be a useful and convenient tool for monitoring progress and assessing the impact of their policies. It is true that much of the focus on the MDGs has been on alleviating extreme poverty and disease in the poorest countries and CARICOM's middle income Member States. Despite this though, sustainable development is their central aim so the MDGs can be used to methodically monitor progress and critically appraise the development impact of initiatives and actions. In other words, assessing a particular policy's contribution to the Goals can be a convenient tool of objective "results based management" and public accountability.

An area of operation that can readily be put to the MDG test is the region's policy and engagement in major international trade negotiations. Specifically, the developmental prospects of the Doha Development Agenda (DDA), which is the World Trade Organisation's (WTO's) current round of negotiations and the Economic Partnership Agreement (EPA) with Europe, are assessed in the framework of the MDGs. Specifically with regard to the WTO, the possible existence of systemic factors that can militate against the attainment of development objectives are considered and recommendations for policy and institutional change and possible actions are made.

This paper begins by assessing the relevance of the MDGs to CARICOM and then reviews their origins. The 1990s had witnessed spectacular global economic progress but the gains were not evenly spread and the turn of the century seemed to herald a new sense of shared human responsibility for global challenges and an increased willingness to act collectively to solve them. The MDGs were one of the concrete expressions of this commitment. In September 2000, world leaders entered into a pact to get the world working together to achieve the eradication of poverty and its related ills. They also committed to improving governance and fairness, safeguarding the environment, improving access to education and health, and promoting gender equality and the empowerment of women. The following year, the UN Secretary-General outlined a road map that became the eight specific goals of the MDGs to be attained by 2015.

The paper next overviews the eight MDGs and their targets and considers CARICOM's progress against that of other developing countries. It is found that performance is commendable in most areas, but advises that this should not be a basis for complacency. In many instances, the levels of attainment that would be appropriate to CARICOM and denote acceptable progress might be substantially higher than that envisaged for LDCs with severe economic difficulties. The utility of the MDG approach stems not so much from the absolute levels of development achieved, but rather, the progress made.

With the midway point to 2015 having already passed, the paper then assesses the global prospects for the attainment of the MDG targets. In April 2008, the UN General Assembly reviewed the position and concluded that progress was lagging. Even under the most optimistic trade and economic growth projections to 2015, many developing countries, particularly in Sub-Saharan Africa, will not generate sufficient income to overcome poverty and hunger, build the required schools and hospitals, provide medicines, etc. But why has progress not been better? The original plan was not mere wishful thinking, there was global commitment to poverty alleviation and most significantly, the "project" is still realisable. This paper considers that lack of progress is due in part to the inadequate implementation of the practical measures for giving effect to the global pact.

The requirements for accelerating progress towards the attainment of the MDGs are essentially expanded income and improved management. The framers of the MDGs envisaged two key contributors: the substantial expansion of Aid budgets to 0.7% of the GDP of donor countries; and that the multilateral trading system would enable developing countries to participate on a more beneficial basis in global trade. Development aid is, of course, the most immediate device for increasing the availability of resources, but aid flows are in decline. Particularly

at a time of economic difficulty, aid budgets are relegated to a lower priority by domestic imperatives. The paper recommends that as a start, donor countries honour their commitments to provide additional resources. It also recommends an operational, well constructed and adequately funded Aid for Trade facility that will help poor performers to achieve international competitiveness and more comprehensive and effective international frameworks to address debt that constrain economic growth. Since the immediate prospects of the substantially expanded inflows of aid to meet income requirements are bleak, for small open economies like those of CARICOM, the increased income to help achieve the Goals will have to come principally from domestic economic growth that will result from expanded production of goods and services for the domestic and export markets. Changes brought about by the WTO and the Economic Partnership Agreement (EPA) with Europe can influence both the terms of access to the domestic market and the competition from goods and services from abroad and the effectiveness of the access that CARICOM members have to overseas markets, levels of domestic production and consequently, earnings and employment. The paper, therefore, reviews the region's engagement in key international trade negotiations.

For the trade of developing countries to be sufficiently expanded to secure the required additional income, the basis of their participation and the sharing out of benefits and obligations in the multilateral trading system would need to be revisited and made conducive to development, particularly of the poorest and the most vulnerable countries. The paper reviews what is actually being negotiated in the DDA in order to permit an assessment of whether the talks are likely to result in the changes to the system that could yield the desired development results. It finds little evidence of this and proceeds to consider whether the problem might be more fundamental and a result of institutional inadequacies of the multilateral system itself. Suggestions for approaches to reform: getting the WTO "fit for purpose", are made.

It is recognised that failure at the multilateral level can be compensated for by trade successes in Regional Trade Agreements (RTAs) such as the EPA negotiations with the European Union. Just as with the WTO process, the paper applies the test to the EPA concerning whether it is creating more favourable prospects for the expansion of production and trade in goods and services that will result in economic growth. In other words, did the negotiations actually help, or will it help secure pro-development results for CARICOM countries? This is the ultimate criterion on which the region's involvement in all such negotiations should be judged.

Noting that the Economic Partnership Agreement with Europe has been signed, this paper recommends that CARICOM ensures that implementation is done in a manner that safeguards its economic interests. It should also ensure that its business community is fully informed and upgraded in order to benefit from the EPA provisions. It warns that given the great imbalance in commercial power between the private sectors in Europe and the Caribbean, without adequate support measures for the latter, the economic benefits and costs of the EPAs will be disproportionately shared between Europe and the Caribbean.

At the heart of the MDG approach is the international community working together to secure benefits and progress for all. This is, of course, explicit in MDG 8 but permeates all the goals. Success, particularly in support of economic expansion in developing countries that would help them earn the necessary income to progress on their own, requires innovative approaches and new thinking including collaboration on trade and economic issues and leveraging resources to meet development challenges. Four specific areas for action by the international community as part of a Partnership for Development are suggested:

Provision of policy advice that is timely, forward-looking, of high quality, non-ideological and objective, motivated by a sincere commitment to enhancing the welfare and sustainable development of the recipient countries and not simply recycled orthodox solutions or the latest fashionable but untested policy prescription.

- Facilitation of dialogue and promotion of best practice. The international community might facilitate intergovernmental dialogue and help overcome the imbalance and the disadvantage faced by weaker parties in negotiations.
- Provision of support for building supply capacity for the production of internationally competitive goods and services, reducing dependence on single commodities or services and obtaining greater benefits from international trade, including benefits from moving up the "value chain".
- Action to facilitate technology transfer and assist with devising and supporting practical and implementable measures and instruments to facilitate investment in productive activities and mitigate the risks of investing in vulnerable economies.

The paper concludes by accepting that despite its limitations, the MDG approach is invaluable for mobilising action and measuring and comparing progress in, and support for, sustainable development. It suggests that CARICOM

countries might use the extent of contribution to the MDGs and to development in general, as a yardstick for assessing the value of the efforts of their trade negotiators. This approach is particularly valid and useful in a situation of severe scarcity of resources.

## History of the MDGs

The closing decade of the 20th century witnessed spectacular economic progress with global income rising by 20% and various other indicators of the quality of life showing spectacular improvement. But the gains were not evenly spread. Although the main divide was between the developed and the developing world, performance and welfare conditions also varied among and within countries of the developing world. Sub-Saharan Africa was actually regressing in terms of food insecurity, growing poverty and rising maternal and infant mortality. But the turn of the century seemed to herald a new sense of shared human responsibility for global challenges and an increased willingness to act collectively to solve them. The Millennium Development Goals, the launch of the Doha Round, and the Monterrey Consensus, were all concrete expressions of this commitment.[2]

In September 2000, at a gathering of world leaders in New York, a new global partnership was born. The Heads of State and Government entered into a pact to get the world working together to achieve the eradication of poverty and its related ills. They resolved to halve, by the year 2015, the proportion of the world's people whose income is less than one dollar a day and the proportion that live with hunger and are unable to reach or to afford safe drinking water. They also committed to improving governance and fairness, safeguarding the environment, improving access to education and health, and promoting gender equality and the empowerment of women. The UN General Assembly agreed to the terms of a 'Millennium Declaration',[3] on the basis of which the Secretary-General set out a road map in September 2001. An annex to that document became the list of the eight specific development goals (MDGs) to be reached by 2015. Adoption of the MDGs constituted an innovative approach to international thinking on how to measure, compare and promote the progress of developing countries.

The ambitious agenda of the Summit included the raising of worldwide welfare standards to minimum levels, substantially reducing hunger and poverty, making universal primary education a reality, significantly improving maternal health, and halting and reversing the spread of HIV/ AIDS, malaria and other major diseases. Securing these improvements would require additional

resources, new and better distributed income as well as improved management of resources and new approaches to policymaking and governance. Progress on other MDGs, promoting gender equality and the empowerment of women, ensuring environmental sustainability and developing a Global partnership for Development also require funding, but the main drivers are the formulation, adoption and pursuit of appropriate policies. The key to progress on the MDGs therefore entails a combination of sound management and measures that generate increased income for developing countries and facilitate their sustainable development. This requires improved and conducive multilateral regulatory trade and financial frameworks and policy dialogue that contribute to good governance, a principle enshrined in the 8th of the MDGs.

The additional income and financial resources to meet the MDGs can come from various sources: foreign aid inflows and/or domestic economic expansion. This latter growth can be exponentially enhanced where production is in the framework of international trade. Most evidently for small countries, access to foreign markets liberates domestic production from the constraints of the inevitably limited consumer demand of the local market. But equally importantly, participation in international trade results in more efficient allocation of national resources, enhanced efficiency due to competition, fuller utilisation of labour and other resources and the possible acquisition of better technology. Consequently, international trade can make an indispensable contribution to economic growth[4] and the attainment of the MDGs, particularly in small open economies like those of CARICOM. To this end, promoting a development-friendly global trading system that creates greater trading opportunities for developing countries and supports export expansion is essential and has to be the rationale for CARICOM members' engagement in the international trade negotiations.

The international community appreciates that most developing countries will require support not only in the area of trade, but also with development finance, if they are to meet the MDGs. At their Gleneagles Summit in 2005, the Group of 8 (G-8) countries promised to double aid—with an increase of US$50 billion per year by 2010, of which US$25 billion per year would be for Africa alone. At the Heiligendamm Summit two years later, the G-8 also committed US$60 billion towards fighting HIV/AIDS, tuberculosis and malaria. Donor countries are well behind on these commitments. The current severe downturn in the global economy is putting pressure on public sector budgets that is very likely to result in cutbacks to development aid. Further, the global economic slowdown along with weak and unstable commodity prices make prospects for growth and maintenance of income levels less certain than hitherto. Like other developing countries, CARICOM members face an uncertain economic future.

But survival cannot be accomplished in isolation, reinforcing the importance of global collaboration in the search for, and implementation of lasting solutions.

## Relevance of the MDGs to CARICOM

Much of the recent international debate over the lack of progress towards meeting the Millennium Development Goals (MDGs) has quite understandably focused on Sub-Saharan Africa, where extreme poverty and disease are widespread in many Least Developed and conflict torn countries. Other regions, East Asia and Latin America, occasionally feature, though often with success stories. CARICOM, comprising so-called "middle income" countries with good and reasonable scores on the human development index does not attract much international notice. Even in the region itself, the MDGs are not seen as a principal focus for policy. It could be that the emphasis on poverty in the MDG debate makes it seem less relevant to the region. Indeed, the Millennium Declaration states, "*We will spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty*". Of course, the Caribbean has serious poverty problems, but they are not as extreme or dramatic as in many least developed countries. The MDGs are about more than poverty reduction, but the "poverty-banner" makes a complex system more accessible and readily understood by the wider public. Adopting the system has facilitated concerted action for measuring and mobilising support for sustainable development; the much more complex process that lies at the heart of public policy in CARICOM and its Member States.

The benchmarking character of the MDG approach itself can be confusing. Whilst Heads of Government saw the MDGs as interim targets on a longer road to development, the term "goals" can signify a final objective. For instance, the long-term policy objective would evidently be ultimate elimination rather than merely halving extreme poverty levels by a particular time in the future. Further, the formal presentation of the MDGs themselves can be confusing in that "targets" are also set for each "goal", thereby reinforcing the misperception.

Another limitation of the MDG paradigm stems from the reliance on a limited selection of specific indices to measure progress. Evidently, these should be objective, quantifiable and readily compiled to help in gauging progress towards achieving the set goal over time and across regions. The drawback in practice is that the selected indices chosen for measurement only give a partial picture of progress towards achieving the broad target. For instance, the number of children dying before their fifth birthday, whilst relevant to gauging the status of

child health in a particular country, does not reflect the whole picture. Similarly, neither does the per centage of legislators (MPs) who are women indicate the degree of female equality and empowerment. In certain cases it can seem that there is not full comprehensiveness in the choice of indices, even if better choices are not immediately evident.

A further criticism is that using predefined indicator sets for measuring progress in the multifaceted aspects of sustainable development across diverse countries and situations invariably oversimplifies the complex nature of what is being assessed. Furthermore, by presenting a single dimensional image of a complex reality, this approach can encourage facile and superficial assessments of challenges and progress and obscure the necessity that policy might need to be extended beyond a single 'sector'. For instance, reducing child mortality requires action and interventions not only in health care, but also in the areas of public sanitation, education, employment and income among others.

Despite its limitations and the facility with which it can be misinterpreted, the MDG approach is currently the only available universal and comprehensive system for objectively measuring and promoting joint international action for development and the alleviation of poverty. For CARICOM, the objective and methodical monitoring of progress towards sustainable development is vital. The region receives development support from international donors, so progress in achieving the targets can be a guide both to governments and donors of the impact of the assistance coupled with domestic efforts. But the MDG model is important to the region as a tool for its own self-appraisal and can be a form of results based management of public policy and action.

## Overview of the MDGs: CARICOM Performance

The eight Goals and their subsidiary targets are assessed along with CARICOM's progress, against that of other developing countries. It is found that performance is commendable in most areas, but advises that this should not be a basis for complacency.

The first Goal is to **Eradicate extreme poverty and hunger** and has three specific targets.[5]

a. *Halve, between 1990 and2015, the proportion of people whose income is less than one dollar a day.*
b. *Achieve full and productive employment and decent work for all, including women and young people.*

*c. Halve, between 1990 and2015, the proportion of people who suffer from hunger.*

The target that is most often cited and identified with the MDGs is halving, by 2015, the proportion of people in the developing world whose income is less than US$1 a day. According to the UNDP's 2008 MDG Report, at a global level the target remains within reach. However, this achievement would be due largely to extraordinary economic success in most of Asia. In contrast, previous estimates suggest that little progress was made in reducing extreme poverty in sub-Saharan Africa. In Western Asia, poverty rates were relatively low but have been increasing.

It is true that most Caribbean countries do not have large sections of their populations living in extreme poverty. Haiti is the glaring exception, where, in 2003, 53.8% of the population subsisted on less than US$1 a day. In Jamaica less than 2% of the population are considered to be in abject poverty.[6] The fact that this is not a widespread problem in CARICOM and that extraordinary economic progress has been made in several parts of the developing world, cannot obscure the poverty elsewhere. Shared humanity makes the plight of the destitute, regardless of their country of residence, a concern to all. Progress towards this first goal must therefore be the overriding global priority.

The poverty situation in parts of sub-Saharan Africa and South Asia has been made worse by the escalation in prices of food and fuel, which erodes the already precarious position of the poor. Given the high per centage of income that the poor allocate to food, when its price rises, income has to be diverted from other consumer goods and services, thereby compounding and worsening the impact of the initial rises.[7] Whilst less dramatic in CARICOM, these factors also would have resulted in the reduction of purchasing power and consequent worsening of poverty from which the Caribbean is certainly not immune.

Further, given the openness of CARICOM economies, the global economic recession has weakened demand for many of its goods and services, particularly tourism. This results in economic slowdown and increased domestic unemployment, all of which contribute to poverty.[8]

**Table 11.1 GDP per capita US$**

| Country | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Antigua and Barbuda | 9,153 | 9,128 | 9,476 | 10,165 | 10,690 |
| Bahamas | 16,694 | 17,281 | 17,428 | 17,618 * | 18,412 * |
| Barbados | 9,463 | 9,144 | 9,922 | 10,367 | 10,999 |

| | | | | | |
|---|---|---|---|---|---|
| Belize | 3,387 | 3,515 | 3,608 | 3,855 | 3,820 |
| Dominica | 3,712 | 3,554 | 3,666 | 3,978 | 4,174 |
| Grenada | 4,169 | 4,270 | 4,638 | 4,464 * | 5,221 * |
| Guyana | 931 | 965 | 991 * | 1,043 * | 1,081 * |
| Haïti | 465 | 440 | 369 | 433 | 518 |
| Jamaica | 3,107 | 3,231 | 3,107 | 3,337 | 3,651 |
| St. Kitts and Nevis | 7,426 | 7,462 | 7,546 | 8,158 * | 8,774 * |
| St. Lucia | 4,351 | 4,430 * | 4,656 * | 4,932 * | 5,336 * |
| St. Vincent and the Grenadines | 3,249 | 3,434 * | 3,590 * | 3,885 * | 4,172 * |
| Suriname | 1,613 | 2,253 | 2,614 * | 2,964 * | 3,531 * |
| Trinidad and Tobago | 6,967 | 7,061 | 8,816* | 10,190 | 11,694 * |

Source: IMF World Economic Outlook Database *indicates IMF staff estimates

CARICOM's performance in terms of MDG 1 indicators is relatively commendable and its progress substantially better than that of many other developing countries, notably LDCs. But the region doubtlessly sets more rigorous standards by which to judge its performance. In many instances, the levels of attainment that would be appropriate to CARICOM and denote acceptable progress might be substantially higher than those envisaged by countries with much more severe economic difficulties and which are ranked much lower in the Human Development Index.[9] Also, the first MDG seeks to accomplish more than the halving, by 2015, of the number of persons living in extreme poverty. There are other subsidiary welfare targets that should constitute overriding policy goals; for instance, seeking to *"achieve full and productive and decent work for us all, including women and young people".*[10] Unemployment levels in the Caribbean are high and the crude employment figures can mask an even worse situation in which jobs can be very low paying and insecure.

The table below outlines the *per capita* income situation of CARICOM supporting the observation that abject poverty is not widespread.

The second Goal is to **Achieve universal primary education** and has one target, *Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling".*

At a global level, the net school enrolment ratio in 2006 exceeded 90 per cent, and many countries were close to achieving universal primary enrolment. The number of children of primary school age who were out of school fell from 103 million in 1999 to 73 million in 2006, despite an overall increase in the

number of children in this age group. In sub-Saharan Africa, however, the net enrolment ratio has only recently reached 71 per cent, even after a significant jump in enrolment that began in 2000. Around 38 million children of primary school age in this region are still out of school. In Southern Asia, the enrolment ratio has climbed to 90 per cent; yet more than 18 million children of primary school age are not enrolled.[11]

With primary schooling compulsory in the Caribbean, the situation is good and this Goal seems well on track to being met. But despite commendable overall performance there is still considerable scope for progress and attention needs to be focused on eliminating dropouts. Also, additional resources should be provided to upgrade the quality of the education provided for children so as to help them reach their full potential. Whether or not they go on to secondary school, they require a solid basic education. Increased public attention in this area can evidently yield dividends. Attention also needs to be addressed to tackling the relative underachievement of boys.[12] The reasons for this modern day phenomenon are not clear but are likely to be quite complex. Further research should shed light on its causes and probably suggest policies that can overcome it.

The third Goal is to **Promote gender equality and empower women** and has one Target, *Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015.* It has three indicators for measurement, *3i) Ratios of girls to boys in primary, secondary and tertiary education, 3ii) Share of women in wage employment in the non-agricultural sector, 3iii) Proportion of seats held by women in national parliament.*

On the surface, progress towards this goal appears good. Among developing country regions, Southern Asia has had remarkable success in raising the total primary enrolment rate and in gender parity since 2000. Sub-Saharan Africa, Western Asia and Northern Africa have also made strides in reducing gender disparity. At the same time, Oceania has taken a step back with a slight deterioration in gender parity in primary school enrolment. Oceania, sub-Saharan Africa and Western Asia have the largest gender gaps in primary enrolment. In Western and Central Africa, where high repetition and low retention rates are common, many girls, in particular, fail to enrol in and stay in school. The situation is worsened by drought, food shortages, armed conflict, poverty, child labour, and HIV and AIDS that contribute to low school enrolment and high dropout rates for children, especially for girls.[13]

With respect to the elimination of gender disparity in primary and secondary education by 2005 and at all levels by 2015, tremendous progress has been made in CARICOM towards equal access of girls to education. Indeed, at the secondary and tertiary levels, girls have generally been outperforming boys.[14] But equal access to

education serves only to shift the spotlight onto those areas where performance has been lagging in terms of job opportunities and equality in the political process.

CARICOM countries have achieved remarkable success in reaching the target of eliminating gender disparities in education and the indicators 3i) and 3ii) have been positive and commendable. However, performance of 3iii), the proportion of seats held by women in national parliaments, has been lagging. Overall poor performance on only one of the indicators could well be presented as acceptable; however, the targets and the indicators are not the most appropriate for CARICOM. There are still serious gender inequalities, with the continuing need for the greater empowerment of women to overcome the imbalances with men.

Discrimination in pay on the basis of gender has already been formally outlawed but it would be a mistake to conclude that women participate on equal terms in the job market. It would appear that in the lowest paid employment women are over-represented, whilst being under-represented in the highest paid jobs. Despite notable individual successes, women are also under-represented in Parliaments and governments. The reasons for the persistence of imbalances are no doubt complex, but would include cultural factors and the absence of deliberate arrangements to ensure that women are not having their careers disrupted because of the time out that they need for child bearing. Recognising, of course, that special arrangements will not always be feasible, providing crèches, flexible hours and appropriate support facilities can permit women with young children to return to work more quickly and reduce disruption to their careers.

**Table 11.2: Gender equality and empowerment of women**

| Country | Gender parity index in Primary level enrolment (ratio of girls to boys) | Literacy rates of 15-24 years old (% both sexes) | Seats held by women in national parliament (%) |
|---|---|---|---|
| Antigua and Barbuda | n/a | n/a | 10.5 |
| Barbados | 1.0 | 99.8 | 13.3 |
| Belize | 1.0 | 76.4 | 6.7 |
| Dominica | 1.0 | n/A | 12.9 |
| Grenada | 1.0 | n/a | 26.7 |
| Guyana | 1.0 | n/a | 29.0 |
| Haiti | 1.0 | 81.7 | 4.1 |
| Suriname | 1.0 | 95.2 | 25.5 |
| Trinidad and Tobago | 1.0 | 99.5 | 19.4 |

Compiled from UNDP MDG Monitor (2008)

If real progress is to be made, policy attention should be focused on the Goal itself, rather than narrowly on the UN stipulated target and indicators. Rigorous analysis could be undertaken to identify cultural, societal, economic and other factors that disempower women and result in gender being a barrier to attainment of their full potential and contribution to society. Appropriate policies that are relevant and beneficial, given the unique set of conditions in the Caribbean, would need to be devised and implemented. The aim here will be to identify existing areas of inequality and address them.

Certain countries such as Norway and Rwanda have adopted mandatory quotas for women candidates for elections, whilst political parties in several western and African countries have autonomously set quotas. What is certain is that without some form of affirmative action and specifically targeted support, achieving gender equality in Parliaments and governments will take much longer to be realised than would have been the case if such policies were implemented.

The table below shows the sample position for three indices under this Goal.

The fourth Goal is to **Reduce child mortality** and has one target: "*Reduce by two thirds the mortality rate among children under five".* In 2006, for the first time since global mortality data have been gathered, annual deaths among children under five dipped below 10 million worldwide. Nevertheless, many of the deaths that still occur are from preventable causes. Between 1990 and 2006, about 27 countries, mainly in sub-Saharan Africa, made no progress in reducing childhood deaths. In Eastern Asia and Latin America and the Caribbean, child mortality rates are approximately four times higher than in developed regions. On average, mortality rates in children under 5 are over 13 times higher in developing countries than in industrialized countries. Sub-Saharan Africa accounts for about half the deaths of children under five in the developing world. Disparities persist in all regions: mortality rates are higher for children from rural and poor families and whose mothers lack a basic education.[15]

Child mortality rates in CARICOM are reasonably low but are still higher than the average in developed countries. Widespread immunisation against childhood diseases is a positive contributing factor. In-country disparities in death rates exist, being higher for children from rural and poor families. As poverty is tackled and education improves, childhood mortality should decline further. It is expected that CARICOM will achieve this fourth Goal.

Despite good performance on the target and indicators, policy makers need to focus on improving the health and nutrition of infants. Given the importance of those factors to physical and mental abilities in later life, the aim should be more than mere "survival" or staying alive until the age of five, but rather

ensuring adequacy of the quality of the physical and mental foundation provided for children during those vital formative years.

The fifth Goal is to **Improve maternal health** with two Targets:

a. *Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.*
b. *Achieve by 2015, universal access to reproductive health.*

In many parts of the developing world maternal mortality is very high. In 2005, ninety-nine per cent of the more than half a million women who died during pregnancy, childbirth or in the six weeks after delivery, were in developing regions, with sub-Saharan Africa and Southern Asia accounting for 86 per cent of them. In sub-Saharan Africa, a woman's risk of dying from treatable or preventable complications of pregnancy and childbirth over the course of her lifetime is 1 in 22, compared to 1 in 7,300 in developed countries.[16]

The factors contributing to higher maternal mortality include poor public health and sanitation, inadequate nutrition and the unavailability of sufficient skilled health workers and facilities to assist both with deliveries and with inadequate antenatal care. Overall results for CARICOM have been positive and there has been a steady decline in maternal mortality. The following table illustrates the summarised situation.

**Table 11.3: Maternal mortality 2006**

| Country | Maternal mortality (per 100,000 births) |
|---|---|
| Antigua and Barbuda | 9 |
| Bahamas | 40 |
| Barbados | 11 |
| Belize | 56 |
| Dominica | 16 |
| Grenada | 8 |
| Guyana | 215 |
| Haiti | 402 |
| Jamaica | 8 |
| St Kitts and Nevis | 17 |
| Saint Lucia | 22 |

| | |
|---|---|
| St Vincent and the Grenadines | 47 |
| Suriname | 95 |
| Trinidad and Tobago | 10 |

WHO Statistical Information System

It is expected that the region will meet this target for reducing maternal mortality by 2015. Of course, simply meeting the target is not enough; preventable deaths in pregnancy and childbirth need to be eliminated and continued attention must be paid to continually improving facilities and conditions of childbirth. For this, sufficient numbers of qualified midwives and health professionals should be available, which entails training and greater retention of staff.

For improving postnatal, maternal and child health, continued work is necessary on public health and sanitation, follow-up and the provision of parental counselling and support to ensure proper nutrition and hygiene. A possible contributing factor is the per centage of births to teenagers, particularly those in their early teens.[17] The risks associated with childbirth among adolescents can be higher than among more mature, physically developed mothers. Also, teenage parents tend to have lower levels of economic power and are consequently less able to afford the required health care and nutrition for the infant and the mother. Hence, on that basis, reducing the incidence of very early motherhood should contribute to the lowering, overall, of the rates of maternal mortality.

Policy objectives aimed at reducing maternal mortality should focus on ensuring proper sanitation and public health conditions and facilities to which all mothers across the geographic and economic spectra have effective access. This might well require additional investment or review of health practices and systems to ensure their effectiveness. The availability of trained and experienced health workers, including qualified midwives, is essential. The CARICOM area has steadily been losing workers who emigrate to continue their profession in the US, Canada and Europe or abandon the profession altogether. A policy for retention that will induce them to stay on in the profession at home is essential. This could entail a review of terms and conditions, remuneration, advancement possibilities and career development and introducing positive measures to boost morale. The beneficial impact of such policies would not be confined to maternal health but indeed, to that of the entire population.

Other policy measures required are: improved public education including, but not limited to, reproductive health and suitable pre-and post-natal care to be available to all mothers, not only those who can afford to pay for it, as well as a programme to reduce levels of teenage pregnancy.

The sixth Goal is intended to **Combat HIV/Aids Malaria and other diseases** and has 3 Targets:

a. *Have halted by 2015 and begun to reverse the spread of HIV/AIDS.*
b. *Achieve by 2010 universal access to treatment for HIV/AIDS for all those who need it.*
c. *Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.*

The global statistics for HIV/AIDS continue to be staggering. Every day, nearly 7,500 people become infected with HIV and 5,500 die from AIDS. However, some progress has been recorded, thanks no doubt to improvements in prevention programmes. The number of people newly infected worldwide with HIV declined from 3 million in 2001 to 2.7 million in 2007. With the expansion of antiretroviral treatment services, the number of people who die every year from AIDS has started to decline, from 2.2 million in 2005 to 2.0 million in 2007. However, largely because infected people are now surviving longer, the number of people living with HIV rose from an estimated 29.5 million in 2001 to 33 million in 2007. The majority of those with HIV are in sub-Saharan Africa.[18]

Unlike Sub-Saharan Africa and South Asia, the CARICOM region is not afflicted by certain of the major deadly diseases like malaria and yellow fever; however, the incidence of both HIV/AIDS and tuberculosis is high and new cases continue to be reported. Considerable progress has been made with containment of HIV/AIDS and antiretroviral treatment is becoming more widely available, though more so in some countries than in others.

Treatment is vital and must continue as a priority of governments, including those of CARICOM. However, the narrow measure of progress in achieving the targets would come not from treatment of existing cases, but reduction of exposure to, and the resulting incidence of new infection. All CARICOM members have HIV/AIDS awareness and education programmes, but their impact on behaviour is still lagging. Possibly, additional investment and effort may be needed following reappraisal of the existing programmes to ensure their effectiveness.

Government expenditure on health is of particular importance but the levels vary considerably among countries. The following table shows what the situation was in 2006.

**Table 11.4: Government Expenditure on Health**

| Country | Per-capita Health Expenditure US$ | Health expenditure as a % of total Govt expenditure |
|---|---|---|
| Antigua and Barbuda | 348 | 11.3 |
| Bahamas | 670 | 13.9 |
| Barbados | 490 | 11.9 |
| Belize | 136 | 10.9 |
| Dominica | 192 | 9.2 |
| Grenada | 225 | 9.5 |
| Guyana | 57 | 8.3 |
| Haiti | 29 | 29.8 |
| Jamaica | 96 | 4.2 |
| St Kitts and Nevis | 350 | 9.5 |
| Saint Lucia | 191 | 10.2 |
| St Vincent and the Grenadines | 146 | 9.3 |
| Suriname | 107 | 8 |
| Trinidad and Tobago | 307 | 6.7 |

*Source*: WHO Statistical Information System

The seventh Goal is to **Ensure Environmental Sustainability** and has 4 Targets:

a. *Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources.*
b. *Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss.*
c. *Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.*
d. *By 2020, to have achieved a significant improvement in the lives of at least 100 million slum-dwellers.*

The increasing concentration in the atmosphere of carbon dioxide (CO2)[19] is the single proper chemical rendering most disturbing environmental threat. Emissions have been rising every year and reached 28 billion metric tonnes in 2005. Globally, emissions increased by 30 per cent from 1990 to 2005, with annual growth between 2000 and 2005 being greater than in the preceding decade. *Per capita* emissions are the highest in the industrialised countries, about 12 metric tons of CO2 per person per year, compared with about 3 metric tons in developing regions and 0.8 metric tons in sub-Saharan Africa.

Emissions per unit of economic output fell by more than 20 per cent in the developed regions, while they increased by 35 per cent in South-Eastern Asia and by 25 per cent in Northern Africa. While no country or region can escape the adverse impact of climate change, small islands, large deltas in Asia and Africa, and the African continent overall seem to be especially exposed and vulnerable with their populations having limited capacity to adapt to its consequences.[20]

The major threat to the physical environment of the Caribbean stems from global air and marine pollution caused by human activity in the rest of the world and climate change. CARICOM countries can and should strive, through diplomatic and other appropriate means, to ensure concrete international action and progress in addressing the problem of climate change and the reduction of green house gas emissions.

The threats, though, are not only externally generated but also internally. Domestic resources, clean water, forests, fish stocks, etc., need to be carefully husbanded if the local environment is to be safeguarded. This must be an essential component of the effort to achieve MDG 7.

The eighth Goal is to **Develop a global partnership for development** and has 6 targets:

a. *Develop further, an open trading and financial system that is rule-based, predictable and non-discriminatory. Includes a commitment to good governance, development and poverty reduction—nationally and internationally.*
b. *Address the special needs of the least developed countries. This includes tariff and quota free access for their exports; enhanced programme of debt relief for heavily indebted poor countries; and cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction.*
c. *Address the special needs of landlocked and Small Island Developing States.*

*d. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make them debt sustainable in the long term.*

*e. In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.*

*f. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.*

This Goal seeks to hold both the rich and poor countries accountable for advancing the MDGs by creating a global partnership for development. It recognises that to meet the MDGs, developing countries require support, including finance from abroad, in pursuing their economic growth. As it is structured, however, the Goal contains no time-bound targets; it is complex (with 6 targets and 16 indicators); and it does not comprehensively track the implications for poorer and smaller developing countries of policies and actions of other countries.

The global partnership is to help developing countries achieve economic prosperity that will translate into poverty reduction and social development. The architecture for this partnership was reaffirmed in the Monterrey Consensus.[21] However, the provision of development aid has not materialised as intended. At current exchange rates, official development assistance has continued to decline, from $107.1 billion in 2005, to $104.4 billion in 2006 and $103.7 billion in 2007. Adjusting for changes in prices and exchange rates, aid disbursements fell by 8.4 per cent in 2007 compared to 2006. Excluding debt relief grants, net aid rose by 2.4 per cent in constant dollars. At the 2005 United Nations World Summit and related meetings, developed countries pledged to increase aid from $80 billion in 2004 to $130 billion in 2010 at 2004 prices. That year, 2005, the Group of 8 (G-8) countries, at their Gleneagles Summit, promised to double aid—with an increase of $50 billion per year by 2010, of which $25 billion per year would be for Africa alone. While the majority of these commitments remain in force, only a few countries have announced new targets, some involving increased aid flows and others suggesting reductions. However, if developed countries are to meet their commitments for 2010, bilateral aid and contributions to multilateral development institutions will need to grow at an accelerated rate. But even a sudden escalation of aid flows might not be enough to compensate for the failure to provide the continuous build-up in official development assistance that was implicit in the 2005 commitments.[22]

A key target under MDG 8 is addressing the special needs of LDCs and Small Island Developing States (SIDS), many of whom are among the world's

most vulnerable countries. Since aid flows have not been growing sufficiently to provide the expanded resources, it would be useful to assess the extent to which trade performance has been improving. However, there has been no real reduction in the marginalisation of LDCs and SVEs in global trade and their shares in world trade have been declining. In 2007, the share of LDCs in world merchandise exports excluding fuel was just 0.5 per cent. The fact that the commitments built into these frameworks are not linked effectively to decision-making processes related to trade negotiations might well have permitted development issues to remain marginalised in the WTO.

## Prospects at the half-way mark

The midway point to 2015 has already passed so it would be appropriate to assess the progress and consider the steps that are still to be taken if the MDG targets are to be reached.

In April 2008, the UN General Assembly held a three-day debate to review progress towards achieving the MDGs. It concluded that progress was lagging and although significant advance has been made in fighting poverty and hunger, reducing infant mortality and increasing school enrolment, there are still regions of glaring failure. In Sub-Saharan Africa, one third of the population is malnourished and none of the MDGs will be met if current trends continue. The UN also projected that, by 2015, one in six of the world's population will be living on less than one dollar a day.

Even under the most optimistic trade and economic growth projections to 2015, many developing countries, particularly in Sub-Saharan Africa, will not generate sufficient income to overcome poverty and hunger, build the required schools and hospitals, provide medicines, etc. The deficit will be so massive that immediate and substantially increased aid flows to these countries will be needed. Aid is essential; it not only has a direct impact but also, can promote growth by helping overcome infrastructural and other bottlenecks that impede production.

Why, though, was progress on the MDGs not better? Was the original plan mere wishful thinking? The initial sincerity and continuing global commitment to poverty alleviation is genuine and the original plans were no pipe dream, they were realisable. Rather, the problem was that the practical measures for giving effect to the global pact have not been adequately implemented. In addition, the commitment to international action and the provision of resources can, particularly in time of economic difficulty or crisis, be relegated to a lower priority by domestic imperatives.

Progress in the MDGs requires two essential inputs, income and management. The first question is whether aid is forthcoming in sufficient volume.

## Limitations of Development Aid

Development aid is the most immediate device for increasing the availability of resources. But, as mentioned earlier, aid flows are not in line even with recent commitments of donor countries. Therefore, as a start, donor countries can begin by honouring their commitments made at G8 Summits and elsewhere, to provide additional resources. This should be managed in keeping with the principles of the Paris Declaration on Aid Effectiveness. In addition, an operational, well-constructed and adequately funded Aid for Trade facility is essential for poor performers to achieve international competitiveness. The donor community should create more comprehensive and effective international frameworks to address debt problems that constrain policy flexibility and economic growth in many vulnerable developing countries. This framework needs to be tailored to the specific individual country's circumstances. It should include fiscal discipline; improved management of debt, its restructuring and forgiveness (not only of the HIPC eligible[23]); mechanisms that respond to natural disasters and other shocks; grants and concessional financing; adequate adjustment support and compensation consequent on preference erosion; and support for the efforts to promote private investment for diversification and growth.

Realism, though, is essential. There is little immediate prospect of the substantially expanded external aid inflows that would be required to meet the increased income requirements. Overall flows to developing countries actually declined in 2006. What, therefore, can be done to secure the financial resources that poor countries need? Can improved trade performance generate greater foreign inflows to bridge the income gap and secure the requisite economic growth?

## The Role of Trade

The framers of the MDGs envisaged substantial expansion of Aid budgets to 0.7% of the GDP of donor countries and that the multilateral trading system would enable developing countries to participate on a more beneficial basis in global trade. They expected that expanded international trade would help generate the income needed to contribute to the developing countries' own growth and poverty reduction. But, with development assistance lagging, could

trade of the developing countries be sufficiently expanded to compensate and secure the required additional income that would make progress possible in the MDGs? For that, reform of the multilateral trading system would be essential. Its principles and rules determine the basis of participation and the sharing out of benefits and obligations. But these were drawn up and adopted in an era before the current diversity of membership of the World Trade Organisation (WTO). Now, membership comprises a majority of developing countries that want the rules to be appropriately adapted and rebalanced to make their application fairer and take their interests and concerns more fully into account. It was from that background that the 2001 Doha Development Agenda (DDA) negotiations were launched, the first Round of multilateral trade negotiations ever to explicitly focus on development.

For progress on the MDGs, the paramount importance of appropriate and, as necessary, adaptations to government policy is recognised. Also, development finance from abroad is needed. However, for CARICOM, the key contributor to progress is economic growth for which international, trade expansion is indispensable. Particularly in small open economies like those of CARICOM, access to foreign markets liberates domestic production from the constraints of limited consumer demand of the small local market. But equally importantly, participation in international trade should lead to more efficient allocation of national resources, enhanced efficiency due to competition, fuller utilisation of labour and other resources, and the possible acquisition of better technology. But if CARICOM's external trade is to expand at a sufficient rate to provide increased income in line with national goals, then improved, conducive and supportive multilateral regulatory trade and financial frameworks that promote a development-friendly global trading system, which creates greater trading opportunities for the more vulnerable developing countries and supports their export expansion, will be essential.

The region's use of two specific sets of trade negotiations to improve its position and strengthen its economic prospects is considered. The first is the WTO's Round of Multilateral Trade Negotiations known as the Doha Development Agenda (DDA) that is intended to eventually usher in changes to the international trade regulatory system.[24] The other is the Economic Partnership Agreement (EPA) with the European Union.[25] Both of these can create new market opportunities and influence the severity of competition faced both by exporters and those who produce for the domestic market.

If international trade is to contribute to CARICOM's development, the priorities must be getting the DDA negotiations to adequately address the comprehensive range of issues needed for the multilateral system to deliver on

its development objectives, particularly to the poorest and the most vulnerable countries. Another requirement would be ensuring that the Regional Trade Agreements (RTAs) between developed and developing countries, such as the EPA, constitute effective tools for sustainable development and poverty eradication and contribute to the achievement of the MDGs. For that, the outcomes of the Doha and EPA exercises would need to be the creation of more favourable circumstances for the expansion of production and trade in goods and services and the resultant economic growth. But has the direction of the trade negotiations actually been enabling progress towards securing pro-development results for the more vulnerable developing countries?

This is the ultimate criterion on which to judge the region's involvement in trade talks.

## The WTO Negotiations

Developing countries had hoped that the Doha Round would provide the opportunity for securing a new and better foundation for global trade regulation creating or enforcing trade rules, which hitherto did not exist or had not always been implemented in a manner that gave poorer countries the opportunity to fully, equitably and advantageously participate in the multilateral trading system.

The Round was to have concluded in 2005, by which time many countries had expected that progress would have been made on the elimination of State interventions that distort markets and shackle the competitiveness of their domestic producers. LDCs and Small States expected that their unique characteristics and inherent structural problems would have been recognised and that specific concrete support would have been made available to accommodate and assist them. The trade performance of many developing countries, particularly in sub-Saharan Africa, has been stagnating or even declining and a boost to their trade from the DDA would enhance their economic prospects. Assessing what is actually being negotiated[26] might provide some insight into whether this Round is actually charting a fundamentally new course that can bring about a substantial improvement in the trading prospects of developing countries, particularly the most vulnerable, and the likelihood of a conclusion in line with the original development goals and objectives.

## Agriculture

This is the most contentious issue. In the push towards liberalisation, there still remains a large gap between those developed countries (e.g., EU, Japan) that want to retain supportive measures for their politically and commercially important products—"sensitive products" (SeP); they, along with preference receiving economies are requesting longer implementation periods and slower liberalisation. On the other hand, some other developed members, such as Australia and New Zealand, and developing countries, such as Brazil and Costa Rica, are pushing for rapid liberalisation, for example, tropical products, that cover a number of ACP and EU SePs.

Developing countries as well as some developed members like the EU, Canada and Japan have proposed the right to use Special Safeguard Mechanisms (SSMs) as protection against import surges or global price falls. ACPs are also concerned about the impact of preference erosion on their exports and have requested longer implementation periods.

Other issues in the negotiations are over the selection of Special Products-these are agricultural products that are accepted as being pivotal for developing countries' food and livelihood security and rural development. LDCs and SVEs are not required to undertake tariff cuts on imports of those items but some food exporters like Australia and the US are reluctant to accept this. Reducing the direct and indirect financial support to farmers and the agricultural sector, referred to as Domestic Support are also being discussed. Some developed countries, including the US, are refusing to reduce their applied subsidies.

## Non-Agricultural Market Access (NAMA)

A large gap exists between developed and developing members in the NAMA negotiations. Developing countries' major request is that a principle of "less than full reciprocity" is adopted—this would mean that developing countries should be permitted to make smaller per centage tariff cuts than developed countries. However, the on-going discussions suggest that this principle is not likely to be adopted. The main fault-lines in the negotiations from the developing countries standpoint are:

- The rejection by developing countries of the deeper tariff cuts being requested of them.

- Developing countries' concern that commitments to bind their tariffs will restrict their policy space, preventing them from raising them in the future.
- Small and Vulnerable Economies (SVEs) have requested the right to higher target averages than have been envisaged. This would give them more flexibility to deal with their sensitive products.
- SVEs have requested Tariff Reduction caps but found little support.
- Disagreement over the number of tariff lines to be included for cuts and the extent of the tariff cuts.

## *Services*

Negotiations on the liberalisation of services are centred around two main issues, market access and rules governing domestic regulation. There are four structures or Modes around which these negotiations are conducted.[27] The process differs fundamentally from Agriculture and NAMA talks since liberalisation is at the discretion of members.

- Market Access negotiations are taking place at bilateral and plurilateral levels. Several developing country members have submitted offers. India is leading the talks on Mode 1 with the support of many other developing countries. It is also pushing for disciplines to facilitate the temporary movement of workers, Mode 4.[28] Developed WTO members, such as the EU and the US, are focusing on and pushing for liberalisation in sectors such as the financial, postal, banking, telecommunications and tourism, and have not made offers in areas of principal interest to developing countries. Some countries in the Caribbean want to eliminate barriers faced by their financial service suppliers.
- Domestic Regulation: New rules and disciplines on domestic regulation of services under the General Agreement Trade in Services (GATS) are being negotiated and seek specific commitments from countries. The aim is to reduce the possibilities of discrimination against foreign service-suppliers and generally improve their access. The new disciplines include Members' licensing and qualification requirements and procedures and technical standards affecting trade in services.

Developing countries (notably the SVEs) argued that their regulatory frameworks are still relatively rudimentary and their institutional capacity, nascent.

They are seeking more progressive liberalisation commitments and provisions for flexibility so as not to circumscribe their policy space for implementing future regulatory reforms and arrangements required to pursue their development objectives. The current texts on domestic regulation of services focus mainly on granting to developing countries a grace or transition period before they have to implement the new disciplines. They can also request an extension based on their level of development, size of economy and regulatory and institutional capacity.

## *Special and Differential Treatment (S&D)*

Despite the Doha mandate to review and strengthen S&D provisions to make them more effective and operational, there has been no real progress on the 88 developing country proposals. Of these, concrete decisions were made on 5 LDC proposals in Hong Kong. Developed countries have yet to seriously engage on the remaining developing country proposals.

Following the LDCs' request for 100% Duty-Free Quota-Free (DFQF) market access from 2008, DFQF market access for at least 97% of the products originating from LDCs was granted. But even this limitation leaves space for protectionist policies on the remaining 3% of products that could even theoretically cover all the products from a specific beneficiary's limited export base. The EU grants DQFQ with just a few exceptions, but the US has yet to implement domestic legislation on the promised 97% access from LDCs. Several developed countries such as Australia, Canada and New Zealand have notified 100% DFQF market access.

So far, however, the greatly enhanced preferential market access of DFQF has not led to a substantial increase in LDC exports, particularly from Africa. LDCs have still been severely impeded by Non-Tariff Barriers (NTBs) such as phytosanitary and other technical standards and onerous rules of origin. (They have therefore called for a reduction in these NTBs.) Also, many of them already had varying degrees of free market access, for instance, under Cotonou and AGOA.[29] Whilst the only Caribbean LDC, for purposes of DQFQ, is Haiti, the experience of the implementation of this seemingly generous concession is revealing and can be most instructive for CARICOM countries. The lesson to be learnt is that for countries with a weak supply base or whose products face intensive international competition, provision of market access will not on its own lead automatically to the intended expansion of exports.

## Rules

This area of negotiation addresses the regulatory framework of the WTO and has focused largely on Regional Trade Agreements (RTAs). Developing countries have called for renegotiation of GATT Article XXIV to include provisions for S&D treatment with regard to RTAs between developed and developing countries. This issue is of particular importance to the ACP as many in the group are in EPA negotiations with the EU. However, there has been no solution or even real movement on this issue.

## Implementation Issues

There has been little progress on those issues that focus on developing countries' proposals for longer transitional periods to implement their obligations and commitments; or provisions for them to retain the flexibility to adopt pro-development policies and options or obtain exemptions from obligations that will impede their development. Current discussions and negotiations on implementation issues are dominated by discussion over Geographical Indications. The aim here is to strengthen the safeguards against the use by competitors from elsewhere of certain place or regional names widely associated with well known products, e.g., Champagne, (sparkling wine) Scotch whiskey, Blue Mountain coffee. Negotiations in this area are a major preoccupation of the EU.

## Aid for Trade (A4T)

On A4T, developing countries requested developed countries to make binding commitments on additional financial and technical support to address the supply-side constraints and infrastructure problems that prevent them from taking advantage of the trading opportunities and competing in global markets. Developing countries also called for a new central mechanism that would commit and disburse "new money", not simply re-channel already promised Aid funds. However, there is no consensus among developed countries regarding the developing countries requests. The A4T Task Force that was set up to address the A4T mandate did not call for binding commitments or a new mechanism and has been de-linked from the Doha Round though the WTO has been given the responsibility of monitoring A4T.

## *Prospects*

The renewed activity in negotiations from the middle of 2008 resulted in some movement that focused on the areas of divergence and formulating proposals that can permit progress. For instance, special arrangements for Small Vulnerable Economies (SVEs) have been included in both the Agriculture and NAMA texts. Despite the overwhelmingly difficult political climate, the prospects were considered sufficiently favourable (in retrospect, unduly optimistic) to permit the WTO to arrange for a Mini Ministerial in Geneva on the 21st July, 2008 and attempt another in December of the same year, albeit without success.

The Doha negotiations have been in progress for some time, but after reviewing the subjects being considered and the prospects, can it be said that they will lead to the substantial expansion of CARICOM trade required to generate the income for meeting the MDGs? Or will the talks result in the changes to the system that could yield the originally intended development aims? Considerable effort is being made by developing countries to accommodate and safeguard their interests in any future regulatory changes. Their involvement has often been effective in reversing or minimising the potential cost of the changes to their developing economies.

The principal issues being negotiated in the DDA are largely focused on strengthening, expanding and entrenching liberalisation and WTO principles and disciplines, not development *per se.* It can, of course, be argued that opening global markets and expanding national treatment and non-discrimination to a broader range of commercial activity will yield economic benefits. But, many developing countries wanted the DDA to support more directly, the eventual expansion of their exports.

They need the system to explicitly and directly address the impediments they face and adopt positive measures to enhance their prospects for gain. For that though, new and positive proposals would be required, including some not currently on the table.

Policymakers need to consider whether the slow progress on the "Development front" is due to tactics, strategy and/or performance of developing country negotiators or the intransigence of other parties. Alternatively, might the problems be more fundamental and actually stem from deficiencies in the functioning, the structure and spirit of the trade regulatory system itself?

## Can the WTO system deliver on the MDGs?

At the heart of the multilateral system is the WTO, that during the last decade emerged out of the GATT, whose ethos and rationale had not been development *per se* but rather, market opening and the removal of barriers to trade in goods.[30] That Agreement, alongside the Bretton Woods Institutions, constituted a central pillar of the economic architecture of the post-World War II world that was so successful in ensuring the ongoing liberalisation and globalisation of trade and banishing the protectionism and discriminatory trade policies that had, in earlier times, stymied growth and led to international conflict. That model accounted for the subsequent spectacular progress in the global economy culminating in the closing decade of the 20th century when incomes rose by 20% and various indicators of the quality of life were showing remarkable improvement. The gains though, were not evenly spread. Although the main divide, not surprisingly, was between the developed and the developing world, performance and welfare conditions also varied among and within countries of the developing world. Many of the most vulnerable developing countries, the LDCs and sub-Saharan Africa, in particular, have actually been regressing in terms of poverty and food insecurity.

The debate of just a few years ago on the adequacy of the structure of the multilateral trading system to deliver on agreed global objectives has largely been replaced by a preoccupation with more immediate and pressing concerns. The recent global economic crisis, erratic petroleum and food prices and the lack of progress in the ongoing WTO negotiations foster a climate in which tackling the issues of survival and adaptation are the immediate priorities. But dealing satisfactorily even with the short-term challenges and securing sustainable solutions has to be put in the broader international context and a supportive institutional framework.

The WTO built on the GATT model by refining and extending its scope and coverage and making it much more effective as a trade regulator. In doing so it however, retained the underlying logic of its parent in terms of fundamental purpose and the *de facto* reflection of the economic and commercial power structures. This has been the case despite the WTO being inherently its democratic and membership currently consisting of the vast majority of countries in the world, as opposed to the handful of countries that initially signed the GATT in 1947.

It is true that the trading system has undergone radical structural and regulatory transformation since the middle of the last century, but so has the world. The current priorities and preoccupations with sustainable development,

poverty alleviation, climate change, gender equality and recognition by world leaders of shared responsibilities to tackle global problems and safeguard the patrimony of humankind, were not the priorities sixty years ago.

The question now is whether or not the multilateral trading system has adequately adapted to the fundamentally new circumstances and expectations of its expanded and diverse constituents? Is its underlying philosophy truly reflective of their aspirations and in line with evolving global realities? Do the system's management structure and operations permit the shared global objectives to be met? Are they fully in sync with new realities and if not, what changes would be needed? These questions need to be considered, but there are factors and considerations that can militate against the ability of the WTO to live up to the expectations of its developing country members.

## Underlying Contradictions and Challenges facing the WTO

There is an international consensus that a fair rules-based multilateral trading system under the WTO offers opportunities to member countries. However, the organisation is currently at an impasse, at least in part, because many countries do not consider that its structure and direction reflect their interests. Some of the challenges often cited relate to:

- frequent incompatibility between trade agreements and domestic policies for growth and development, particularly in LDCs and Small States;
- uneven participation in the decision-making process at the WTO and the substantially different negotiating capacities of members;
- weak supply capacities in LDCs and small states;
- tenuous linkages between the WTO and other international regulatory systems and organisations responsible for areas relating to trade such as labour, health, environment, etc; and
- great divergences in power among member countries.

The real questions are whether the WTO is able to serve its intended purpose and can meaningfully contribute to supporting and providing solutions to the trade and economic problems facing developing countries, and if not, what changes need to be made.

Applying the "Development" test to the WTO's functioning is essential and urgent, but there are particular challenges at this stage of the comprehensive

and protracted Doha negotiations. Trade policy-makers and negotiators directly involved in the negotiating process are focused on what is going on at the "table". They could, therefore, mistakenly perceive a review within the narrow context of these negotiations and the potential for strengthening or weakening bargaining positions or providing or removing advantages to one or the other country or group of countries. To be successful, an assessment should be undertaken away from the context of the current multilateral talks so that the focus will be on fundamental and objective considerations of the adequacy of the underlying trade architecture itself, rather than the implications and consequences for short term advantage among countries.

## A WTO "fit for purpose"

Considering the pace and direction of the Doha negotiations it cannot be concluded that the current process is set to deliver on the MDGs. It would appear that better trade governance, in which the WTO and the multilateral system play a constructive role in facilitating and supporting economic growth and opportunities for all countries, especially those currently at the bottom, requires a reformed WTO. A comprehensive menu of issues and questions needs to be addressed, but the following provides a sample of some of those that may be considered:

- If rules are to be fair, they must recognise the very different starting points of countries. Should the trading system provide sufficient flexibility that will permit less developed countries to use the kinds of policies they need to enable them to become competitive?
- Does the WTO need to more coherently and explicitly address and reconcile trade and development needs?
- Is more independent and effective monitoring and enforcement of trade rules needed, particularly in respect of major markets?
- Should the multilateral system be more sensitive to the challenges of coherence between trade and such areas as the environment and climate change, security, investment, and supply-side constraints?
- Do the costs and barriers to litigation and the political constraints arising from asymmetric trade and other relations and imbalances among members, mean that legal redress under the WTO's trade dispute mechanism is not actually equally accessible to all? Has the mechanism

succeeded in mitigating the unequal position of the disadvantaged countries by "levelling the playing field'?

LDCs and small vulnerable economies need changes to the multilateral system that will enable their special needs to be provided for and accommodated, as envisaged in the Partnership for Development (MDG 8). Although the cornerstone of the ongoing Doha talks was development,[31] if they continue on their current route, they offer no assurance that they will provide the required trade and consequent income expansion needed by CARICOM. Further, the prospects in the near future for fundamental reform and transformation of the WTO system along the pro-development lines outlined above are quite minimal. If the multilateral system will not deliver, what of regional arrangements?

## Economic Partnership Agreements (EPAs)

A major portion of the trade of CARICOM countries is conducted within the framework of regional trading arrangements (RTAs), so even if the WTO process does not secure the trade boost required for providing the income that would help them meet the MDGs, that result could theoretically still be achieved in the context of RTAs. The volume and importance of the trade and business with Europe clearly make the Economic Partnership Agreement (EPA) a most important RTA. Consequently, it would be essential for the region to consider and assess whether the EPA can meet the test of meaningfully contributing to achieving the MDGs.

In 2002, CARICOM's members, along with the rest of the African, Caribbean, Pacific Group of States (ACP), began negotiating with the European Union (EU) for an accord that would comply with the WTO's Article XXIV rules on regional free trade agreements. Since the mid-1970s, CARICOM's trade with Europe had been on the basis of the non-reciprocal preferential trading regimes that have prevailed under the Lomé Conventions and then their successor, the Cotonou Partnership Agreement of 2000. The EPA that replaced the Cotonou trade provisions was not to be a traditional RTA but rather, a new trading regime that would promote the sustainable development of ACP countries.[32] The Parties intended that the EPAs would safeguard and improve access to EU markets, strengthen regional integration, help develop ACP production and trade capacities and infuse development benefits into services trade liberalisation and trade-related issues such as trade facilitation, competition policy, investment and public procurement. All of this should contribute to poverty reduction and

help the countries better integrate both regionally and into the world economy. EPAs were to be more than trade agreements; they were to be "development agreements". According to EU Trade Commissioner, Baroness Catherine Ashton; "*They are partnership agreements founded on the shared goal of development that makes trade the servant of this objective not the* reverse." *Later on in the same address, she added* "EPAs are where trade meets development. This means development must be the foundation of our trading relationship, based on frank and open dialogue".[33]

The EPA's process proved difficult and challenging and exposed limitations to the negotiating capacity and effectiveness of the ACP. A variety of factors contributed to delay, the first of which was late commencement of the talks. They should have begun by 2002, but they did not seriously get underway before 2003. Then, rather than making progress, the WTO's Doha negotiations (DDA), which were to have been concluded by 2005 and should have redefined, clarified and created new rules to guide the negotiations of RTAs, particularly between developed and developing countries, became bogged down. Indeed, among the areas of least progress in the DDA have been those that are relevant to EPAs. Then, there was the massive logistical challenge of organising such far-reaching and complex negotiations. For the Commission, this was a major task but for the ACP regions, most with no prior experience of negotiating such trading arrangements and without practical models to follow, organising themselves as coherent and effective negotiating entities posed severe and often insurmountable challenges, despite the provision of capacity-building support.

The most significant factor accounting for the slow progress was probably the persistence of underlying conceptual differences, particularly over the methods for securing the development objectives of the EPA. Initial differences in perspective, notably over the desirability, scope and purpose of negotiating services liberalisation and trade-related issues, could also have impeded progress.

## Issues in the negotiations

Despite disagreements, all parties consistently remained committed to concluding full and comprehensive EPAs.

The ACP wanted the EPAs to further their development and foster greater regional integration. They argued that while the EPAs include numerous binding commitments for trade and investment liberalisation, there were no contractual, quantitative and time-bound commitments for additional financial and technical assistance. They contended that funding was needed to mitigate the adverse effects

of EPAs such as the loss of revenue from tariffs, (which contribute significantly to ACP government revenue[34]), and the adverse effects on income, production and employment. ACPs, though, were sceptical of the ability of the current EDF[35] to fill the gap, partly because they viewed it as slow in disbursement, unpredictable and, in general, inadequate. They also feared that the EPAs did not address some of the less overt barriers to, trade such as restrictive Rules of Origin and onerous Sanitary and Phytosanitary Standards (SPS) that will continue to preclude their ability to diversify and establish a market presence in the EU. They called for longer transition periods to implement the EPAs and to build up their productive capabilities, infrastructure and human capital. Many in the ACP feared that without adequate measures to directly address their supply-side constraints, their nascent domestic industries would not be able to withstand the pressure of increased competition from EU imports of goods and services.

Other ACP concerns about the content of the EPAs stemmed from the EU's stance on inclusion of commitments on services, the "Singapore issues", intellectual property and e-commerce. The ACPs called for better provisions, special safeguard measures and flexibilities that reflect their own national and regional circumstances, priorities and development objectives. Many ACPs and "third" countries are concerned that the MFN clause requiring the ACP to extend to the EC any trade concessions that it makes to "competitive" third countries, including developing countries like Brazil and India, would limit the scope and feasibility for concluding "south-south" accords.

## State of Play

The only ACP region to conclude a full EPA was the Caribbean (CARIFORUM).[36] Some other ACPs initialled Interim EPAs and undertook to later replace these by comprehensive regional EPAs. In the Pacific, two non-LDC countries (Fiji and Papua New Guinea) initialled, while the remaining Pacific Islands did not. In Africa, all the EPAs are different. In West Africa, two non-LDCs (Cote d'Ivoire and Ghana) initialled bilateral EPAs. Non-LDCs Nigeria, Gabon and Congo did not and currently trade under the Generalised System of Preferences (GSP). The Southern African Development Community (SADC) ACPGgroup signed an Interim EPA minus South Africa, which has a bilateral free trade agreement with the EU—**a** Trade Development Cooperation Agreement (TDCA). Other East and Southern African states separated into the East African Community-Burundi, Kenya, Tanzania and Uganda whilst the

East Southern African (ESA)-EU agreement consisted of Zimbabwe, Seychelles, Mauritius, Comoros and Zambia.

In the absence of acceptance of the EPA, non-LDC ACPs would have faced exporting under the EU's less generous GSP scheme and having to pay potentially substantial additional duties on their exports to the EU. The EU's GSP *plus* scheme could have provided better access terms, but the EU refused to include any ACP countries. For the non-LDCs,[37] non-conclusion of an agreement could for many of them have severely disrupted or even triggered a collapse in their export business with a major trading partner. This would have undermined any chance of securing the income from trade for the MDGs. Only the LDCs had the option of continuing non-reciprocal duty-free access under the Everything But Arms (EBA) trade regime, which offers duty and quota free access on all products except for arms and ammunition and for sugar, and rice, which are subject to special restrictions due to expire by the end of 2009. Most LDCs opted for EBA, which does not require the provision of any reciprocal concessions to the EU.

The EPA with Europe is now in place, but the great imbalance in commercial power between the productive sectors in Europe and the Caribbean remains. CARICOM therefore needs to ensure that implementation of the EPA is done in a manner that safeguards its economic interests. Among other objectives it should ensure that its business community is fully informed, upgraded and strengthened in order to benefit from the EPA provisions. There can be little doubt that unless the region's capacity to compete successfully is considerably augmented, the sharing of the economic benefits and costs of the EPAs between Europe and the Caribbean will be disproportionate.

## Partnership for Development

At the heart of the MDG approach is the international community working together to secure benefits and progress for all. This is, of course, explicit in MDG 8, but permeates all the goals. The MDG "project" is a truly global endeavour. There is a lot that can be done by the international community to advance development. Success, particularly in support of economic expansion in developing countries that would help them earn the necessary income to progress on their own, requires innovative approaches and new thinking, including strengthening genuine international dialogue and understanding, networking and collaboration on trade and economic issues, including leveraging resources to meet development challenges.

It is imperative that the ability of developing countries, especially LDCs and small vulnerable states to help themselves, is enhanced. Assistance would be particularly important in helping them become more effective in formulating and implementing appropriate policies and negotiating at the regional and multilateral levels to secure their interests. In addition to recommendations already made, four specific areas for action by the international community are suggested.

**Provision of Policy Advice:** Various multilateral institutions, as well as donor Governments, engage in "policy dialogue" and provide economic advice to developing countries, whether linked or not to the provision of financial or other benefits. If the exchange is to actually help the recipients and contribute to development, it must be timely, forward-looking, of high quality, non-ideological and objective and be motivated by a sincere commitment to enhancing the welfare and sustainable development of the recipient countries. It should not simply recycle orthodox solutions or the latest fashionable but untested policy prescription.[38]

**Facilitating Dialogue and Promoting Best Practice:** Small countries often lack sufficient opportunity for presenting and effectively advocating their views and positions at the highest levels in major countries. The international community might facilitate intergovernmental dialogue and help overcome the imbalance and the disadvantage faced by weaker parties in negotiations. Examples of beneficial initiatives are logistical support, provision of background research etc. that make it possible for the exchanges and encounters among Government representatives to take place and be meaningful and productive. They might also help in mobilising the exchange of best practices in policy and the sharing of lessons, experience and expertise among states, all of which can contribute to improving quality standards in policymaking and management.

**Building Supply Capacity:** A priority focus of this activity is addressing the inability of many developing countries to produce and supply internationally competitive goods and services. They can be helped to reduce their dependence on a single commodity or service and identify means by which they could obtain greater benefits from international trade, including by moving up the "value chain". Given the economic openness of small countries like those of CARICOM, they are particularly susceptible to external economic shocks. Diversification reduces their vulnerability and promotes their prospects for smooth and balanced growth. This is a major challenge for which the countries need international support and engagement, but also must themselves build a broad domestic political consensus for supporting private sector development.

**Encouraging Investment:** Greatly increased levels of investment in productive activities are essential for bridging the supply capacity gap in

CARICOM countries. Given the inadequacy of internally generated investment, the region has to rely on foreign inflows which must be available on acceptable terms if they are actually to contribute to sustainable development. The international community might assist with identifying and supporting practical and implementable measures and instruments to facilitate such transfers and mitigate the risks of investing in vulnerable economies. Efforts need also to be undertaken to make financial markets work better for Small and Medium scale Enterprises (SMEs). A vital complement would be the introduction of effective measures to facilitate the acquisition of appropriate technology.

## The way forward

In seeking to get the trading environment in which they operate to be conducive to their trade and sustainable development interests and contribute to the attainment of the MDGs, CARICOM countries need to vigorously, consistently and strategically pursue their economic interests in international negotiations. Their specific aims should include:

- Getting the DDA to deliver on its development objectives, particularly to the most vulnerable countries.
- Ensuring that RTAs with developed and developing countries constitute effective tools for sustainable development and can contribute to the achievement of the MDGs and to Caribbean economic integration.
- In the case of the Economic Partnership Agreement that has been signed with the European Union, ensure that implementation is done in a manner that safeguards the region's economic interests.

## Conclusion

Despite its limitations, the MDG approach is invaluable; it constitutes the only comprehensive, objective and universal framework for mobilising action and measuring and comparing progress in, and support for, sustainable development.

Overall, the progress of developing countries is not on track and the UN General Assembly's President Srgjan Kerim in April 2008 warned that *"failure is not an option"*. Failure would not reflect well on the governments and the multilateral organisations and institutions that committed to the milestones that define and gauge their support for development in terms of their perceived contribution to

the MDGs. But keeping to the schedule is not just about statistical measurements and targets. The global pact entails taking action that will meaningfully improve the lives and prospects of billions of real people. The true meaning of success or failure, in other words, achieving the MDGs on time, would be whether 500 million people are lifted out of poverty, 30 million children's lives are saved, whether half a million mothers will continue to die needlessly in pregnancy and childbirth, or whether all children have the opportunity to get an education.

The seeming rigidity of the goals and detailed targets and their association in the public mind with the alleviation of extreme poverty can distract from the appreciation of the MDGs as an important generalised benchmarking arrangement in support of sustainable development. It is as relevant to the so-called middle-income countries of CARICOM as to the poorest LDCs. To be meaningful, however, the MDGs must be considered in the social and economic context of the Caribbean with the targets adapted to suit local conditions. Here, performance has been relatively good according to the mechanical measures of progress. But the region should not take comfort or become complacent. Instead, it needs to undertake its own rigorous and independent assessment of progress, both in quantitative and qualitative terms. This is not for purposes either of self-congratulation or recrimination, but rather, for objectively assessing the success and appropriateness of policies, initiatives and interventions intended to promote sustainable development.

There is the need for renewal of the global commitment to working for a better world that conforms to the vision of world leaders back in 2000 for a system that is fair, effective and advances the development interests of all. But for success, every country in all regions of the world has to contribute its unique strengths and advantages to the process. Genuine progress towards the MDGs can only occur when it will be universal; failure even in some locations constitutes failure for the whole world.

Making progress towards the MDGs depends on the interplay of improved policy and public management as well as economic growth and social change. The required policy adaptations, though, can be difficult and all governments will not necessarily be enthusiastic about taking them, but they are vital. The paper makes discrete policy recommendations, but has not attempted a comprehensive review of the policy dimension of the MDG project. It, however, recognises the centrality of appropriate public policy and management for any prospect of success in meeting the targets.

The principal contributor to the MDGs focused on in the paper is domestic economic growth, which for small open economies like those of CARICOM requires expansion of the production and export of internationally competitive

goods and services. But the trading system must provide real opportunities and be fair and equitable so that the region's producers are able to compete successfully both in the domestic and export markets. Hence, the regulatory mechanisms that govern international and regional trade are of vital importance and must support those objectives. If trade is to expand and provide the additional income required, then the creation of a conducive framework that is supportive of small and vulnerable economies must be a priority of public policy and the ultimate purpose of CARICOM involvement in international trade negotiations.

The WTO processes and the principal issues being negotiated have been reviewed and the considerable effort being made by developing countries to accommodate and safeguard their interests in any possible rule changes is acknowledged. A "defensive" stance is doubtless effective in minimising the harm that many developing countries fear the changes could do to their economies. However, considering the subjects being negotiated and the direction of the talks, there is little certainty of securing results that will substantially contribute to the improved prospects for trade expansion of the most vulnerable members, including those of CARICOM. For that, new and positive proposals would be required, including some not currently on the table.

There are underlying deficiencies in the WTO system that might prejudice its ability to bring about the changes to the rules needed for the development of the trade of its weakest members. A case has been presented for reviewing the WTO so that its operations and processes reflect the composition and aspirations of its modern membership. However, the prospects for the fundamental changes that would transform the system along the pro-development lines required are unlikely in the near future.

The EPA between CARIFORUM and the EU has been finalised, but as with the Doha talks, the principal emphasis has been placed on safeguarding the region from precipitate or undue competition from Europe. The defensive measures that have been adopted are, of course, essential, but they will not secure a new development boost for the region. The challenge for regional policymakers will be to work imaginatively and constructively with the EU to secure development outcomes from the relationship.

CARICOM and other developing countries face a challenge in current multilateral and regional negotiations. The underlying premise is that the removal of barriers and impediments to trade and the resultant market opening, i.e., liberalisation, as well as integration into the regional and global economies, will lead to growth and development. But, considerable effort in the negotiations has centred on constraining market opening and shielding the developing country parties from the full impact of external competition, whether via extended phasing

in periods, exemptions, more flexible or reduced market opening commitments or a number of other devices with the same ultimate objective. This defensive posture is at odds with the rationale for embarking on the exercise in the first place and could logically deprive these countries of the very thing that was to benefit them; liberalisation that would lead to development.

The chapter, however, questions whether mere liberalisation will lead to growth. It considers the case of the LDCs and the greatly enhanced preferential market access of DFQF; particularly in Africa, it has not led to a significant increase in exports. Other factors severely impede trade, such as a variety of Non-Tariff Barriers. But maybe the most important consideration is that where the supply base is weak or production is not particularly internationally competitive, market opening will not automatically lead to the intended net expansion of exports.

If the desired development boost is to be achieved, the solution might be to adopt a fundamentally new approach, not one that jettisons the defensive agenda but rather, complements it with a positive approach that vigorously pursues concessions and measures that will actually contribute to new trade and economic opportunities.

CARICOM countries might question whether the effort and the scarce resources that are diverted to negotiations have been well spent. But their ultimate aim should be to ensure that the trade and economic arrangements that emerge from the negotiations themselves can actually be made to serve their intended developmental purpose.

## Notes

1. *The eight Millennium Development Goals (MDGs) are time-bound and quantified targets for addressing extreme poverty in its many dimensions-income, poverty, hunger, disease, lack of adequate shelter, and exclusion-while promoting gender equality, education, and environmental sustainability. They are also basic human rights-the rights of each person to health, education, shelter, and security.* UNDP
2. Andrew Charlton, "Trade for Development" Centre for Economic Performance, LSE. Commonwealth Secretariat 2007.
3. UN General Assembly Resolution A/55/2; *The United Nations Millennium Declaration,* adopted in New York, September 18, 2000.
4. *"International trade can play a major role in the promotion of economic development and the alleviation of poverty';* paragraph 2 Doha Ministerial Declaration 2001. However, liberalisation does not necessarily expand

welfare and reduce poverty; Claudius Preville 2002: "Trade Liberalization under Imperfect Competition" Institute of International Studies, The Hague, and Mohammad Razzaque and Edwin Laurent: "Global Rice and Agricultural Trade Liberalisation: Poverty and Welfare Implications for South Asia" Academic Foundation New Delhi.

5. The full set of 8 goals; the targets and indicators are presented in the UNDP Millennium Development Goals Report.
6. WHO Statistical Information System.
7. Mohammad Razzaque and Edwin Laurent: "Global Rice and Agricultural Trade Liberalisation: Poverty and Welfare Implications for South East Asia". 2008
8. Whilst it is too early to cite the precise extent of the decline in employment due to the recent global economic slowdown, there is considerable evidence of cutback in the hotel and tourism sector as all Caribbean destinations experience decline. Additionally the credit and financial crises have impacted negatively on investment in all the productive sectors.
9. CARICOM members rank highly on this UNDP index. Barbados for instance is at number 35 on a list of 179 countries.
10. MDG1Target 1b.
11. The UNDP Millennium Development Goals Report, 2008
12. Jyotsua Jah and Fatimah Kelleher 2006 *Boys Underachievement in Education* considered the phenomenon in a number of countries including Jamaica.
13. The UNDP Millennium Development Goals Report, 2008
14. Jyotsua Jah and Fatimah Kelleher.
15. The UNDP Millennium Development Goals Report, 2008
16. The UNDP Millennium Development Goals Report, 2008
17. The correlation between many of the pregnancy-related deaths and low maternal age is not completely clear in the CARICOM, but evidence has emerged in other parts of the world. In Nigeria where births to teenage girls, account for some 1 million annually, former Minister of Health Olikoye Ransome-Kuti said adolescent girls are responsible for 50% of all maternal deaths. "Early pregnancies in these young females result in very high mortality due to obstructed labour and other obstetric complications," *Earth Times,* March 27, 2000.
18. The UNDP Millennium Development Goals Report, 2008
19. $CO^2$ is the principal "green-house" gas that is believed to contribute to global-warming and climate change.
20. The UNDP Millennium Development Goals Report, 2008

21. The Conference on Financing for Development (FfD) ended on March 22, 2002 with the adoption by acclamation of the Monterrey Consensus by the heads of state and government in Monterrey, Mexico. The aim of the Conference had been to examine the internationally agreed development goals adopted during the past development decade. The Monterrey Consensus consists of a collection of non-binding declarations of intent.
22. The UNDP Millennium Development Goals Report, 2008
23. 'The Heavily Indebted Poor Countries, HIPC Initiative was launched in 1996 with the aim of ensuring that no poor country faces a debt burden it cannot manage. The Initiative entails coordinated action by the international financial community, to reduce to sustainable levels the external debt burdens of the most heavily indebted poor countries. A number of modifications were since approved to strengthen the links between debt relief, poverty reduction, and social policies and, to help accelerate progress toward the MDGs. Forty-one countries have been found to be eligible or potentially eligible for HIPC Initiative assistance. To date, debt reduction packages have been approved for 35 countries, 29 of them in Africa, providing US$51 billion". IMF and World Bank 2009.
24. The World Trade Organisation Round of Multilateral Trade Negotiations known as the Doha Development Agenda (DDA) was launched in the capital of Qatar at the Fourth WTO Ministerial Conference in November 2001.
25. In 2003, CARIFORUM Members began negotiating as a bloc, a regional trading arrangement with the European Union that was to replace the non-reciprocal trading arrangements of the ACP-EU Cotonou Agreement (2000). An interim Agreement came into effect on the January 1, 2008.
26. The review of the state of play in the Doha Round negotiations has been informed by unpublished reporting by Rashid Kaukab of CUTS Geneva.
27. The GATS defines four ways in which a service can be traded, known as "modes of supply": **Mode 1**-services supplied from one country to another (e.g. international telephone calls), officially known a "cross-border supply"; **Mode 2**-consumers from one country making use of a service in another country (e.g. tourism), officially known as "consumption abroad"; **Mode 3**-a company from one country setting up subsidiaries or branches to provide services in another country (e.g. a bank from one country setting up operations in another country), officially known as "commercial presence"; and **Mode 4**-individuals travelling from their

own country to supply services in another (e.g. an actress or construction worker), officially known as "movement of natural persons". "GATS Mode 4: How Trade in Services Can Help Developing Countries" University of Sussex (November 2005).

28. GATS Article 1.2(d) *"The supply of a service . . . by a service supplier of one Member, through presence of natural persons of a Member in the territory of another Member".*
29. The African Growth and Opportunity Act (AGOA), enacted May 2000, liberalised market access to the US for 37 sub-Saharan African countries. The arrangement was initially for eight years but its life was subsequently extended to 2015.
30. The expectation was that economic growth would follow automatically from the reduction in barriers to trade and the opening up of markets.
31. Paragraph 44 of the November 2001 Doha Ministerial Declaration required that all provisions regarding special and differential treatment be reviewed during the Round with a view to strengthening them and making them more precise, effective and operational.
32. Cotonou Agreement, Title II Chap.1 Article 34 para.1: *Economic and Trade cooperation shall aim at fostering smooth and gradual integration of ACP States into the world economy, with due regard to their political choices and development priorities, thereby promoting their sustainable development and contributing to poverty eradication in the ACP countries.*
33. She was at the time addressing the EU Parliament on March 23, 2009.
34. Christopher Stevens, Jane Kennan and Mareike Meyn. "Analysis of Contents of the CARIFORUM and Pacific ACP Economic Partnership Agreements and challenges for 2008" (ODI London: 2008).
35. European Development Fund: provides finance to developing countries including ACP. Contributions are made by EU Member States on a voluntary basis.
36. As of end April 2009.
37. The only Caribbean country that is classified as an LDC by the EU is Haiti.
38. Ever since the 1960s, new prescriptions have regularly been promoted by the Bretton Woods institutions, donors and others as the route to sustainable development. In some cases, the provision of development assistance has even been made conditional on the adoption of the implied policy measures. However, after a period of being fashionable, they tend to fall out of favour and be replaced by new orthodoxy; often after experience has shown that they were not really the promised "magic bullet".

# PART 2

## SOUTH-SOUTH COOPERATION

12

# THE CARIBBEAN COMMUNITY IN A CHANGING HEMISPHERE

*Vaughan A. Lewis'*

This chapter sets out to examine issues pertaining to the Caribbean Community states' location in contemporary hemispheric relations, and to make some projections and recommendations regarding their functioning in the context of the evolution of these relations. The relations involve the interactions between the dominant power, the United States, and its geographical neighbours, Canada and Mexico. It also encompasses the countries of South America and what are today referred to as the Emerging powers in the Hemisphere, and the states of the Caribbean Basin.

Our analysis proceeds from a perspective which relates to an understanding of the changing parameters of Hemispheric relations as the second half of the 20th century in which CARICOM states attained their independence, has turned into a 21st century in which the evolving nature of both global political and economic relations have begun to take new forms. A further perspective relates to the Caribbean Community states as, by and large, the smallest entities in the Hemisphere, raising in turn the question of how they can locate, or relocate themselves, as economic and political entities in the changing environment, and what diplomatic instruments and perspectives are necessary to facilitate this.

## CARICOM States as new states in the evolving system

It goes without saying that the citizens of the Caribbean Community live in a world substantially different from the year 1972, when the four independent and, as they were referred to, More Developed Countries of CARICOM (Jamaica, Trinidad and Tobago, Guyana and Barbados) established diplomatic relations

with Cuba. In the case of Jamaica, these relations were, in fact, being elevated from the consular level maintained at independence in 1962, that decision reflecting the long-standing presence of a large number of persons of Jamaican descent in Cuba.

Sir Shridath Ramphal, then Foreign Minister of Guyana, has provided us with a brief, but enlightening memoir of the circumstances of the time, and the context in which that diplomatic recognition took place.[1] For this was indeed a period of deep hostility of the United States of America towards Cuba, and it led the US to look askance, and with deep concern, at what we can refer to as the "Four Countries Initiative". In an era in which the largest of the South and Central American countries had continued to subscribe to the Organisation of American States embargo on diplomatic relations with Cuba, it seemed a safe American presumption that these states and their governments were safely in the Western Camp, and would continue to follow suit.

The world of that time was, primarily, the world of the Cold War, with Cuba having evaded American economic and political isolation by transiting to the "world socialist system". Cuba thus evaded isolation, and provided an example of an alternative mode of surviving in what was assumed to be the American diplomatic heartland. But United States' hostility was made even more intense as this act followed the election in Chile of Salvador Allende on a socialist platform in 1970. For Chile had, up to then, been perceived as one of the countries that could be characterised as a model two-party democracy, transiting to economic modernisation within a context of liberal democratic norms and values.

Secondly, it was a world in which most of the states now constituting the Community were not sovereign entities, all the participating territories described as Less Developed Countries still then, under British jurisdiction. But, on the other hand, this was a period of transition from a Caribbean Free Trade Area (CARIFTA) to a Caribbean Community and Common Market (CARICOM), and thus one of relative confidence on the part of the leading CARICOM states in the progressive evolution of the integration system towards providing a firm location and identity of these new states in the Hemisphere of the Americas.

In addition, however, with the election of Michael Manley as Prime Minister of Jamaica, this was a period in which initial signals were being given to CARICOM as it then existed, that there was recognition, from the location of Jamaica, that possibilities existed for a wider conception of regionalism—an "economic regionalism" encompassing the countries of the Caribbean Basin as a whole. His view seemed to be that the presence of countries like Mexico and Venezuela as participating actors could enhance the economic strength and status of the Anglophone states of the Basin.[2]

Thirdly, this was also a world of relative Anglo-Caribbean disconnectedness from its surrounding Hemispheric environment (in spite of historic migrations), although Venezuela, in particular, had begun to show interest in the smaller countries of the Caribbean granted, in 1967 and after, a form of semi-autonomy as Associated States of the United Kingdom. Trinidad and Tobago, of course, sharing a maritime boundary with Venezuela, and previously host to exiles from the 1950s dictatorship, had of necessity to deal, as a prelude to independence, with issues arising from that geopolitical relationship. But she tended to do so with a certain reticence, bordering on suspicion. Guyana, the subject of a Venezuelan territorial claim, was forced to move, immediately on attaining independence, outwards to the wider world, that wider world starting then, with a harshly anti-communist neighbour, Brazil, and extending to the Third World arena in particular, in search of diplomatic counterweights to Venezuela.

Finally, however, this was a world in which the CARICOM countries were slowly forced to recognize shifting ground. Britain, at the beginning of the 1960s, declared her intention to adhere to the European Communities, and this provided the first hint of the end of imperial-cum-Commonwealth preference for the sub-region's agricultural commodity exports. Furthermore, as gradually became clear while Britain settled on her terms of entry by 1973, it marked the beginning of the end of the period in which Britain played the comforting role of diplomatic protector and *interlocuteur valable* for her colonial, and then independent territories, particularly in the sphere of international trade relations.

## CARICOM, Regionalism and the Post-Cold War Challenge

But change was imminent: the oil price explosion of 1973, giving some Third World countries enhanced status as active influencers of world economic events, led them to make a pitch for upward mobility in the international economic system, and towards its reorganization into a New International Economic Order (NIEO).

This gave some CARICOM states, Jamaica and Guyana, in particular, a lever to attempt to enhance their own status and prospects, hinging their diplomatic policies onto those of the then increasingly nationalistic Latin American countries like Mexico, Peru and Venezuela, as their governments now moved towards greater national control of indigenous resources.[3] In effect, these two Caribbean countries now began to seek to participate in a kind of revival of a "socialist" orientation in the wider region of Latin America—an orientation hardly acceptable to the

United States, as was quickly seen with its encouragement of the overthrow of Allende in 1973.

The story of the ensuing period—to 1989-90—with the severe recessions affecting Latin America—is one of unrelenting attempts by the United States (largely through its influence in the public international financial institutions), to remove the shadow of statism and socialism from the Hemisphere, and to encourage, in its place, adherence to the new economic agenda of structural adjustment and liberalised hemispheric economic regionalism.

From the Hemispheric point of view, the Cold War having ended (except in relation to the continuing isolation of Cuba), a new thrust of experimentation evolved within the context of the Anglo-American challenge that Hemispheric countries should adopt policies of domestic and international economic liberalisation. To this, government assumed diverse orientations. First, the military dictatorship established in Chile led the way in responding positively to the suggested orientation.

Then Mexico gave, by the end of the decade of the 1980s, a signal of adherence to the new orientation, with its negotiations towards joining the United States and Canada in the North American Free Trade Agreement (NAFTA). As time evolved, into and beyond the 1990s, that orientation was seen to have had geopolitical implications, particularly in respect of Mexico's historically protective relationship with Cuba, which increasingly came to perceive these implications as largely negative.

Argentina, specifically under President Menem who had been elected on a platform of Peronist populism in 1989, now appeared to follow suit, even while not having the immediate policy of establishing a free trade relationship with the United States. He now sought to establish an economic policy of openness to the United States economy, and an accompanying degree of geopolitical alignment with that country, as evidenced in his decision to participate in the US-led alliance in the first Gulf War.

This general trend extended itself as the 1990s progressed and particularly after the United States' Free Trade Area of the Americas initiative. With the return of constitutional government, and particularly with the assumption of office of President Fernando Henrique Cardoso in 1994, a social democrat, Brazil consolidated an initial accommodation, at the domestic level, to liberalisation/structural adjustment trends. Brazil's lead in negotiating the MERCOSUR arrangement can be seen, in part, as the Government's way of maintaining a degree of autonomy of policy within the liberalised global economic framework, so maintaining a specific identity in a context in which both the US and the EU

became increasingly preoccupied with what we can refer to as the struggle for dominance in the North Atlantic economy.

In the late 1970s, Venezuela's President Carlos Andres Perez, a strong advocate and therefore ally of Jamaica and Guyana, in advocating a New International Economic Order appropriate to the objectives of Third World countries, found himself constrained to adopt similar policies on his return to office at the end of the 1980s. But the consequence of his implementation of economic stabilisation and structural adjustment policies was popular resentment, followed by his removal and a revival of nationalism now taking the form of "21st century socialism".

Cuba, struggling to evade isolationism in that environment, and following Gorbachev's indication of the Soviet Union's desire to put Cuba-USSR economic relations on a commercial footing, now proceeded to emphasize domestic cohesion to accommodate necessary austerity and protection from penetration in its "special period in a time of peace".

Finally, in that context, CARICOM states found themselves trying to establish a new location in this changing international economic order. They had, as has been indicated, to begin to come to terms with Europe's actualisation of the end of imperial/ Commonwealth preference and with the United States challenge to the countries of the sub-region to make two new policy adjustments: firstly, to find a modus operandi in a Hemisphere being manoeuvred in the direction of her FTAA initiative; and secondly, to find a response to the new WTO regime which, in the context of CARICOM, the United States immediately sought to enforce through changes in the regime of European preferences.

That second challenge brought the CARICOM states into collision with the banana producing states of South and Central America; and then the sugar-producing CARICOM states into collision with Brazil, as she sought, through the WTO, to force the United States to concede the illegitimacy of its own protection-subsidisation of its agricultural commodities.

CARICOM's efforts at what we might refer to as "forced repositioning" continued throughout the decade of the 1990s and well into the first decade of the new millennium. They have been taking place simultaneously with an extended CARICOM effort to redefine a collective economic space, through the creation of a CARICOM Single Market and Economy (CSME). But, while CARICOM's Central American neighbours have made parallel efforts in that regard also, they have sought to proceed one step ahead of CARICOM, by seeking to fit their regional arrangements into the wide pattern of global economic reorganisation by acceding to the United States' request to form a Free Trade Area-the US-CAFTA-Dominican Republic arrangement. And this, of course, has

broken the, at least formal, bond between the two Caribbean Basin sub-regions originally constituted by the Caribbean Basin Initiative.

It has been observed that at the present time, a certain rebirth of nationalist confidence in Latin America introduced new circumstances for the Caribbean, since the challenge of negotiating the ending of the Lomé Convention arrangements in the context of the WTO regime, brought CARICOM frontally up against Latin America. This has been evidenced not simply in the continuing stalemate over a mutually acceptable banana trading regime tenable under WTO rules and therefore acceptable to the Latin Americans; but also in the subordination of the desires of the sugar producing countries, Guyana in particular, to the Brazilian initiatives on sugar at the WTO.

Yet, there are also structural pressures, deriving from geopolitical location that press CARICOM towards a redefinition of its relationship to Latin America. Primary among these, of course, are the specific locations of Guyana and Suriname in relation to Brazil. That country has introduced a number of initiatives concerning infrastructural development which respond to the economic logic of maximising the use of Brazilian-Guyanese space in northern South America to provide possible routes as outlets to the Atlantic for its exports-a perception of Guyana as an entrepot for the large Brazilian hinterland.[4] Secondly, there is the evident geopolitical and migration relationship between Belize and Mexico and Central America.

Reference has been made to these two situations as the "stretching" of the southern and western borders of the Caribbean Community as currently defined. In the case of both countries, they have each sought to ensure a certain institutional integration with the larger entities by joining, in the case of Guyana, the Rio Group in particular, and in the case of Belize, the Central American Integration System. Theirs therefore, is a continuing dual integration perspective.

Thirdly, the particular relationship relating to the existence of hydrocarbons across the Venezuela-Trinidad and Tobago border means that the latter is likely, in time, to be bound into an integrated approach to exploitation of these resources, irrespective of a sometimes muted, sometimes openly expressed, wariness on her part. The relationship would therefore involve not simply economic, but also security cooperation. And though it would be asymmetrical in terms of the possession of resources, with Trinidad and Tobago being the lesser player, the Government claims that its increasingly extensive experience in exploration has the potential to permit the utilization of expertise gained in this field as an export service to other developing countries, thus enhancing national revenue.

As the Prime Minister of Trinidad and Tobago recently put it, "What has T&T really developed over time? We have developed, an expertise in the oil and

gas sector.let us not minimise the value of that expertise". Manning further refers to a Venezuelan official remarking that in their pursuit of models for hydrocarbons exploitation "the one model we have not examined . . . is the most successful of all and its right on our doorstep. It is the model of T&T . . ."[5]

On the other hand, the very asymmetry in terms of possession of resources has led the Government of Trinidad to express concern about the implications of Venezuela's PetroCaribe initiative on the CARICOM integration process, the implication being that Trinidad and Tobago could possibly lose its traditional role as a substantial exporter of petroleum to the Caribbean states, and therefore in related integration ventures.

But what we might note here is that this kind of concern—of a possible dominance of Venezuela in the Caribbean—has been a perennial one of Trinidad, going back to the early independence period, and subsequent to Venezuela's initiatives within the CARICOM arena during the first oil price explosion. This latter, as will be recalled, led to what can be referred to as "a conflict of perceptions of regionalism" between Jamaica and Trinidad and Tobago in the mid-1970s, leading Dr Eric Williams to speak of a Venezuelan "Threat to the Caribbean Community" when faced with the Jamaica-Guyana-Venezuela-Mexico initiative towards bauxite/alumina smelter development.

## CARICOM's Relocation in the Hemisphere

In some measure, that issue reflected a wider one concerning what can be seen as a recurring, occasionally disputatious, issue: that of a CARICOM inclination to autonomously appropriate the definition of the relevant Caribbean space as a zone of diplomatic coherence and cooperation. It can be argued that the CARICOM countries have now been increasingly faced with being forced to emerge from what can be called their "Anglo-centric" definition of Caribbean regionalism, in order to come to terms with the fact, first of all, of the existence of the Greater (or Northern) Antilles—independent for much longer periods, and then with the countries of the wider Caribbean arena.

It is indeed noteworthy that the West Indian Commission in its report of 1992, *Time for Action*[6] faced this issue by defining the nature of Caribbean-Latin American relationships in terms of a series of concentric circles in which the Caribbean Community countries were defined as the "inner core". Following from this conception, the Commission recommended that countries like Haiti, the Dominican Republic (DR) and Suriname be excluded from the inner core and established in another circle of, as it were, secondary relationships in terms

of intensity of cooperation. Further, it recommended that relationships with the Latin American countries bordering the Caribbean Sea would constitute a further outer core.

An additional recommendation of the Commission towards institutionalizing these relationships, was the proposal for an Association of Caribbean States, encompassing all entities within the Caribbean Sea. This arrangement would permit all the states of the Basin, including those bounding it, to be institutionally engaged in a variety of functional relationships that recognised the increasing significance of operating in wide economic and geophysical spaces in an era of open economic systems-the so-called "open regionalism".

Two things were notable in this approach. Firstly, that given the Caribbean Sea definition of the ACS, a significant neighbour of Guyana, that is Brazil, was left out and secondly, that the differentiation between the CARICOM countries and other Antillean states and Suriname did not withstand the test of time, for in short order, Suriname and then Haiti were accepted as full members of the Community, the latter having made application to join since 1974. Continuing to be excluded, however, was the Dominican Republic.

## Location and International Economic and Diplomatic Relations

In the 1990s, the pressures for redefinition of what might be called an operationally meaningful regional space became more evident. This induced a perspective by CARICOM of itself as an element or segment in a wider geopolitical and geo-economic arena, rather than as a "core" of the wider area. The pressures to adjust emanated externally, rather than from internal CARICOM motivation, as had been partly the case in the evolution of the Caribbean Basin Initiative, when Jamaica played a part in its elaboration; or as in the case of the ACS decision, which could be described as wholly CARICOM inspired.

The central initiative of the period was the Free Trade Area of the Americas (FTAA), a fully U.S. design created, in part, however, to respond to protests from most of the rest of the Hemisphere that NAFTA was essentially exclusionary, and would simply provide, in a period of open regionalism and virtual global acceptance of liberalisation, an advantage in the U.S. market for Mexico.

The FTAA offer, when linked to the almost simultaneously established WTO regime, can be seen as potentially obliterating sub-regional integration initiatives, and similar bounded or discrete economic spaces in the Hemisphere. It coincided with an American *de facto* insistence that certainly the Caribbean arena should

be formally encompassed, under new terms, within the wider North Atlantic (rather than simply European) economic space. This was to be done through the application of the EU single market requirements to the EU's relationship with ACP countries; and in turn, this meant bringing the banana regime, and then successively, the other agricultural trade regimes, under WTO jurisdiction. In this way equity of access to the new European single economic space would be provided for the largely American multinational corporation exporters of Latin American bananas.

That American insistence on organizing a coherent Hemispheric space through the FTAA was met with a parallel decision on the part of the EU to penetrate the Latin American part of the Hemisphere by seeking, at a minimum, free trade area relationships with larger countries like Mexico and Brazil, the former proving more amenable than the latter, and with Central America within the Caribbean Basin.

This European initiative essentially evolved in the period between its announcement of its intention to create a Single Market and Economy (1985) and the actual implementation of this in 1992. It provided, for CARICOM, a signal that it now considered the CARICOM system an insufficiently viable economic base, in terms of its own orientation to Latin America and the Caribbean, in general. As is well known, the initial implication of this was the creation of the Caribbean Forum (CARIFORUM) that was designed to include both Haiti and the Dominican Republic. It was looked at initially with some reservation by CARICOM and indeed, with some trepidation by the smaller OECS countries, fearful of the opening of the EU market to growing Dominican Republic banana production.

The opening of the CARICOM-EU relationship to Haiti and the Dominican Republic was the beginning of a period, still continuing, of CARICOM uncertainty concerning how, and in what form, a relationship with the Dominican Republic should evolve, or could be elaborated. In the initial years after the signing of the Treaty of Chaguaramas inaugurating the Community, CARICOM Member States could feel safe from perceived competition in the relatively closed environment in which they were involved with the EU. Further, as an economic integration system, they felt that they could maintain their elaborated position, vis-à-vis the Dominican Republic and Haiti, that insisted that "deepening" of the system (movement from common market to single market and economy) should precede its geographical widening". In terms of this methodological approach, they avoided the issue of CARICOM's future geographic scope in the changing relationships of the Hemisphere. Specifically, it permitted them to avoid the

requests of both Haiti and the Dominican Republic to join the integration system.

By the mid-1990s however, the pressures of liberalisation put paid to this. Trinidad and Tobago, for example, had now shed, through its structural adjustment measures initiated in the second half of the 1980s, the protectionism previously provided by both national and regional policy, and was increasingly not centrally concerned with sustaining agricultural protection. In that context, it felt the need to expand its exports beyond CARICOM as hydrocarbon products became more prominent in those exports and national revenue, and unilaterally initiated discussions for free trade relationships with the Dominican Republic and Costa Rica.

In effect, the combination of this act and the Dominican Republic's determination to gain parity of access to EU markets now ensured in the future, *de facto,* further widening of the EU-CARICOM system, in spite of CARICOM hesitations in the Regional Economic Partnership Negotiations.

What these initiatives at "widening" indicated were three parallel initiatives that had been proceeding within the Basin, and which suggested a substantial diminution of the uniqueness, up to now, of CARICOM's location in international economic relations. The first is the widening of the EU-CARICOM relationship to encompass the previously excluded Northern Antillean states and, as a precedent, for an institutionalised relationship between the EU and the states of Central America.

The second is the US-DR-CAFTA process which the United States clearly decided to offer initially to the Central American countries, by way of setting a template for what the US must consider an inevitable, similar negotiation with the CARICOM states. The US would have been doing so cognisant of the fact that CARICOM had been maintaining, in its FTAA diplomacy, that there is a long-term integrity to the Caribbean economic space that must, over time, include Cuba. For this, subject to certain factors in the EU-Cuba bilateral relationship, is already the implication of Cuba's evolution to Observer status in the CARIFORUM.

On the other hand, the US has not yet grasped the fact that one of the bases of this CARICOM diplomacy vis-à-vis Cuba is that the dynamism of an evolving Cuban economy would be bound to have a major influence, in the future, on the environment of CARICOM regional and international economic relations, and that in that context, CARICOM countries take the view that certain institutionalized economic linkages with Cuba are necessary to ensure harmonious and balanced growth advantageous to themselves, in the Caribbean sub-region as a whole.

The third of the parallel initiatives has related to the economic implications of the wider economic diplomacy of EU-Latin American relations, and particularly to EU-MERCOSUR relations in which Brazil is the prominent element. Here, Brazil is determined to ensure balanced relations in any developing countries' free trade arrangements with the North Atlantic economy, particularly, in the short run, in regard to agricultural production and trade. (There is, of course, also Brazil's preoccupation with other issues, for example that of Intellectual Property). One implication of this was the negative fall-out for Guyana, in particular, (but also for Belize) of the WTO Tribunal's decision on the complaint by Brazil on the then existing EU sugar trade regime.

President Lula, on a visit to Guyana shortly after the WTO Tribunal decision was handed down, sought to assure the Government of Guyana that a solution to the issue of Guyana's sugar exports to the EU could be found that would allow the survival of the Guyana sugar industry. But it would appear that, implicit in this assurance, is a future collaboration between Guyana and Brazil that would provide markets for Guyana's sugar and sugar derivatives within the framework of Brazilian technological innovations in this field.

This can be deemed, at this time, a medium-term speculation; but it corresponds to the notion of a more integrated relationship of the countries of Northern South America, based, as we have seen, on the evolution of Brazil as an economic entity of substantial significance in international economic relations. I have discussed this elsewhere in terms of Guyana's initiatives and an apparent EU initiative towards a so-called Guyana Plateau initiative.[7]

The potential stretching, then, of the boundaries of CARICOM as they are now known, in extra-CARICOM directions as a consequence of these various external pressures, raises, as previously suggested, the question of the long-term integrity of the CARICOM arena as a single economic and, consequently, diplomatic, space.

Also worthy of examination in this regard are the implications of a re-arrangement of the provision of the CARICOM market's requirements for oil, as proposed by Venezuela. This reflects, as previously highlighted, an earlier Trinidad concern with the role of Venezuela in CARICOM, but at a time now when surplus financial resources have permitted the Trinidad private sector to make substantial financial and commercial investments, hastening a certain financial integration of the CARICOM subregion.

Related to this, however, is the trajectory of the Trinidad economy which, while dominant in the Caribbean sub-regional market, is on a somewhat different path from the traditional Caribbean (in plantation-type Best-Levitt terms[8]) economies, for Trinidad's economic development path potentially takes

it in the direction of wider Hemispheric integration and in particular, towards a substantial integration into the US economy, based on its hydrocarbon resources. Further, in the perspective of the Government of Trinidad and Tobago, it also takes the country towards a projected objective of being an industrial gateway to South America, though this latter is also a role that Panama, in the south-western Caribbean, has also projected for itself. (We might note too, in passing, that this orientation has induced Trinidad towards establishing a common security regime with the United States, designed to underpin the stability of its production/industrial environment).

The point being emphasised here is that as a variety of wider environmental pressures impress themselves on the CARICOM economic space, a holistic or collective diplomacy towards harmonising the existing integration space, and doing so also in relation to the external world, would appear to be becoming increasingly difficult. This is because the interest of some states in ensuring the coherence of the space is affected both by other intrusive factors, and by *de facto* external integration attractions.

We might also posit that this appears to be the case not only in relation to the economic sphere, but as the CARICOM arena is challenged by geopolitical pressures and interests that impinge on its member states' areas of concern. As suggested elsewhere,[9] the recent difficulties of Haiti, a member state of CARICOM, have provided an example of this, for we might almost say that, in the process of the removal of Aristide and putting in place of arrangements for political stabilisation and the establishment of a new regime, the CARICOM diplomatic position was negated to the extent not only of splitting the diplomatic harmony of the system; but also to the extent of a reduction of the role which CARICOM presumed itself to be capable of playing in decision-making relating to a fellow member state.

The widening of the treatment of the Haitian issue, to encompass a number of Hemispheric states which found common purpose with United States' medium-term objectives concerning Haiti—Canada, Brazil, Argentina, Chile-will have indicated to CARICOM the coming into existence of a multilateral framework for non-conflictual intervention and conciliation, in which the regional institution was not recognized as having an automatic place. It consequently implied minimal influence in the process of the resolution of the Haitian issue.

Put another way, CARICOM was not a part of any effective channels of communication or institutionalized diplomatic arrangements for consultation with the large non-US powers in the Hemisphere and found itself forced to stand aside in diplomacy relating to its own arena, for these middle hemispheric

powers have now begun to emerge as mediating or supporting elements, asserting themselves in multilateral cooperative modes in specific segments of the Hemisphere.

## Towards Tiers of an emerging multilateralism

The mid-2000 increases in commodity prices accompanied, unlike the post-1973 period, by a widening of the sphere of international demand and therefore a diversity of export markets for developing countries, has provided an opportunity for an emergence of states in the Hemisphere able to exert leverage over its evolution for what appears to be a more extended period than has hitherto been the case. This can permit, as would appear to be occurring in the context of the world trade negotiations, a more balanced evolution of relations between countries in the Hemisphere, and particularly, between themselves and the major power, the United States.

In sum, there is an element of dynamism in current Hemispheric relations which no single power can dominate or subordinate; and this appears to be increasingly permitting the practice of a more autonomous, or internally-motivated diplomacy by other (than the US) powers in the Hemisphere in relation to developments of both a political and economic nature within their arena.

The issue arising from a CARICOM perspective is: where can this sub-system locate itself in this emerging context of relations in its immediate geopolitical environment?

It has been observed that 30 years ago, in a context then of rising commodity prices, but one of a duopoly of dominance of both global economic and political relations, CARICOM, led by Jamaica and Guyana in particular, sought to locate themselves in the channels seeking to force the evolution of a New International Economic Order (NIEO), in which certain Latin American states played prominent parts. In the Hemisphere, CARICOM countries' adherence to SELA was intended to facilitate their initiative.

This permitted, for a time, the development of an identity of perspective that in turn could sustain a diplomatic coherence and outreach towards the Hemisphere, on the part of CARICOM states, which had hitherto not seemed possible. However, the major recession that occurred at the beginning of the 1980s in, *inter alia,* Latin America, effectively destroyed this emerging initiative and an incipient harmonization of CARICOM-Latin America diplomacy. That remains the situation today, though ameliorated by a degree of institutionalisation of CARICOM-Cuba relations, though not yet dealing with integration issues.

It has been argued recently, in the context of the present flexibility in Hemispheric political and economic relations that CARICOM, as one of the smaller subsystems of the Hemisphere, should seek to attempt an institutionalised outreach towards relevant larger members of that system. The objective of this would be to achieve a form of institutionalised multilateral cooperation in dealing with emerging issues relevant to the CARICOM sub-system, but which increasingly are influenced by actors and pressures outside CARICOM, given the current process of economic liberalisation, and a flexibility of action now permitted to some of the larger Hemispheric powers in the CARICOM environment.[10]

In that context, CARICOM states face a situation of relatively limited flexibility as they seek to come to terms with challenges to their traditional modes of interaction with major metropolitan powers (for example, the EU); and as larger developing powers engage with the North Atlantic countries in ways which can negatively affect CARICOM states' engagement with the international economy.

In such a situation, CARICOM needs to interpose itself particularly among such powers that exist in the Hemisphere, in order to be able to institutionally locate its own perspectives on a continuing basis. In the current period, it does not seem that the traditional institutions in which CARICOM functioned to that end, for example the G77, can meet CARICOM's objectives; while at the same time, the post-1970s institutions like SELA and the 1990s initiative of the ACS, have lost their salience. The relevance of wider hemispheric systems like the Rio Group, and an emerging system of periodic interaction between Latin American and Caribbean states might also be said to be too amorphous to give visibility to these smaller entities.

The view expressed here is that the externally propelled operational context which faces CARICOM at this time works against its effective participation in current multilateral cooperative approaches to development and security. This appears to be the case of the bilateralism of United States free trade area approaches which up to now lack methodologies which can provide for balanced development among countries of unequal endowments and development capabilities. The same can be said of the EU's approaches to reorganised relations with the Hemisphere, which, in the context of the EU's anxiety to position itself in relation to the emerging economies of Latin America, appear to give up traditional concessions made to the small states of the Caribbean, without alternative provision of arrangements for structural reforms permitting the development of new economic activities.

In the present context in the Hemisphere, there are indications in respect of some larger states/economies, that their own integration into systems like NAFTA, led by the major power, or into systems created via the WTO to facilitate their integration into the trading arrangements of the dominant economic powers and regions, will not avoid, or negate, unbalanced development in smaller regions located in proximity to them. This would appear to be the case in respect of Mexico's relationship with the countries of Central America-the Mexican approach appearing to be to facilitate modes of development in those countries appropriate to its own wider integration into the NAFTA.

On the other hand, Brazil would appear to recognise that, whether on its borders with other Latin American states or on its borders with the states of Northern South America, its own participation in the WTO system and its economic growth should not be prejudicial to their own development.

But thirdly, it is in this context of uncertainty concerning the effects of the economic growth patterns of these larger powers on smaller powers of the Hemisphere, that the third alternative of the Bolivarian Alternative (ALBA) has been posed. This provokes diverse responses in the small state regions of the Hemisphere, suggesting the need for a multilateral basis for agreeing on the reception, in the medium term, of short-and long-term structural assistance through this and the related PetroCaribe Initiative. In this context, the CARICOM response so far has not been through the institutional forums of the sub-system, but on an ad hoc and bilateral basis.

The view is therefore advanced that taking into account the requirement for response to the multiplicity of paths proposed towards Hemispheric integration and development at this time, CARICOM, given its status as having the smallest systemic size, and the subsystem which, given its specific late colonial history, has the least formalized consultation arrangements with its Hemispheric neighbours, should now take the initiative to seek to organize or (institutionalise) a system of multilateral consultation with them.

This would be intended to facilitate what appears to be now lacking: the continuing discussion and potential acceptance of CARICOM's perspectives of its place in the current emerging system of Caribbean-wide relations and the facilitation of its objectives by the larger Hemispheric powers through such institutionalized cooperation. The objective here would be to deliberately create an institutional environment that allows a specific and continuing focus on a structural integration initiative of a Caribbean economic space designed to involve the current CARICOM economic space.

As the countries of the North Atlantic economic system (competitive as they are) have found, common development of perspectives on an appropriate

pattern of economic growth across defined economic spaces must precede specific schemas and operational plans to that end; thus the existence of the Organisation for Economic Cooperation and Development (OECD), for example, as a forum essentially devoted to this purpose of preliminary and continuing definition of economic perspectives and harmonisation of policy orientations.

In the case of the various integration systems in the Hemisphere and in the pursuit of relations between these systems and proximate countries (like Cuba and the DR as far as CARICOM is concerned), no such process exists. At present, in terms of CARICOM's objective of developing a viable economic space in the wider Region, there is a lack of consultation on comparative economic objectives deliberately directed at the arena as a defined economic space. (The existence of Technical and Economic Cooperation Agreements, based essentially on attaining national objectives, do not appear to suffice).

There is, too, still minimal consultation in respect of Caribbean-wide responses to external environmental developments and pressures affecting the area. It is noticeable also that little effective cooperation exists between the regional and development banks of the states of the Hemisphere (no reference here is made to the IADB), instruments which could facilitate such consultation in the economic sphere.

This approach also speaks to the necessity for an institutional underpinning of a form of economic regionalism along the lines originally proposed by Manley. This is so because what has been called the stretching of the boundaries of CARICOM is becoming increasingly salient; and secondly, because the strength of CARICOM's capabilities for exercising autonomous, effective and beneficial intervention in the emerging hemispheric economic and political arrangements, particularly as they affect the CARICOM space, is limited.

The approach suggested here is that there needs to be created a specific institution that reflects a strategy of operating through tiers of multilateralism in the wider arena. A *Council of States on Caribbean External Relations and Development* is therefore proposed for the purpose of continuing consultation on issues relating, in particular, to the area of international economic relations affecting the Antillean economic space, and therefore constituted of the Antillean states plus Guyana and Suriname. This would serve as a networking system encompassing the CARICOM states and the other Antillean countries, and should be supported (in the interest of parsimony in institutional innovation) by an institutional base served by a linked relationship between the Caribbean Development Bank and the main development institutions of other Antillean states.

It must be borne in mind that the rimland countries are already networked in the Andean Development Bank, that the proposed Venezuelan Bank of the South indicates support for integration functions as well; and that Brazil has elaborated its own development/aid and regional infrastructure integration institutions. An effective CDB networking with these, in respect of concerting developing objectives relating to the Antillean economic space, would be necessary.

It should be reiterated that such an institutional arrangement is intended firstly, to focus on policy perspectives issues related to the creation, integration and sustenance of a Caribbean economic space—facilitating the relationship between the CARICOM Single Market and Economic space and that of the CARIFORUM countries and Cuba, and for the purpose of economic integration and the development dimensions of the wider space.

Secondly, it is intended to focus on facilitating a development policy nexus between the Caribbean-wide space and the spaces of the countries on the rim of the Caribbean Sea, the larger Hemispheric geographical countries, whose own development patterns will inevitably have a significant influence on their CARICOM neighbours. The proposed institution would therefore also provide a basis for conducting coherent multilateral discussions and relations concerning the Caribbean space at that level. In this connection, it is noted that the CARICOM Regional Negotiating Machinery and Secretariat have had immense difficulty in achieving acceptance of any specific operational content of a so-called "development dimension" to the Regional Economic Partnership Agreement negotiated between the CARIFORUM and the European Union.[11]

We believe that this is partly because, while there is commitment to broad conceptions, the trade dimension of the Regional EPA has tended to take precedence. In that context there is, therefore, no clear guidance emanating from the Caribbean on what would constitute the main elements and long-term infrastructural bases of a viable regional economic space.

Neither the CRNM nor the CARICOM Secretariat has the capability for this, which is rather the work of specifically development institutions, of which the CDB is the exemplar for the CARICOM area.

It is proposed that this *Council on Caribbean External Relations and Development* should, therefore, constitute a foundation for connecting the priorities of the Antillean states in their determination to create a viable economic space, to the development perspectives/priorities and resources which the rimland states—Brazil, Venezuela, Mexico, Colombia-can bring in an ordered fashion to bear on Caribbean development priorities. The "dual integration perspective" of the states on the boundaries of the CARICOM system, to which references have already been made, makes this a priority if Caribbean political and economic

coherence is to be maintained. The mix of states involved in the diversity of relationships, and with different kinds of leverage over the globe as a whole, would maximize the planning capabilities of the smaller states of the sub-Region.

This Council would therefore also necessarily be constituted as a forum for continuing exchange of views and prioritizing of development options between these two categories of Hemispheric states—the Antillean and the Hemispheric middle powers. It would also be required to focus on issues of international political and economic relations which impinge on the Antillean states, as smaller entities with limited resources for engaging with a changing international environment.

Finally, it follows from this that it should have a technical apparatus appropriate to the achievement of these objectives, while also maintaining a dependence on the existing development institutions in the Hemisphere, oriented to an integrated spaces approach.

## Conclusion

This perspective suggests that the time has come for a more deliberate recognition of the significant and constraining effects which the contemporary dynamism in both global and hemispheric, political and economic relations have had, and will continue to have, on the small states of the Caribbean area. This is obviously most pointedly so in the rupture of the traditional interconnections which have linked them to specific metropoles over long periods of time, a rupture which is forcing new thinking on the future location of the Antillean states in the global political economy.

The rupture also means that the assumption that traditional metropoles will be willing, or can be depended upon, to protect or advance the priorities of Caribbean states in international relations is no longer valid. It would appear that CARICOM states, from hard experience in the last two decades, are coming to this realization.

Major structural changes, whether in the domestic or international political economy, imply corresponding major changes in the institutional structures for planning, negotiation and implementation of agreed priorities. The CARICOM states themselves now need to recognize that the institutional arrangements for cooperation and international negotiation which they devised to underpin the Treaty of Chaguaramas and then the Revised Treaty establishing the CARICOM Single Market and Economy, are no longer appropriate to the present circumstances.

In effect, from a CARICOM perspective, the present circumstances call, in this era of metropolitan states-managed globalisation and liberalisation, for a more extensive Caribbean economic space than CARICOM now occupies. The purpose of this is to ensure a greater diversity of material and human resources and then the diversity of global connections, necessary for planning for cohesive development and capabilities, to match their objectives to the new environment within which they are now constrained to exist.

What, at the beginning of this paper, was referred to as the "Four Countries Initiative" of taking the challenging decision to establish diplomatic relations with Cuba, now needs to be taken another step further. That initiative met CARICOM's need for ensuring, in the Cold War context of the Caribbean, a diplomatic coherence in the wider Region, irrespective of a degree of diversity of objectives and ideologies, as more and more states became independent, or took charge of their destinies.

Adjustment of CARICOM's current structures in the direction of a greater institutional cohesion towards coordinated development, and towards developing a capacity for international engagement from the location of the wider Antillean sub-Region of the Hemisphere, now seems to be the next appropriate initiative.

## Notes

- This paper was prepared for presentation at a Conference in Havana, Cuba, 9th December 2007 sponsored by the CARICOM Ambassadorial Group in Cuba, to mark the 35th Anniversary of the establishment of diplomatic relations between the Governments of Barbados, Guyana, Jamaica, and Trinidad and Tobago in 1972 and the Government of Cuba.

1. *Stabroek News,* (Guyana) December 18, 2002.
2. Michael Manley, *The Politics of Change.* (London: Andre Deutsch, 1974).
3. For Manley's retrospective view of the period, see Michael Manley, *Up the down Escalator: Development and the International Economy—A Jamaica Case Study* (Wash. D.C.: Howard Univ. Press, 1987).
4. See for some discussion, "Inheritances of Plantation Economy: International Relations of the Caribbean" in Selwyn Ryan (ed) *Independent Thought and Caribbean Freedom* (Sir Arthur Lewis Institute of Social and Economic Studies, University of the West Indies, 2003, pages 353-88.

5. Prime Minister Patrick Manning, "In the Name of Development", Speech at the Launch of the BG/T&T Energy Luncheon Meeting, *Trinidad Guardian,* September 20, 2006
6. The Commission, established in 1989, was chaired by Sir Shridath Ramphal. The present writer was a member of the Commission.
7. See article cited at note 3 above.
8. See the work in this regard, elaborated from the 1960s Lloyd Best and Kari Polanyi Levitt, published in *Essays on the Theory of Plantation Economy* (UWI Press, 2009).
9. "CARICOM Diplomacy and CARI-COM-US Relations", the *Integrationist* Vol. 3 No. 1 (June 2005).
10. Vaughan Lewis, "Canada-Caribbean Relations in the Hemisphere", mimeo 2006.
11. It can be argued that the Inter American Development Bank should play a role in this regard, and that the appropriate networking, in respect specifically of integration projects, would be between itself and the CDB. On the issue of South American infrastructural integration see, for example, the series of articles in IADB-INTAL *Journal, Integration and Trade,* January-June 2008.

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# THE NEW GEOGRAPHY OF BRAZIL-CARIBBEAN ECONOMIC COOPERATION

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## 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 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 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 intraregional 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 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 & 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 the 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 | 6.2 | 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 | 30.8 | 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 13.2 Brazil Imports (fob)From 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 | 8.2 | 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 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 and the CAFTA-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 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 intraregional 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

**Table 13.3 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, May 2007, http://www.imfstatistics.org/DOT/ImfBrowser.aspx

**Table 13.4 Argentina Imports (c.i.f) From 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 May 2007 http://www.imfstatistics.org/DOT/ImfBrowser.aspx

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.

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. Biregional 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 extraregional 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.

## Notes

1. Nelson Motta, "Brazil Doubles Exports to the Caribbean," *Brazzil Magazine,* April 25, 2006, http://www.brazzilmag.com/ content/ view/6192/54/; Brazil TradeNet, Government of Brazil Ministry of External Relations, Trade Statistics, http:// www.braziltradenet.gov.br/ frmdefault. aspx?lang-I.
2. Irma T. Alonso, ed., *Caribbean Economies in the Twenty-First Century.* (Gainesville, FL: University Press of Florida, 2002), page 23.
3. Paulo Sotero, Thinking Brazil No.24: "Economic Policy and Prospects for Reform: Lula's Second Administration," Brazil Institute, Woodrow Wilson International Center for Scholars, Washington, DC, http://wilsoncenter. org/topics/pubs/ ThinkingBrazil_24.pdf.
4. Dominic Wilson and Roopa Purusho-thaman, Global Economics Paper No. 99, "Dreaming with BRICs: The Path to 2050," Goldman Sachs, October 1, 2003. According to the coined BRICs thesis,—an acronym for Brazil, Russia, India and China—these economies together could be larger than the G6 (US, Japan, UK, Germany, France and Italy) in dollar terms in the next 50 years.

5. Investment-grade standing gives a country greater access to international capital at lower borrowing costs. Moody's Investors Service is the remaining major ratings agency to assign a speculative grade status of Ba1, which is one level below investment grade, to Brazil's sovereign debt rating.
6. Otaviano Canuto, Vice President for Countries, Inter-American Development Bank, quoted in Layton, Matthew, "Brazil Institute Discussion Brief: Brazil's Emerging Economic Power: Now InvestmentGrade and Why It Matters," Brazil Institute, Woodrow Wilson International Center for Scholars, July 2008. http:// www.wilsoncenter.org/events/docs/brazil.discussionseries.onthehill.pdf.
7. Brazil is also now the 10 th largest market in the world, as measured by the MSCI All Country World index, with a free float market capitalization of US$509 billion.
8. Economatica Study quoted in RedOrbit. Com, "Petrobras and Vale Are Two Largest Companies in Latin America," January 13, 2008, http:// www.redorbit.com/ news/business/1213799/petrobras_and_ vale_are_ two_largest_companies_in_lat-in_america/index.html.
9. Of the 25 largest companies in North America, Petrobras is in the fifth place, following Exxon Mobil, General Electric, Microsoft and AT&T, while CVRD is in the 18th position. Economatica Study quoted in the Arab Brazilian Chamber of Commerce, "Petrobras and Vale are two largest companies in Latin America," January 13 2008, http://www.anba.com.br/ ingles/noticia.php?id=17083.
10. There are over 40 million Brazilians living on less than $2 a day, and nearly 20 million on less than $1 a day. UNDP, *Human Development Report,* 2003.
11. IBSA formed in 2003 is a developmental initiative among India, Brazil, and South Africa to promote South-South cooperation and exchange.
12. Anthony T. Bryan and Andres Serbins, eds., *Distant Cousins: The Caribbean-Latin America Relationship.* (Miami, FL: North-South Center Press, University of Miami, 1996), pages1-12.
13. Nelson Motta, "Brazil Doubles Exports to the Caribbean," *Brazil Magazine,* April 25, 2006. http://www.brazzilmag.com/ content/view/6192/54/.
14. Caribbean Regional Negotiating Machinery (CRNM), *CARICOM-MERCOSUR Private Sector Trade Note (Final),* December 5, 2006 http://www.crnm.org/ documents/private_sector/CARICOM-Mercosur_trade_note.pdf.
15. Matthew L. Wald and Alexei Barrionue-vo, "The Energy Challenge: A Renewed Push for Ethanol, Without the Corn," the *New York Times,* April

17, 2007; Michael Grunwald, "The Clean Energy Scam," *Time Magazine,* April 7, 2008; Paul Constance, 'The Age of Ethanol?" Inter-American Development Bank, IDB America, August 2006. http://www.iadb. org/idbamerica/index.cfm?thisid=4257.

16. Michael Grunwald, "The Clean Energy Scam," *Time Magazine,* April 7, 2008.
17. Paul Constance 'The Age of Ethanol?" Inter-American Development Bank, IDB America, August 2006 http://www.iadb. org/idbamerica/index.cfm?thisid=4257.
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# 14

# CHINA IN THE CARIBBEAN: EAST ASIA MEETS WEST INDIES

*Daniel P. Erikson and Paul J. Wander*

During the past twenty years, the People's Republic of China (PRC) has experienced near double-digit economic growth that has transformed the most populous nation in the world into a major economic competitor with the United States and other significant developed countries. By contrast, the small nation-states of the Caribbean have struggled to achieve economic growth, are paid scant attention by larger global powers, and rank among the hardest hit by the global recession. On average, the Caribbean has underperformed most developing countries worldwide, while China and other East Asian nations have led the developing world in economic performance. Whereas large scale economic growth has been the key to China's increased role on the world stage, the Caribbean has had difficulty in finding its niche in the global economy and has found itself largely off the radar. In strictly economic terms, the Caribbean is of negligible importance to China, but the region has also emerged as an important battleground for China and Taiwan as the home of a dwindling number of states that do not subscribe to the "One China" policy.

As China became an increasingly influential actor on the world stage, it demanded the diplomatic recognition that for years it had been denied. After Chiang Kai-shek and his Republican Army fled to the island of Taiwan in 1949, ceding the mainland to Mao Zedong and the PRC, the western world, led by the United States, did not offer official recognition to Beijing. Instead, Taipei was recognized and the Republic of China (ROC) that operated there represented 'China' in the global political structure that emerged following World War II. The PRC was ignored in the context of the Cold War and it was not until President Richard Nixon traveled to Beijing in February 1972 that détente began.

Rapprochement was finalized 7 years later by President Jimmy Carter when the United States formally recognized that "there is but one China and that Taiwan is a part of China." Territorial sovereignty remains the most sensitive foreign policy issue to the PRC and wresting diplomatic recognition away from Taipei has been the mission of the 'one-China' policy that has driven Chinese diplomacy for the last half-century.

The 'One China' policy makes diplomatic recognition of the PRC or the ROC a zero sum game, which means that Beijing will not maintain relations with any state that recognizes Taipei. Only 23 nations maintain relations with the island nation and Latin America and the Caribbean account for half of these, making the Caribbean Community (CARICOM) a competitive arena in which both Beijing and Taipei have a strong interest. Five CARICOM states, Belize, Haiti, St. Lucia, St. Kitts and Nevis, and St. Vincent and the Grenadines recognize Taipei over Beijing, but the support of these Caribbean nations often comes down to dollars and cents. China, in competition with Taiwan, offers economic support to the Caribbean through trade, aid and investment, which returns the favour—for the most part-by maintaining the 'One China' policy.

## The Economic Relationship: A Marriage of Convenience?

Economic openness has been at the core of the process of globalisation that has taken place in recent decades. Dramatic advancements in technology have lowered barriers to entry, minimised transportation costs and maximized specialization so that production of goods and services may take place wherever competitive advantage dictates. More often than not, economies of scale dominate. Countries with an abundance of labour have gained from this dynamic using high returns to labour to generate a cycle of investment and spending that has catapulted once impoverished nations out of dire poverty, while other nations have remained locked out of globalisation by tariff and non-tariff barriers to trade, incomplete institutional support and a variety of less measurable qualitative factors. Growth in nations like China and India has not solved those countries' development issues by any means, but their participation in the new economic globalisation has given other developing nations both hope and fear: hope that they might follow the 'Asian tiger' model of rapid development, and fear that the size of the Asian markets will overwhelm them with economies of scale.

In the last quarter century, world trade has expanded and become more diverse. In 1980, trade in agriculture, food, minerals and oil accounted for almost 80 per cent of globally traded items. By 2005, this amount fell to less than 40 per

cent due to expansion of trade in chemicals, textiles and light manufacturing.[1] Trade in services has increased relative to trade in commodities and countries that have learned to harness the increasing demand for services have fared better than most. Technology is more rapidly diffused than in the past, which has spurred internal debates within the World Trade Organization (WTO) involving intellectual property rights and other issues of technology sharing. More rapid dissemination of technological advancements means that developing countries have greater opportunity to more rapidly 'catch-up' in development terms to the industrialised world.

In the process of globalisation, China and the Caribbean have played distinct and often opposite roles. China, with a population of over 1.3 billion, began a process of gradual economic liberalisation in the late 1970s that has dramatically altered the global economy through positive shocks to global supply and demand. Since then, China has been the darling of the developing world with growth rates that more than double the 4% average of all developing countries. While there are similar examples of dramatic growth in Ireland, Korea, India and Singapore, much of China's attractiveness to investors is based on still untapped potential. The islands of the Caribbean have experienced the last three decades very differently. Once globally coveted producers of exotic raw materials, the Caribbean has, for the most part, lost preferential access to European and North American buyers, which dealt a harsh blow to Caribbean ambitions to be a major exporter of agricultural products. The sugar and banana industries that once demanded high world prices are now undercut by the subsidised agriculture of larger countries where economies of scale can be achieved with ease. Despite these problems, Caribbean economies appear well-off relative to their Latin American counterparts but have struggled to attain sustained growth. Furthermore, the global financial crisis that began in the United States in late 2008 has hit the Caribbean hard, and has muddied the prospects for future growth. China has been a primary driver and a primary beneficiary of world economic growth while the Caribbean has, for the most part, been a reactor to it. It is this difference that makes China an alluring, yet potentially dangerous, economic partner.

Since independence, the nations of the Caribbean have managed to sustain a reasonably high level of social well-being. Life expectancy is well into the seventies, illiteracy is in single digits for the most part, and with Haiti and Cuba aside—stable democracies have led to modest growth.[2] The islands also have functional institutions of governance, despite lingering problems. Since independence, democracy has been a bulwark of society in most of the Caribbean and judicial and legislative traditions supersede hemispheric averages. However, in economic terms, the nations of the Caribbean have struggled to break out of

mediocre development despite relatively strong institutional support. Once net exporters in the mercantilist system of colonial development, these islands are now suffering from centuries of imperial rule. Globalisation and the removal of trade barriers have caused a decrease in the world price of sugar and bananas—the primary agricultural products of the Caribbean. Europe and North America demanded these and other agricultural products en masse from the Caribbean during the colonial era. While this demand has not subsided, world supply has increased such that the local price of agricultural products in the Caribbean is no longer substantially less than the world price. Sugar producers in Brazil and Australia can reportedly produce a pound of sugar for 7 cents, while costs in the Caribbean range from 18 cents per pound in Guyana to 40 cents per pound in Jamaica.[3] Banana producers in the Caribbean have felt a similar squeeze. Windward Island exports of bananas have decreased 90 per cent since 1990 and agriculture now represents just 6.5 per cent of GDP in the Eastern Caribbean Currency Union (ECCU).[4] While Guyana, Jamaica, Belize and other remaining sugar producers around the Caribbean basin are hopeful that the world's energy needs will encourage a spike in the world price of sugar (as ethanol production increases), they remain skeptical that agricultural production will be sustainable in the long term.

In addition to facing countervailing global economic forces, the Caribbean also sits in one of the most disaster prone areas of the world. The damage caused by hurricanes and other natural disasters is amplified by the small size of most Caribbean countries. While hurricanes can have devastating impacts on developed countries, as proved by the impact of Hurricane Katrina on the United States in 2005, this effect is magnified in much smaller island communities. In an index of the most disaster-prone regions published by the International Monetary Fund (IMF), the ECCU ranks fifth of 75. Hurricanes may be slightly less predictable than changes in the global market for tropical agriculture products—but they each present equally challenging exogenous shocks that have hampered Caribbean economies since independence.

To fill the void left by the diminished agricultural sector, Caribbean nations have increasingly relied on remittances and tourism. Tourism is a clearly defined industry that utilizes the Caribbean's most abundant assets—sand and sea. It represents a shift to the service sector, which economists hail as necessary in the new world system, but maintains a reliance on foreign whim and is still vulnerable to hurricanes. From 1995 to 2001, tourism contributed significantly to regional GDP growth as the Caribbean expanded its share of worldwide tourist arrivals and tourist receipts.[5] However, the slowdown in travel following the September 11 attacks in the United States caused a contraction in the tourist market for the

first time since 1990. Nonetheless, the tourist industry will certainly continue to play a significant role in the Caribbean economy as tourism from Asia expands. Cuba was one of the first nations in the Caribbean to explicitly cater to Chinese tourists, becoming the first country in the Western Hemisphere to be granted Approved Destination Status by the Chinese in 2003. Since then, Antigua and Barbuda, the Bahamas, Barbados, Grenada, Jamaica and Saint Lucia have been granted similar status, but Caribbean tourism is still dominated by Europeans and North Americans.

Remittances from the Caribbean Diaspora abroad are an important source of capital in the Caribbean. Because foreign direct investment and development aid have been low in the region, the money sent from family members abroad has played an important role in the development of small businesses and in poverty reduction. Worker remittances total almost 20 per cent of regional GDP in the Caribbean.[6] Still, such dependence on outside sources for income comes with a price. The global economic downturn of 2008-2009 caused severe contractions in remittances, with Central America and the Caribbean estimated to see a 7 percent decline in 2009 receipts, down from the $328 billion received the previous year.[7] While it is clear that remittances and tourism represent critical sources of foreign exchange for the Caribbean, both areas remain vulnerable to external shocks and the development hopes of these nations should not be hinged on such fragile pillars.

Against this admittedly mixed economic backdrop, trade between China and the Caribbean has expanded dramatically in recent years. Between 1990 and 2008, CARICOM-China trade grew by a factor of 100, from a paltry $20 million to over $2 billion.[8] Antigua and Barbuda is China's top trading partner in CARICOM, with trade worth about $600 million reported in 2008. Trinidad and Tobago, Jamaica, The Bahamas, and Dominica round out China's top five CARICOM trading partners. For these nations, trade with China is surely a boon, but because China has little demand for CARICOM products or services, trade is heavily one-sided. In 2008, 93 per cent of CARICOM-China trade came in the form of Chinese exports. Only Dominica approached a balance of trade, exporting over $60 million in goods to China in that year.

In the last ten years, Chinese exports have consistently made up more than 70 per cent of total trade.[9] This imbalance is cause for concern but is more indicative of Caribbean economic problems than of problems in the Sino-Caribbean relationship per se.

Though the economies of Caribbean countries have shifted in recent years from their reliance on agricultural products like sugar and bananas toward more service-oriented initiatives, they remain subject to external forces for a significant

portion of their livelihoods. At the moment, China is relatively unencumbered by such exogenous economic restraints and as such, they are willing to offer economic support, in the form of increased trade and aid, in exchange for support on the issue with which they are most concerned: the one-China policy.

## The Taiwan Issue: CARICOM's Place in the Cross-Straight Conflict

While increasing economic and political ties between China and the Caribbean have begun to attract attention from U.S. policymakers in the past few years, the extent to which Beijing's foreign policy is motivated by its desire to isolate Taiwan internationally is often overlooked. An appreciation of this crucial dimension of Chinese foreign policy is indispensable to understanding the possible repercussions of China's rising influence in the global system.

The conflict over Taiwan's sovereignty stems from China's claim that the island is rightly a province of the PRC that must be "reunited" with the mainland, by force, if necessary. During the Cold War, the Republic of China on Taiwan was viewed as a satellite of the U.S. and a key link in the chain of islands stretching from South Korea to Singapore that was central to the American containment strategy against the spread of communist influence in the Pacific. The U.S. consequently invested substantial infusions of capital and technology transfers instrumental in Taiwan's successful economic development. Though President Jimmy Carter normalized relations with Beijing in 1979 and closed the American embassy in Taipei, there are still significant "non-official" interactions between the two governments. Moreover, the U.S. is legally obligated under the 1979 Taiwan Relations Act to provide the island with the military capacity to defend itself against the mainland. Within the post-Cold War context, American officials and military analysts of all persuasions consider the Taiwan Strait a major flashpoint for regional and even global security—a view reinforced by China's rapid military expansion over the past decade and the 800-plus missiles it has currently deployed in the 100-mile strait separating the island from the mainland.

In addition to its campaign of military intimidation, Beijing has pursued a sustained policy of isolating Taiwan diplomatically, most often by promising large sums of aid to the rapidly dwindling ranks of the latter's allies. As of the summer of 2009, there were only 23 countries in the world which officially recognize Taiwan. The fact that many of them are island microstates or poor, developing nations with little political or economic influence in the international system has not discouraged Beijing from lavishing attention on them. In June 2007,

Costa Rica succumbed to pressure from the PRC to become the first Central American nation to leave Taiwan's camp, sparking fear in Taipei of a potential 'domino effect' of further defections Although the Caribbean and Central American countries involved in the grand geopolitical chess match have little clout individually, together they represent the most significant group of nations caught in the cross-strait tug-of-war.

In CARICOM, Taiwan's alliances have been whittled down to just five countries: Belize, Haiti, Saint Lucia, St. Kitts and Nevis and St.

Vincent and the Grenadines. The Bahamas defected in 1997, and the island nation of Dominica severed ties with Taipei in 2004. Not long after that, Grenada-still grappling with the legacy of the communist takeover that prompted U.S. military intervention in 1983-turned its back on the staunch anti-communism rooted in the Cold War era to open its arms to China in 2005. Meanwhile, beginning when Chile's socialist president Salvador Allende formally recognized the PRC in 1970 (a decision subsequently upheld by the right wing dictator Augusto Pinochet), South American powers switched over one by one throughout the 1970s and '80s and today, Paraguay is the lone holdout on the continent against China's diplomatic overtures.

As the poorest country in the Western hemisphere and the only country in the Americas with a UN peacekeeping mission, Haiti treads carefully around the ChinaTaiwan conflict, gaining resources and much-needed aid from Taiwan, on the one hand, while seeking the international support of China in the UN, on the other. Taiwan has delivered millions of dollars in aid in recent years, including financing for infrastructure projects like roads and the national soccer stadium, as well as food aid in the form of rice. But because Haiti maintains relations with Taiwan, China has used its increased leverage in the international community to attempt to punish Haiti for its support for Taipei. In 2007, Haiti's tenuous relationship with China threatened to affect the UN peacekeeping mission there when Haitian officials offered support for Taiwan at the UN. With a veto threat from the Chinese, the UN Security Council voted to extend the MINUSTAH mandate by 8 months, instead of the 1 year recommended by the Secretary General. Still, China does appear committed to peacekeeping in Haiti for the long run as long as Haiti avoids direct engagement with Taiwan. Recently the UN voted to extend the MINUSTAH budget by a full year without trouble, and in June, Beijing sent an 8th unit of 125 riot police to support the international peacekeeping mission in Haiti.[10]

China also lacks formal diplomatic relations with the Dominican Republic but with different results. Trade between China and the Dominican Republic goes on, despite the lack of formal ties, to the tune of 490 million dollars per year.

Haitian trade with China is less than 15 per cent of Dominican trade, despite similar size, location and relationship with Taiwan. This difference can primarily be accounted for by Haiti's development problems (Haiti's per capita GDP is less than 25% of the Dominican Republic's) and is exacerbated by Haiti's promotion of Taiwan in international institutions.

Among the Latin American countries that do not have official ties with Taipei, many nevertheless maintain good "non-official" relations and mutually operate missions disguised as non-profit foundations or businesses in their respective capitals. Similarly, the lack of diplomatic links has not prevented China from undertaking trade with nations that recognise Taiwan. In 2008, 91.5 per cent of Sino-CARICOM trade was with countries that recognize Beijing. Only 8.5 percent of China's trade was with countries that recognise Taipei despite the fact that more than half of the people in CARICOM live in states allied with Taiwan. (Though this statistic is skewed by the fact that Haiti, with its population of over 9 million, maintains a relationship with Taipei over Beijing.)

Much has been made of China's advancement in the Caribbean at the expense of Taiwan, but the most recent case of Saint. Lucia has encouraged another look at the sustainability of the Chinese presence. While a core feature of Chinese diplomacy is a stated preference for non-interference in other nations' affairs (mostly vis-à-vis the Taiwan conflict), recognition of China has become an internal political issue in many of the nations courted by China, Taiwan, or both. In Saint Lucia, the China-Taiwan debate became heavily polarised along political lines leading up to the 1997 election of Dr. Kenny Anthony as Prime Minister. As a result, recognition of China became a domestic issue with Anthony's party, the Saint. Lucia Labour Party, supporting Beijing while Sir John Compton, leader of the United Workers Party (UWP), favoured Taipei. These internal divisions are often rooted in ideological differences but enhanced by the "dollar diplomacy" practiced by both China and Taiwan in the Caribbean. Taiwan responded by offering benefits to the UWP and suddenly diplomatic recognition of China became a hotly disputed internal debate. This debate was only loosely linked to the ideology of past Cold War frameworks, but clearly deepened by the quest to obtain economic benefits. When Anthony was elected prime minister in 1997, he switched allegiance from Taiwan to China within the first four months of his administration. During his administration, Saint. Lucia was the recipient of much Chinese aid, especially in preparation for the Cricket World Cup, hosted by the West Indies in 2007. Four key Chinese aid projects, including the construction of a national stadium and a psychiatric hospital, were used to woo the tiny nation out of the dwindling ROC fold. Nonetheless the

extent to which China's 'internal affair' with Taiwan was a domestic issue in St. Lucia came back to haunt it when Compton was elected again.

The general election of December 11, 2006 saw a return to power of two-time Prime Minister Compton who narrowly defeated the Anthony-led SLP that had been in power since 1997. When the SLP was defeated in December, Saint Lucia's position on the ROC recognition issue was once again in question. With a population of almost 170,000 and an estimated GDP of $1.8 billion, the tiny nation of the Lesser Antilles managed to become a key fighting ground in the geopolitical battles for diplomatic recognition between China and Taiwan. Taiwanese Foreign Minister James Huang visited Saint Lucia secretly following the UWP victory last December and met with Compton and other government diplomats. However, Compton repeatedly reassured the Chinese saying that such external affairs should not be subject to the whim of the electorate. Nonetheless, on April 30, 2007, Saint Lucia formally recognized Taiwan and within a few days China withdrew its diplomatic corps. To some, this transfer was hailed as a passing of the torch back to Taiwan in the Caribbean, others see it as merely a bump in China's path to worldwide recognition. In reality, Saint Lucia's switch does not represent a turning of the tides back to Taiwan but instead, merely re-emphasises the fact that recognition of China or Taiwan in the Caribbean is not an ideological issue, but instead one fuelled in part by economic pragmatism.

Nonetheless, Taiwan's alliances with countries of the Caribbean are linked to some extent by lingering values-based affinities, stemming from the anti-communism of many governments during the 1970s and '80s but more recently, from shared experiences of independence and democratic transition. After several decades under the authoritarian rule of the Nationalist Party *(Kuomingtang,* or KMT), a moment of political opening in the late 1980s launched the island on a path of gradual liberalisation, paralleling Latin America's contemporaneous wave of democratisation, to become one of the most vibrant, if sometimes unruly, democracies in Asia. As one of the so-called "Asian Tigers," Taiwan is also perceived by policymakers throughout both friendly and non-allied countries in Latin America as an enviable model for fomenting rapid economic, industrial and technological development. Speaking at the Taiwanese presidential palace during a recent visit, President Leonel Fernández of the Dominican Republic drew attention to the country's transformation from a society fighting for mere survival to "an economic miracle drawing respect, recognition, and admiration on a global scale."[11] Officials openly advocate emulating Taiwan's path to prosperity, and Taiwan readily makes itself available as a tutor to other developing economies, annually deploying dozens of technical assistance teams that share expertise in fields ranging from agriculture, fishery and pest control,

to nanotechnology. Perhaps more importantly, Taiwan has long been one of the most consistent aid donors to a region that feels neglected by the international community. It is a major donor to Haiti, St. Kitts and Nevis, St. Vincent and the Grenadines, and also offers significant resources for disaster relief, which follows naturally from the island's frequent experiences with earthquakes and typhoons.

China's search for energy resources and other commodity inputs to fuel its economic development has placed Latin America, and to a lesser extent the Caribbean, on its radar, as evidenced by the quickening pace of highlevel visits between Beijing and the Caribbean. Sino-Cuban cooperation on health, tourism and agricultural issues, and promised that Cuba would supply more than 10,000 tons of nickel to China in 2007.[12] The third round of consultations between China and the Caribbean states with whom they have relations took place in The Bahamas in 2008 and both parties agreed to expand economic cooperation under the auspices of the China-Caribbean Economic Forum. This meeting of the respective foreign ministry representatives is held every two years and recently led to expansion of Sino-Caribbean cooperation on cultural and scholarly exchange, tourism and human resource development.

In the Caribbean, China is less concerned with supplying its manufacturing juggernaut with raw inputs than in the rest of the Western hemisphere. The economies of the Caribbean and China are not complimentary in the mercantilist sense or in a broader economic context; but neither are they competitors. The Chinese tourist market is substantially different from the Caribbean one because of geological and cultural factors. Furthermore, unlike Mexico or perhaps, Central America, the Caribbean has not seen the loss of valuable manufacturing sectors in the face of rising Chinese exports. In fact, the Caribbean lost the comparative advantage in these sectors long before China emerged as an economic powerhouse. For their part, Caribbean governments are intrigued by the idea of China as a potential partner for trade and investment. As a rising superpower without a colonial or "imperialist" history in the hemisphere, China is in many ways a more politically attractive partner than either the U.S. or Europe for some politicians confronted with increasingly anti-American constituencies. Nevertheless, most analysts recognise that the Caribbean's embrace of China—to the extent that this has actually occurred—is intimately linked to their perception of neglect and disinterest from the United States. The skepticism of the mainland also tends to run deeper among the smaller economies such as those of the Caribbean, which do not enjoy South America's abundance in export commodities and are thus more inclined to view the competition posed by the endless supply of cheap Chinese labour as a menace to their nascent manufacturing sectors. But even as China seeks to reassure the U.S. that its interests in South America are purely

economic, the rumours of secret meetings between the Chinese and Central American, Paraguayan, or Dominican officials persist. Beijing has also reportedly enlisted the influence and leverage of regional powers—Mexico, Argentina and Brazil—in its effort to woo Central American and Caribbean diplomats. China's attentions towards Central American and Caribbean countries in excess of what would be merited by the size of their markets or potential export offerings can only be explained by the fact of those states' continued recognition of Taiwan.

Meanwhile, gaining confidence from its ever-expanding economic prowess, China is learning quickly to play the dollar diplomacy game. The PRC has an advantage over Taipei in this endeavour to the extent that its foreign ministry operates unconstrained by the scrutiny of either a legislature or independent media, and its willingness to dig into its deep pockets have already paid some dividends. Dominica's Prime Minister Roosevelt Skerrit switched recognition in 2004 after receiving a pledge from Beijing of $112 million over a six-year period. Though in 2003 Grenadian Prime Minister Keith Mitchell said that maintaining relations with Taiwan is "practical," by 2005, he had changed his tune, signing a joint communiqué in support of the "one China" policy. In exchange, Beijing promised financial assistance to rebuild and expand Grenada's national stadium for the 2007 Cricket World Cup; construction of 2,000 housing units; new hospital facilities; agricultural support; a $6 million grant to complete projects previously financed by Taiwan, and an additional $1 million scholarship fund.

All of Taiwan's allies in the Western hemisphere are under continually building pressures to formalize their budding ties with Beijing given the increasing weight of the Chinese economy in the global system overall. At this juncture the loss of even one of these key allies would represent a damaging reversal for Taiwan, although a potential boon for the Caribbean countries that seek to solidify ties with a rising China.

It is unclear just how much urgency Beijing attaches to the goal of winning over diplomatic holdouts in Central America and the Caribbean. Some analysts note that the PRC does not lack the resources to outbid Taiwan if it came down to a matter of pure money diplomacy. The current president of Taiwan, Ma Ying-jeou, made reduction in cross-strait tensions a priority in his campaign, promising to open economic and educational exchanges with the mainland. While the prospects of open conflict between Taiwan and China have decreased recently, the PRC will not feel its rise to power is complete without returning Taiwan to the Mainland's political control.[13] However, China might be softening its stance toward Taiwan and becoming more willing to accept the status quo in the short term, which perhaps reflects in part the rising confidence in Beijing that as far as the cross-strait conflict is concerned, time is on their side. The

implication is that China is less inclined to go fishing for new allies in the Western Hemisphere for the time being. But if the calculations of the PRC leadership are correct, it may also mean that Taiwanese diplomats stationed throughout Central America and the Caribbean are fighting a losing battle. The eventual turning of the diplomatic tide in the PRC's favour that many see as inevitable among the remaining Latin American holdouts would leave Washington even more isolated in its support for Taiwan, and give China greater access to the Central American and Caribbean nations that form a crucial part of the defensive perimeter of the United States.

## China and the Caribbean: Waving or Drowning?

More than eight thousand miles separate Beijing from most Caribbean capitols, but given the historical, economic and political differences between China and the Caribbean, distance has not diminished the eastern economic powerhouse's interest in forging ties with these tiny Caribbean islands. Nonetheless, China's engagement with the Caribbean has intensified significantly in recent years and CARICOM states can no longer ignore the dragon in their midst. China has increased engagement with the Caribbean along economic avenues not because of economic necessity, but because of its desire for geopolitical leverage. While their economies may not be complementary, their needs are. China needs to wrestle diplomatic recognition away from Taiwan in a region long held by its cross-strait rival while the Caribbean states seek a significant economic partnership with a major power other than the U.S.

For many years, China was involved in the Caribbean only to the limited extent that it was involved in Cuba. Today the situation is very different. Virtually every Caribbean nation-including those that do not formally recognise China-has extensive political and economic contacts with the nascent economic powerhouse in East Asia. This marks a dramatic change from the days when Caribbean nations lacked significant economic or diplomatic relations with China. Rapprochement opened the door for some Caribbean nations to recognise China in the early 1970s, and trade relations with other Caribbean nations did not take off until the late 1990s. Recently, a surge in trade between China and the Caribbean, increased diplomatic recognition of China in the region, and a flurry of official visits have signalled a significant strengthening of Sino-Caribbean ties.

While the reasons for this are complex, the relationship between China and the Caribbean hinges on two critical components: China's economic might and its focus on diplomatically isolating Taiwan. Economic cooperation is the

underlying basis for Caribbean interest in strengthening ties to China. As an economic powerhouse that is well equipped to deal with the effects of increasing globalisation, China stands opposite the vulnerable Caribbean and can offer the attention of a superpower to a region looking to take part in the globalised economy. The desire to strip Taiwan of its remaining allies, as a step towards reincorporating it under the domain of mainland China, has given the Caribbean a political salience in Beijing that it would otherwise lack. However, the true shape of China's relations with the Caribbean will be determined by broader global forces and the dexterity with which Chinese policymakers and their Caribbean counterparts are able to forge mutually advantageous ties.

# Appendix

**Figure 14.1:**
**Trade Between China and the Most Populous Nations of the Caribbean: 1980-2006 (Millions of USD)**

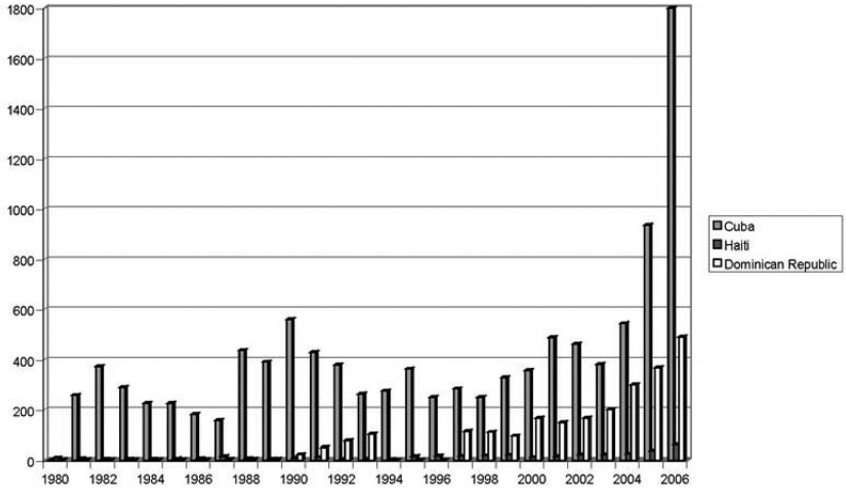



**Figure 14.2:**
**Trade Between China and the Caribbean, 1980-2006 (US Millions)**

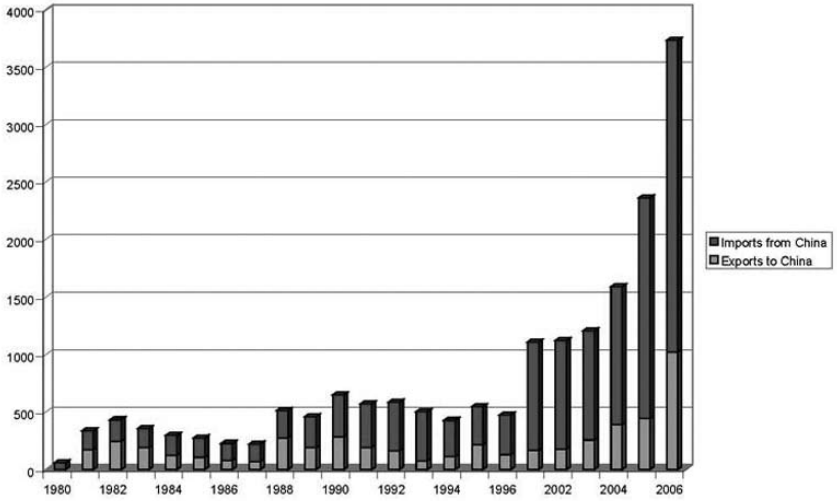


**Figure 14.3:**
**Trade Between China and the Caribbean (excluding Cuba), 1980-2006 (US Millions)**

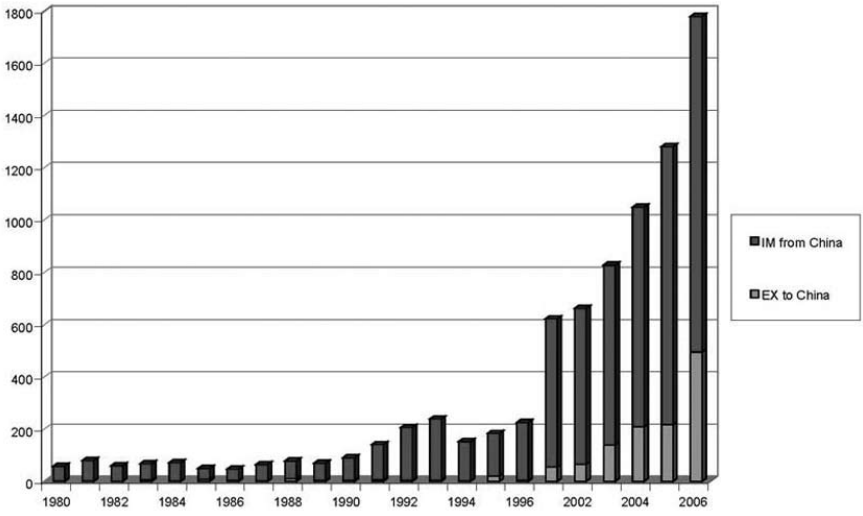



**Figure 14.4:**
**Cuba's Share of Sino-Caribbean Trade, 1980-2006**

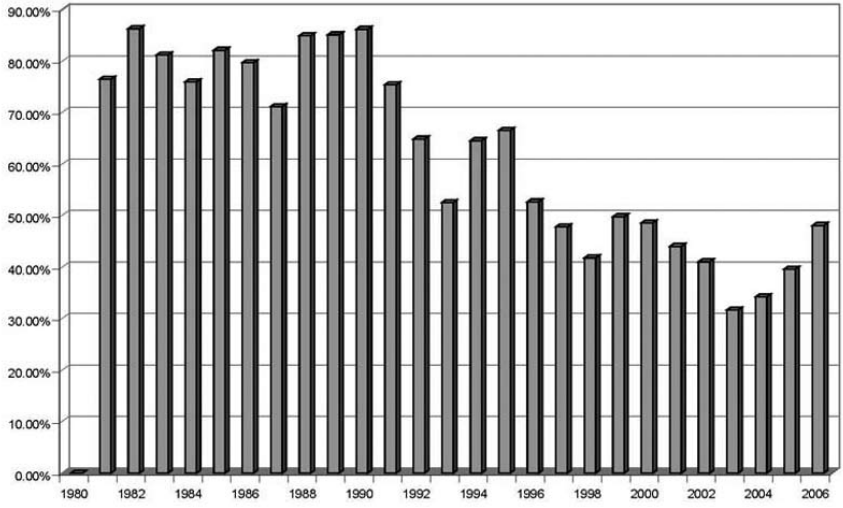


**Figure 14.5:**
**Caribbean Trade with China on a Per Capita Basis, 2005**

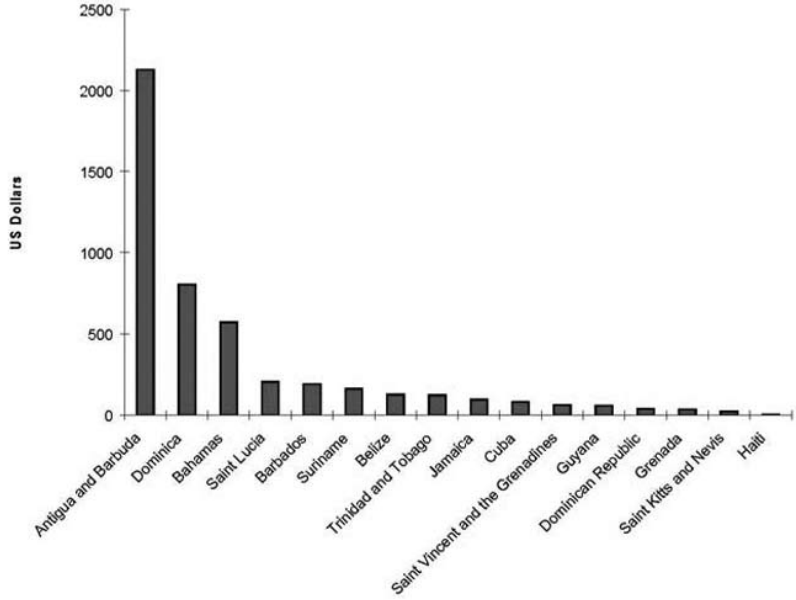



**Figure 14.6:**
**Chinese Export's Share of Total Sino-Caribbean Trade, 1980-2006**

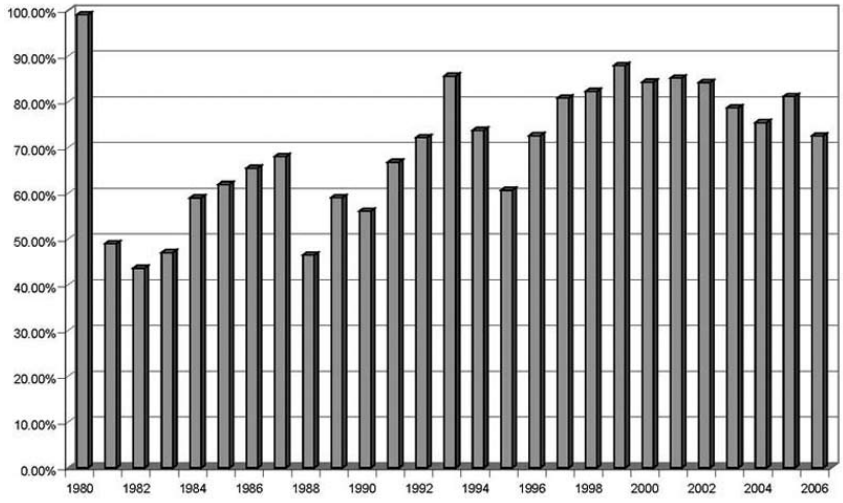
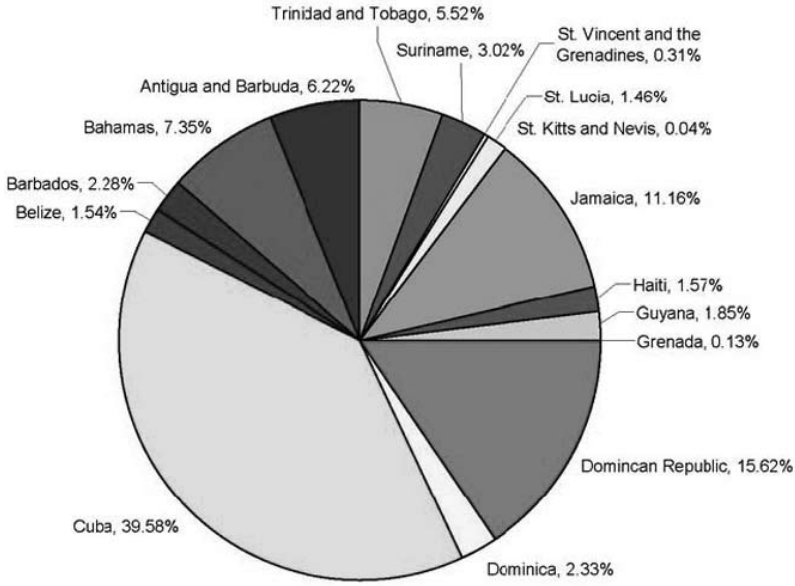


**Figure 14.7:**
**Dispersion of Caribbean Trade with China, 2005**

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# 15

# THE HAVANA CONSENSUS: CUBA'S TIES WITH FIVE CARICOM STATES

*John Walton Cotman*

## Converging Foreign Policy Agendas

There has been regional and global policy convergence between Cuba and its neighbours Barbados, Grenada, Guyana, Jamaica and Trinidad and Tobago since late 1993. It is codified in the *CARICOM—Cuba Joint Commission,*[2] *Trade and Economic Agreement between the Caribbean Community and the Government of the Republic of Cuba,*[3] *Partial Scope Agreement between the Republic of Cuba and the Caribbean Community under the Montevideo Treaty of1980,*[4] and the *Protocol to the Trade and Economic Agreement between the Caribbean Community (CARICOM) and the Government of the Republic of Cuba.*[5]

In December 2005, the Second Summit of Heads of State and Government of the Caribbean Community and the Republic of Cuba met in Barbados. It issued the *Declaration of Bridgetown* advocating: South-South regional cooperation for sustainable human-centred development, multilateralism and fair trade, achieving UN Millennium Development Goals by 2015, increased resource flows to the global South, defence of sovereignty and rejection of conditionality in the provision of development assistance, strengthening regional integration and opposition to terrorism, illegal drug-trafficking and Washington's Cuba embargo. It recognized the socialist isle "as an integral part of our vibrant and diverse Caribbean Region," and praised "the invaluable role of technical assistance extended by the Government of Cuba . . .especially in education, training, health care, sports and the cultural industries which through the quality and cost of the expertise rendered, has allowed CARICOM Member States to improve their social capital and at marginal cost." The Summit unveiled new areas of health

collaboration: HIV/AIDS prevention and treatment, chronic non-communicable diseases, rehabilitation therapy, medical technology, biotechnology, research and enhanced nursing education.[6] These commitments were reaffirmed in December 2008 in the *Declaration of Santiago de Cuba]*

Voting patterns in the United Nations General Assembly provide another measure of foreign policy convergence. The US State Department tracks them. It closely monitors "important" votes—those crucial to Washington.[8] In 2000, voting coincidence with the US in the General Assembly on "important" votes was 47.9%. For Cuba, it was 22.2%. Among the "CARICOM Five" there was considerable variation. At 62.5% Trinidad and Tobago's voting coincidence was almost three times Cuba's and considerably above the 47.9% average for the General Assembly. Barbados and Grenada voted the same as the US 50% of the time-still above the General Assembly average, and over twice that of Havana. Jamaica and Guyana—at 40% and 36.4%, respectively—could not be perceived as allies in Washington based on this criterion (table 15.1).

The 2008 data show a dramatic shift in CARICOM foreign policy preferences. For General Assembly members there was a considerable drop in voting coincidence with the US on important votes. On average, votes of General Assembly members had fallen by 20.3 percentage points to 27.6%. For Barbados, Grenada, Guyana, Jamaica, and Trinidad and Tobago in 2008, voting coincidence on issues deemed important contrasted starkly with Washington. CARICOM states' votes were 10%, 12.5%, 12.5%, 11.1% and 12.5%, respectively. Cuba's was 0%. The growing estrangement between Washington and CARICOM on "important" General Assembly votes from 2000 until 2008 was most dramatic for Trinidad and Tobago—falling by 50 percentage points. Barbados declined by 40. Grenada dropped by 37.5. Jamaica fell by 28.9, and Guyana by 23.9. There is an undeniable convergence in voting patterns between Cuba and the five former British colonies. Their foreign policy goals are increasingly at odds with Washington's (Table 15.1).

## Views on political economy

Cuba's policy choices are premised on socialist property and social relations that have been substantially transformed since 1989. The Cuban Communist Party seeks "to perfect socialism, not to move toward capitalism."[9] Havana continues its steadfast critique of capitalism, particularly the neoliberal consensus shaping the global community since the 1980s. As Marxists, Cuban decision-makers view "neoliberalism [as] a discredited but not defeated doctrine."[10]

State economic policy in CARICOM emphasizes the private sector's predominant role.[11] In the 1980s, under Washington's neoliberal consensus, the "Big Four" and Grenada introduced policies "geared towards limiting the role of the State in the economy and reinvigorating stagnant production systems, which were reoriented toward export markets. Trade reforms were implemented and regional integration gained new impetus."[12] The five Anglophone states expect that cooperation and integration within CARICOM will facilitate key policy goals: (1) improve living standards via poverty reduction, the promotion of gender equality, advances in infant and maternal health, and reversing the toll of HIV and AIDS; (2) reach full employment; (3) "accelerate understanding among the citizenry and advance social, cultural and technological development"; (4) expand cooperation in transportation and telecommunications; and (5) realize environmentally sustainable development.[13]

The Heritage Foundation's *Index of Economic Freedom* is useful for comparing the extent of implementation of neoliberalism.[14] In 1996, Cuba was "Repressed", with a score of 28. The beginning of its economic recovery did not conform to neoliberal doctrine. Trinidad and Tobago was "Moderately Free" with a score of 69.6. Jamaica (score 66.5) and Barbados (score 60.4) were also "Moderately Free." Guyana was "Repressed", with a score of 49.5 (Table 15.2).

The 2009 *Index of Economic Freedom* ranked Cuba third to last overall at 177, and last in the Americas (29th). It was "Repressed" with a score of 27.9, having lost 0.1 points since 1996. Barbados made substantial progress since 1996. Characterized as "Mostly Free" (71.5), it had gained 11.1 points by 2009, ranked 22nd overall and 2nd in the Americas. Trinidad and Tobago was "Moderately Free." Its score was 68 with a global rank of 41, and Americas rank of 7. Trinidad and Tobago's adherence to neoliberal doctrine fell 1.6 points since 1996. Jamaica was still "Moderately Free" at 65.2 points (9th in the Americas, 52nd in the world). Kingston had made no progress since 1996, losing 1.3 points. Guyana changed from 49.5 in 1996 to 48.4 in 2009—a loss of 1.1 points. It was "Repressed," ranking 155th overall and 27th in the Americas (Table 15. 2).

**Table 15.1 United Nations-Voting Coincidence with the United States: 2000,2006-2008 (In percentages)**

| Year | Barbados | | Cuba | | Grenada | | Guyana | | Jamaica | | Trinidad | | All UN | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Overall[a] | Important[b] | Overall | Important | Overall | Important | Overall | Important | Overall | Important | Overall | Important | Overall | Important |
| 2000 | 38.1 (85.4) | 50 | 21.2 (83.6) | 22.2 | 39.3 (85.7) | 50 | 35.9 (84.7) | 36.4 | 40.4 (86.0) | 40 | 50 (88.3) | 62.5 | 43 (87.6) | 47.9 |
| 2006 | 12.9 (70.9) | 0 | 13.3 (69.7) | 0 | 14.6 (70.6) | 0 | 15.5 (72.3) | 0 | 14.6 (72.1) | 0 | 14.1 (71.3) | 0 | 23.6 (75.4) | 27.2 |
| 2007 | 9.1 (69.1) | 11.1 | 2.6 (66.7) | 0 | 15.1 (71.4) | 66.7 | 10.4 (69.6) | 22.2 | 9.2 (69.5) | 12.5 | 8.1 (69.1) | 12.5 | 18.3 (73.5) | 36 |
| 2008 | 17.5 (75.6) | 10 | 12.2 (73.3) | 0 | 17.3 (76.3) | 12.5 | 19.2 (76.1) | 12.5 | 17.9 (75.9) | 11.1 | 18.4 (81.7) | 12.5 | 25.6 (78.6) | 27.6 |
| *2006-8 average* | 13.2 (71.9) | 7 | 9.4 (69.9) | 0 | 15.7 (72.8) | 26.4 | 15 (72.7) | 11.6 | 13.9 (72.5) | 7.9 | 13.5 (74) | 8.3 | 22.5 (75.8) | 30.3 |
| *Net Change 2000-8* | -20.6 (-9.8) | -40 | -9 (-10.3) | -22.2 | -22 (-9.4) | -37.5 | -16.7 (-8.6) | -23.9 | -22.5 (-10.1) | -28.9 | -31.6 (-6.6) | -50 | -17.4 (-9) | -20.3 |

[a] "Overall means non-consensus issues, i.e., those on which a vote was taken. Figures in parentheses include consensus resolutions.

[b] Important means votes considered important to US policymakers.

Source: This table was created using data from various editions of Voting Practices in the United Nations (Washington: Department of State, Bureau of International Organization Affairs)

The trajectory of Havana's political economy is distinct from that of its Anglophone allies. Cuba's concessions to the prerogatives of capital peaked in 2005 with a score of 35.1—only to retreat 7.2 points by 2009. Barbados deepened its adherence to neoliberalism. Jamaica and Trinidad and Tobago's commitments stagnated. Guyana had yet to fully embrace the *Washington Consensus.*

The *Declaration of Bridgetown* contains a vision of the good society articulated by Cuba, Barbados, Grenada, Guyana, Jamaica and Trinidad. The *Index of Economic Freedom* highlights the profoundly different strategies for implementing this social project. Cuba rejects capitalism. Five Caribbean countries closely aligned to Havana subscribe in varying degrees to neoliberal variants of capitalism.[15]

**Table 15.2 Index of Economic Freedom 1996 and 2007-2009**

| | Barbados | Cuba | Guyana | Jamaica | Trinidad & Tobago |
|---|---|---|---|---|---|
| 1996Score | 60.4 | 28.0 | 49.5 | 66.5 | 69.6 |
| 2007 Score | 70.5 | 29.7 | 58.2 | 66.1 | 71.4 |
| 2008 Score | 71.3 | 27.5 | 49.4 | 66.2 | 70.2 |
| 2009 Score | 71.5 | 27.9 | 48.4 | 65.2 | 68.0 |
| 2009 Status | Mostly Free | Repressed | Repressed | Moderately Free | Moderately Free |
| Overall Rank 2009 (out of 179) | 22 | 177 | 155 | 52 | 41 |
| Americas Rank 2009 (out of 29) | 2 | 29 | 27 | 9 | 7 |
| Net Change 1996-2009 | 11.1 | -0.1 | -1.1 | -1.3 | -1.6 |

Scores are ranked as follows: 80-100 Free; 70-79.9 Mostly Free; 60-69.9 Moderately Free; 50-59.9 Mostly Unfree; 0-49.9 Repressed

*Sources*: This table was created using data from various editions of Index of Economic Freedom (Washington: The Heritage Foundation)

Political models also illustrate this profound divergence. The CARICOM Five are electoral democracies. Cuba is a one-party state. Freedom House characterizes

the Anglophone states as "Free" and Cuba as "Not Free."[16] However, Cuba shares one undemocratic feature with Barbados, Guyana, Jamaica, and Trinidad and Tobago—the death penalty. Only Grenada has not retained this practice. Amnesty International describes the Spice Isle as "abolitionist in practice," meaning Grenada has not had any state executions in a decade and appears to have a policy of not using capital punishment.[17] If one measures political equality—a key component of democracy—by the percentage of women in parliament, Cuba ranks 3rd in the world (out of 187) at 43.2%. Guyana holds the 23rd position with 30%. Trinidad comes in at 31st (26.8%). Grenada and Jamaica are tied at 85th with 13.3%. Barbados is 100th at 10%.[18]

## Overview of Bilateral South-South Cooperation with Cuba

In December 1972, Barbados, Guyana, Jamaica, and Trinidad and Tobago jointly established diplomatic ties with Cuba, breaking its diplomatic isolation in the Caribbean. The Grenada Revolution established relations in April 1979. Diplomatic ties were suspended in November 1983, after the revolution's demise. Relations began anew in March 1992. Diplomatic connections were severed by Jamaica in October 1981 and restored in July 1990.[19] The focus here is formal cooperation agreements since 1993, the year the CARICOM—Cuba Joint Commission was established (see Table 15.3).

Guyana has the longest continuous relationship with Cuba. A Joint Commission to coordinate bilateral programmes launched in 1975 meets every two years. Jamaica followed with a Technical Cooperation Agreement in 1976 Table 16. 3). This chapter will not address ties between Grenada and Cuba from 1979 to 1983.[20]

In 1993, Cuba's decline was at its height. GDP fell by 14.9%. That year saw the CARICOM-Cuba Joint Commission and four bilateral accords. Agreements for cooperation against drug trafficking were signed between Cuba and Barbados, Guyana and Jamaica. Kingston and Havana also inked a tourism and trade accord. By 1994, Cuba's economic collapse was over. No bilateral agreements were signed. In 1995, the socialist isle had 2.5% GDP growth. Guyana and Cuba approved a scientific and technical cooperation programme. In 1996, Havana saw its strongest economic growth since 1989—a 7.8% GDP increase. Three accords were signed that year. Two were with Barbados for visa abolition, and to promote and protect investments. The third pact with Grenada was for sports cooperation. Cuba's GDP growth rate slipped significantly to 2.7% in 1997. Four bilateral agreements were signed. The Barbados-Cuba Joint Commission

was launched. Grenada and Cuba agreed to a *Basic Agreement for Economic and Technical Cooperation.* Kingston approved an investment protection and promotion treaty. Trinidad and Tobago signed its first bilateral accord with Cuba in 1997, to waive visas for diplomats. In 1998, Cuba saw an anaemic 0.2% GDP growth. One accord was signed cementing a joint commission with Grenada. By the end of 1998, with Cuba's economic recovery uncertain, it had approved 16 bilateral agreements with the CARICOM Five since 1993.[21]

Havana was pleased by the return of robust GDP growth in 1999—6.3%. That year witnessed a flurry of bilateral pacts, 5 with Trinidad and Tobago, 2 with Barbados and 1 with Guyana.

**Table 15.3 Bilateral South-South Cooperation Agreements with Cuba**

| Barbados | Grenada | Guyana | ***Jamaica*** | ***Trinidad*** |
|---|---|---|---|---|
| Against International Drug Trafficking—1993 | Sports—1996 | Joint Commission 1975 (Every 2 years) | Technical Cooperation Agreement 1976 | Diplomatic Visa Waiver Agreement 1997 |
| Visa Abolition 1996 | Basic Agreement Economic/ Technical Cooperation—1997 | Diplomatic Visa Waiver Agreement 1984 | Tourism and Trade —1993 | Economic & Technical Cooperation in Trade 1999 |
| Promotion & Protection of Investments—1996 | Joint Commission 1998 (Annually) | Against International Drug Trafficking —1993 | Against International Drug Trafficking 1993 | Promotion & Protection of Investments—1999 |
| Joint Commission 1997 (Annually) | | Scientific and Technical Cooperation Programme-1995 | Promotion & Protection of Investments 1997 | Against International Drug Trafficking-1999 |
| Avoid Double Taxation-1999 | | Promotion & Protection of Investments-1999 | JAMPRO/ Cuba Investment Promotion Center-2000 | Agriculture-1999 |

| | | | | |
|---|---|---|---|---|
| Sports-1999 | | Joint Business Development Council-2003 | JAMPRO/ Cuba Center Export Promotion-2000 | MOU Forestry & Fisheries-1999 |
| Ratified CARICOM/ Cuba Trade/ Economic Cooperation Agreement-2006 | | MOU on Trade 2003 | MOU Against Drugs & Transnational Crime-2004 | Basic Agreement Economic/ Technical Cooperation-2000 |
| | | Guyana Office for Investment/ Cuba Center for Export Promotion-2003 | Technical Cooperation Agreement Renewed-2007 | Joint Commission 2003 (Every 2 years) |

*Sources*: "Cuba, Barbados sign bilateral investment treaty," Associated Press (AP), 20 Feb 1996; "Jamaica and Cuba will sign an agreement," AP, 20 April 2004; Barbados Ministry of Foreign Affairs and Foreign Trade (BMFAFT), Agreement between Barbados and the Republic of Cuba on cooperation to fight international drug trafficking, 15 Nov 1993; BMFAFT, Agreement between the government of Barbados and the government of the Republic of Cuba for the reciprocal promotion and protection of investments, 19 Feb 1996; BMFAFT, Agreement between the government of Barbados and the government of the Republic of Cuba for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes and income, 17 June 1999; BMFAFT, Agreement between the government of Barbados and the government of the Republic of Cuba for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes and income, 17 June 2006; CARICOM 1993, 2000, 2001, 2002ab, 2005a; Central Bank of Trinidad and Tobago, Annual economic survey 1999, 69; CEG 2007; Cotman 2006; CubaIndustria,1996, Agreements on investments and mutual cover of investments; Foreign Broadcast Information Service, Latin America, "Jamaica: Consulate to open in Havana to strengthen trade," 4 Oct 1993; "Caribbean—politics: Closing ranks with Cuba," Inter Press Service, 17 Oct 1997; Institute of International Relations, UWI, Trinidad 2002, Chronology of events: An update of events in the global relations of Caribbean countries, 2000; "Jamaica, Cuba to strengthen trade ties," The Gleaner, 31 May 2000; JIS 2007; Ministry of Foreign Trade and International Cooperation-MOFTIC 1999, Agreement between the government of the Cooperative Republic of Guyana and the government of the Republic of Cuba for the reciprocal promotion and protection of investments; Cuba/Guyana joint commission. MOFTIC Digest 1, 2004; RHC May 1999; "Guyana, Cuba sign trade and economic co-operation pacts," Strabroek News,11 July2003; "Cuba and Trinidad and Tobago

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Strong growth continued in 2000 with GDP growth at 6.1%. Jamaica signed two new agreements. Trinidad and Tobago added another. Cuba saw economic growth rates of 3.0% and 1.1% in 2001 and 2002. No bilateral treaties were signed. In 2003, growth was pegged at 2.6%. Guyana and Cuba inked 3 agreements and Trinidad and Tobago added another. By mid-2007 available data show a total of 34 bilateral agreements between Cuba and the CARICOM Five since 1993. Only two were reached in 2006 and 2007. The possible end of the "Special Period" could not be considered seriously until 2006. Cuba's economic output rose 9.5% by GDP and 12.5% by Socialist Domestic Product that year.[22] The CARICOM Five strengthened relations with Havana during a very precarious period for Cuban socialism. The extent of the risks and the benefits obtained are examined below.

## Cooperation in Human Development

### *Health*

*Barbados.* In April 1995, the isles discussed potential cooperation.[23] In January 2003, they reviewed bilateral health programmes. Policymakers agreed to appraise exchanges in medical training, vector control, pharmaceutical production, generic drugs and standards, rehabilitation therapy, biomedical equipment and technology, HIV/ AIDS treatment, and to examine registering Cuban—trained MDs to practice medicine in Barbados.[24]

Barbados approved Havana's proposal—made during a July 2004 CARICOM meeting—to assist the regional fight against HIV/AIDS. Aid would include training medical staff, building educational facilities in CARICOM, and providing low cost anti-retroviral drugs.[25] At year's end 2005, Bridgetown announced its participation in the Operation Miracle eye care programme offered by Castro. Venezuela provides free flights to Cuba for gratis eye surgery.[26] In December 2006, Cuba agreed to expand its aid to emergency health response, malaria vector control, tropical medicine, corneal transplants and burn treatment.

Agreement was reached to recognise the credentials of Barbadians receiving Cuban medical degrees.[27] Of 67 Bajan students then studying in Cuba, 20 were medical students.[28]

*Grenada.* In April 1997, PM Keith Mitchell went to Havana to sign the *Basic Agreement on Economic and Technical Cooperation* focused on health care and sports.[29] By May 1997, two Cuban medical specialists had arrived.[30] Grenadians began to travel to Cuba for medical treatment.[31] In early March 1999, Mitchell received plans from Cuba to build a $20 million hospital in St. George's. Havana would provide consultants and physicians during its first three years of operation.[32] PM Mitchell led his second official delegation to Havana in March 1999. He presented President Castro a $52,000 donation toward bone-marrow transplants for Cuban children.[33] By the spring of 2001, 27 Grenadian scholarship students were pursuing Cuban medical degrees. After Hurricane Michelle's devastation of Cuba in November 2001, Grenada donated $60,000 for medical supplies.[34]

In January 2003, the new St. George's General Hospital opened. The 270-bed facility provides complicated surgical procedures including open-heart surgery, previously not available. Cuba had 16 health specialists in Grenada. In May 2003, Cuba agreed to: 1) complete the St. George's Hospital project; train local nurses in ENT, ophthalmology, operating theatre, and emergency medicine; send Cubans to train intensive care nurses; train nursing instructors; 5) train locals in clinical pharmacy; and 6) send a sanitary engineer for environmental health projects.[35] In May 2005, Cuba agreed to phase two of St. George's General Hospital. Also in 2005, 28 Grenadian youth were pursuing medical degrees in Cuba.[36] Grenada would also benefit from programmes between Cuba and the Organisation of Eastern Caribbean States (OECS). In 2007, these projects included Operation Miracle, post-graduate scholarships re HIV/AIDS, a proposed OECS medical school to be built in Cuba with enrolment of 400 students, and a regional eye care facility in Saint Lucia.[37]

*Guyana.* In 1984, Guyana became the second country where Cuba helped establish a medical school.[38] In 1995, the Cuban Medical Brigade arrived.[39] In October 1999, it doubled to 40 members.[40] In May 2002, a 30-member Cuban medical brigade arrived. It would operate a new Cancer Treatment Centre.[41] Fifty Guyanese scholarship students trained in medicine in Cuba in 2002/2003.[42] By March 2004, 38 Cuban physicians and health care technicians served in 11 cities.[43] By August 2005, 117 Guyanese students were pursuing medical training in Cuba.[44]

In summer 2005, 2,000-plus Guyanese received free eye care in Cuba.[45] Presidents Jagdeo and Castro approved a series of accords in February 2006, providing: 715 medical scholarships over five years (in addition to 120 medical

students already in Cuba), a special medical school in Cuba for Guyanese, a new ophthalmology centre with capacity for 10,000 surgeries annually in Guyana at no cost; plus 27 doctors and technicians for each of four new diagnostic and treatment centres over a five-year period. Overall, aid would increase Cuban MDs in Guyana from 55 to over 200.[46] By spring 2007, 21,000-plus Guyanese had participated in Operation Miracle.[47]

*Jamaica.* In September 1995, 20 Cuban biomedical engineers arrived to repair broken medical equipment.[48] In June 1997, Jamaica's Ministry of Health sought Cuban medical personnel to augment the isle's health staff.[49] A few Jamaicans-estimated at 150 in 1997-sought medical treatment in Cuba due to inadequate care at home and high costs elsewhere.[50] By June 2002, there were 139 Cuban physicians and nurses in Jamaica, the greater portion of whom were nurses. Cuba agreed to increase its medical contingent to 200 by 2004 and to assist in HIV/AIDS treatment and dengue fever control.[51] In August 2005, Castro announced that 134 Jamaican youths were receiving medical training in Cuba.[52] By June 2006, 2,000-plus Jamaicans had utilised Operation Miracle.[53]

Jamaica's Ministry of Health requested 50 additional doctors and more nurses in June 2006.[54] Twenty-five hundred more Jamaicans participated in Operation Miracle by August 2006.[55] To address the shortage of medical professionals, Kingston signed an accord in July 2007, for 100-plus Cuban medical professionals. Jamaica pays for transportation costs and accommodation. Havana covers the salaries. Seventy Jamaican students in Cuba studied medicine in 2006.[56]

*Trinidad and Tobago.* In March 2003, Cuba agreed to Trinidad's request for medical professionals.[57] Two months later, the Medical Professionals Association of Trinidad and Tobago (MPATT) denounced granting special licenses to UN and Cuban MDs in Trinidad.[58] In July 2003, 6 doctors and 30 nurses arrived from Cuba.[59] In December 2003, Trinidad's health minister reported a shortage of 1,133 nurses, and thanked Havana for its help.[60] By year's end, Cuba's medical team totalled 37 doctors and 45 nurses.[61] By June 2004, Havana had sent 105 medical personnel. Plans called for an increase to 150.[62] Despite vocal opposition by the MPATT, 18 physicians and 70 nurses from the socialist isle were providing medical treatment by August 2005.[63]

## Education

*Barbados.* A December 1997 pact approved scholarships.[64] In October 1999, 11 Bajan students arrived in Havana.[65] In February 2003, the Clement Payne Movement, a Pan African NGO, announced that eight more youths would receive

Cuban scholarships in medicine, architecture, veterinary medicine, agronomy or psychology. They would join 127 students in Cuban universities. The Barbados Ministry of Education provides financial aid to defray the airfare to Havana.[66] In September 2006, the first graduates from Cuba came home.[67] By year's end, 101 were studying in Cuba.[68]

*Grenada.* In spring 1997, Castro announced 150—plus scholarships over 8 years.[69] By April 2001, nearly 100 Grenadians were being trained in Cuba—including 27 at the Latin American School of Medicine.[70] Sixteen Cuban teachers of carpentry, horticulture, plumbing and automotive mechanics, bound for St. George's, were announced in the fall of 2002. Three secondary schools would host Cuban Spanish teachers.[71] By May 2003, Cuban teachers totalled 20, and 112 scholarship students were in Cuba.[72] Scholarships include the cost of return airfare, tuition, accommodation and meals. Students with financial need apply for a Grenada government stipend.[73] By 2004, 196 students had studied in Cuba. In 2005, there were 77 enrolled, with 28 pursuing medical degrees.[74] 195 Grenadians received college scholarships in 2006 on the Spice Isle and abroad. Of these, 11 were in Cuba. Grenada's Ministry of Education and Cuba launched the "Yes I Can" Adult Literacy Programme in November 2006. Provided gratis to youth and adults, this was the first use of Cuban literacy pedagogy in the English-speaking Caribbean.[75]

*Guyana.* From 1976 to 2001, 244 students received post-secondary education in Cuba.[76] In 2001, Cuba approved 350 scholarships—worth at least $10 million—for youth ages 16-25 for the period 2002 through 2006.[77] The programme seeks out Amerindian and rural youth. By May 2003, 131 students were in Cuba studying medicine, engineering, agriculture, telecommunications, information technology, culture, sports and architecture. Upon graduation, students are obligated to serve in Guyana for 5 years.[78] Scholarships for 2003/2004 were in dentistry, physical therapy and rehabilitation, mining, metallurgy, hydraulic engineering and geological engineering.[79] By February 2004, Guyanese students in Cuba totalled 252—out of 285 undergraduate and graduate students overseas.[80] In February 2006, Cuba committed to 965 more scholarships—715 in medicine and 250 in agriculture and engineering—over years. Students would have their own Cuban faculty on one campus.[81]

*Jamaica.* Cooperation began in 1997.[82] In June 2001, 255 students were studying in Cuba—including 54 medical students, medical technicians, and 15 in physical education and sports.[83] Jamaica began recruiting Cuban teachers.[84] In 2000/2001, 44 Cuban teachers worked there. By the next year the contingent had grown to 51-42 men and 9 women. Educational administrators on both isles preferred male teachers on the grounds that the schools were in poor and violent

neighbourhoods. Of the 51, 23 taught Spanish and 11 taught technical and vocational subjects. The remainder taught chemistry, physics, biology, science, math and music/dance. The visiting educators were not involved in curriculum development.[85]

By early 2003, Cuban students were studying in Jamaica.[86] From 1997 until late 2005, about 200 Cubans had taught in Jamaican public schools. There were 39 in 2005/2006. In December 2005, Jamaica's education ministry announced an agreement to introduce the Cuban adult literacy programme "Yes I Can." By July 2007, 500 Jamaican students were in Cuba, including 70 studying medicine.[87]

## *Construction\Housing*

By the mid-1990s Cuba was providing construction aid and pursuing for—profit ventures via the Ministry of Construction (MICONS), Caribbean Construction Enterprises Union (UNECA), Siboney, and Quality Couriers International.[88]

*Barbados, Grenada and Guyana.* Havana's low-cost home programme was announced in Barbados in 2002.[89] On the Spice Isle, in 1997, Cuba agreed to help with design and supplies for a new stadium.[90] Cuba decided to build 100 low-cost homes, plus apartment buildings in late 2002. By 2004, Cuban—designed hurricane resistant homes were being built by Grenada's Housing Authority.[91] UNECA set up a joint venture in Guyana in 1994 to design, build and provide materials for 300 low-cost homes.[92] This programme was renewed in 2006.[93]

*Jamaica.* Technology transfer and sharing expertise began in 1994. Cuba aided highway design, construction, equipment maintenance, asphalt production, urban planning and housing construction. MICONS created Quality Couriers International (QCI) for overseas, for-profit ventures. The firm partnered with Jamaica's CARICOM Traders to build single-family homes and market Cuban building products. QCI provided technology, equipment and materials in lieu of capital in its first test market. It featured middle-class housing-designed by Cuban and Jamaican architects and built sample homes with Cuban and local workers. QCI/ CARICOM Traders extended the airport runway at Montego Bay and built an aqueduct. With these successes, MICONS expanded its for-profit ventures in CARICOM. QCI's local partners are primarily responsible for financing.[94] Talks in late 2005 sought to expand joint projects. Draft agreements addressing the upgrade the slums and squatter settlements; and the construction, management and rehabilitation of hurricane-damaged homes, were made.[95]

# Economic Relations

## *Tourism*

Tourism is crucial in Cuba, Barbados, Grenada and Jamaica; of increasing importance in Trinidad and Tobago, but little developed in Guyana. Cuba has seen dramatic growth, averaging 18.2% from 1990 to 2000.[96] The annual rate of increase slowed to 5.4% from 2000 to 2005, but was significantly higher than the CARICOM Five. Cuba had the most rapid expansion of market share (arrivals) in the Americas compared to the CARICOM Five-from a 0.4% share in 1990 to 1.7% in 2005. By 2000, Cuba had surpassed Jamaica.[97] By mid-decade, gross revenue grew more than 30% annually, and hotel room construction has risen at 13% per year.[98] In May 2007, Cuba made new investments valued at $185 million. Tourism is the "locomotive of Cuba," generating about $2 billion in yearly income.[99] *Barbados.* The Barbados-Cuba Joint Commission addressed tourism in April 2002.[100] In fall 2003, Cuba's Ambassador made the case for multi-destination tourism. The end of Washington's embargo need not negatively impact regional tourism. He noted, "There exists in Cuba a political will not to do damage to our Caribbean brothers." Since Cuba could not accommodate the anticipated one million additional US tourists, he advised Bajan leaders to create a viable multi-destination vacation industry before Washington relaxes travel restrictions to Cuba.[101]

*Jamaica.* Tourism has been central to cooperation since the 1990s. Cuba's charter air carrier Aerogaviota, S.A. was launched in April 1994 and flew tourists to Jamaica.[102] Multidestination tourism was one goal of Cuba's AeroCaribbean Air Company, S.A. It partnered with 3 Jamaican firms.[103] The Corporacion de Turismo y Comercio Internacional, S.A. (Cubanacán) operated flights for foreign tourists in Cuba to Jamaica for 1-3 day excursions.[104] An Italian ship operated a weekly cruise between Cuba, Jamaica and the Dominican Republic, under the joint Cuban-Italian firm Cubanco, S.A.[105] A key player in Cuban tourism since the mid-1990s is Jamaica's SuperClubs. Its head, John Issa, signed a full management contract for Club Varadero in 1991. SuperClubs had no investment in the facility. By 1995, this all-inclusive 4-star resort with 270 rooms and 370 full-time employees, was owned by Cubanacán. The vast majority of the staff was Cuban. Cubanacán and SuperClubs shared the marketing. Issa spearheaded the joint venture. SuperClubs found Cubans to be very supportive. Overall, the experience was profitable, stable and positive.[106]

In March 1998, Jamaica's Sandals hotel chain signed a management agreement with Cubanacán. Sandals' chair Gordon "Butch" Stewart would manage the 350-room Beaches Varadero, and participate in joint construction and management of a 400-room 5-star resort in Cayo Coco.[107] In fall 1998, SuperClubs announced expansion plans in Cuba. By early 2000, it expected to be running 8 resorts.[108]

In May 2004, Washington informed Issa that he, his top officers and their families would be denied entry into the US. SuperClubs was accused of making investments on properties confiscated from U.S. nationals. Extraterritorial application of U.S. law was part of the HelmsBurton Act of 1996.[109] SuperClubs relented in June 2004, pulling out of two resorts.[110] Two weeks later, Kingston reiterated support for constructive engagement with Cuba and encouraged economic ties.[111] In late 2004, Sandals Resorts International announced a management contract for a new 5-star hotel in Varadero.[112]

## *Trade*

Trade between Cuba and the CARICOM Five is insignificant. Total trade value from 1997 through 2001 fell 29% from $28,792,408 to $20,448,045.[113] From 1995 through 2003, the total annual value of each of the CARICOM Five's imports from Cuba never exceeded 1% of total imports. For the same period, the total yearly value of exports from Barbados, Grenada, Guyana or Jamaica to Cuba never exceeded 1% of the value of exports. In 1996 and 1999, exports to Cuba equaled about 1.03% of the total value of Trinidad and Tobago's exports.[114] Trade will not increase significantly under Washington's embargo. Cuba is a huge market the CARICOM Five wishes to enter. However, the U.S. Congress and Administration stand in the way.

# Different Political-Economic Models and the Limits of the Havana Consensus

*Democracy and Human Rights.* Havana has not obtained formal membership in the Caribbean Community. As stated in May 2003, CARICOM "has a

long-standing tradition of respect for human rights and fundamental freedoms, adherence to the rule of law, and to the effective practice of representative democracy. These principles are enshrined in the Community's Charter of Civil Society, to which all members and all aspirants for membership are expected to adhere."115 To join the Community, Havana would have to transform its political system into a multi-party electoral democracy. This is one trajectory the Cuban leadership is unwilling to contemplate.

*Revolutionary Change.* Caribbean leaders are well aware of the revolutionary side of Cuban foreign policy. Havana's embrace of Grenada under Maurice Bishop was convincing verification of this. Havana could sacrifice fraternal relations with its five allies in order to embrace revolutionary change in the region. This is an unspoken but real constraint on the *Havana Consensus.*

## Conclusion

For Barbados, Grenada, Guyana, Jamaica, and Trinidad and Tobago close ties with Cuba provide: (1) a proven ally in regional integration and South-South cooperation; (2) an essential partner in sustainable human development that provides generous aid programmes; (3) a regional power that respects the sovereignty and importance of small states; and (4) an ally in tourism that supports a sustainable, equitable vacation industry. For Cuba, the alliance with the CARICOM Five brings: (1) proven allies in regional integration and South-South cooperation; (2) outspoken advocates of Cuba's full inclusion in hemispheric and international affairs; (3) neighbours that respect Cuba's right to pursue socialist development; and (4) proof of a realistic and attractive alternative to Washington's neoliberal consensus.

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# ALBA, PETROCARIBE AND CARICOM: ISSUES IN A NEW DYNAMIC

*Norman Girvan*

## Introduction

The growth of relations between several 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 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.

## Box 16.1: ALBA principles and 'rules'

***As set 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.

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 countries[3], 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
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-region-al 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, whose purpose 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

## 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. steep increases in oil prices, the fund is likely to grow rapidly.[4]

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.

## PetroCaribe[14]

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/year in 20052007, 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/ year, $149 million/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/ year,[18] compared to US assistance in FYs 20052007, 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 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/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/year) each dollar rise in the oil price adds $72 million/ year to the oil bill of importing countries. By reference to a base price of $30/barrel, the recent world market price of $135/barrel represents an addition of $7.6 billion/year to the oil bill of the 16 importing countries. Between 25 and 50 percent could be financed by PetroCaribe credits.

## 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 Cienfuegos 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.

### *Newprojects:*

- 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.

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 Petróleos 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 proactive 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 connations 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 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 MERCOSUR membership, and Nicaragua participates in CAFTA, the Central American Free Trade Agreement 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 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, nor 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.

## 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-à-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.

## 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 13 of the 15 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 quarters[22] 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 reelection. 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 Venezuela for influence in the 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.

## Box 16.5.

Extract from *Communiqué Issued At The Conclusion Of Tthe 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/pres125_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".

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 fallout 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
2. 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/
3. Information on ALBA was drawn from the documents listed in Box 2 and from various documents at http://www.aker-nativabolivariana.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=Cont ent&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.ven-ezuelanalysis.com. (21/05/08).
4. Besides the listed seven there were the leaders of Ecuador; St. Kitts and Nevis; Honduras; Haiti; and Uruguay.
5. *Acuerdo de Cooperation Energetica PetroCaribe.* Available at http://www.aker-nativabolivariana.org/modules.php?name=Content&pa=showpage&pid=232. (21/05/08).

6. Article 11, Agreement between Cuba and Venezuela for the Application of ALBA, December 14, 2004.
7. Cuba, Venezuela, Bolivia Agreement of application, April 29, 2006, page 4.
8. Article 18, Agreement between the Presidents of Venezuela and Cuba for the Application of ALBA, December 14, 2004.
9. Cuba, Venezuela, Bolivia Agreement of application, April 29, 2006, page 3.
10. Article 8, Agreement between the Presidents of Venezuela and Cuba for the Application of ALBA, December 14, 2004.
11. Caribworldnews.com, "Dominica makes history as ALBA member", January 15, 2008. Available at
12. http://www.caribbeanworld-news.com/middle top news detail. php?mid=136.
13. See Havelock Brewster, "Understanding Development Challenges in the Caribbean: Time to Take in the Begging Bowl", (May 2007) available at http://www.normangirvan.info/understanding-devel-opment-challenges-in-the-caribbean/.
14. Nidia Diaz, "Venezuela offers to finance 50% of ALBA nations' oil", Granma International, May 4, 2007. Available at *http://www.granma.cu.*
15. Information from Caribworldnews.com, op. Cit., January 15, 2008.
16. 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
17. http://www.pdvsa.com/index. php?tpl=interface.en/design/ readmenu-princ.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).
18. 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)
19. Sullivan, Mark, "Caribbean Region: Issues in U.S. Relations". CRS Report for Congress. October 27, 2006.
20. http://www.iadb.org.

21. I.e. between 25 and 50 percent of the extra cost of 24,000 bpd (8.76 million bpy) at a price of $120. However this figure includes Barbados's imports as per the original estimate, but Barbados opted not to participate in PetroCaribe.
22. Sistema Economico Latinoamericano y del Caribe, *El Banco del Sur comenzará a operar a finales de 2008 con un capital inicial de 7.000 millones de dólares.*Eu-ropapress.com, April 28, 2008. Available at http://www.sela.org/sela/prensa. asp?id=13115&step=3. May 21, 2008.
23. 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).
24. COTED: Caricom's Council for Trade and Economic Development.
25. Specifically, by Prime Minister Arthur of Barbados and Prime Minister Manning of Trinidad and Tobago.
26. See Jossette Altmann, "The ALBA Bloc: An Alternative Project for Latin America?" *ARI: Real Instituto Elcano,* April 17, 2008; available at http://www.realin-stitutoelcano.org/wps/portal/rielcano/ contenido?WCM GLOBAL CON-TEXT=/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.
27. See "Consejo de Defensa Suramericano Profundizara la Integración" http://www. alternativabolivariana.org/modules.php?name=News&file=article&sid=3000.

# PART 3

## EXTERNAL TRADE NEGOTIATIONS: CONCERNS AND CONVERGENCE

# 17

# THE ECONOMIC PARTNERSHIP AGREEMENT AND THE BUILDING OF A POST-COLONIAL ECONOMY IN THE CARIBBEAN

*Owen Arthur*

*Text of a speech delivered at/on/where*

At the Twelfth Special Meeting of the Conference of Heads of Government of the Caribbean Community 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, 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 moreso 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.

And so, 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 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, and is the pursuit of such an alternative course still feasible and open to us? Has too much been made of devising a

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 fulfil 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 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 property. 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 subspecies 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 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's "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, or 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 reordered 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 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 Lome 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 Initiatives (EBA), 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 recognises 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 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 non-discrimination 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 19541955 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 recognised 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, eccommerce 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 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 liberalisation (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 liberalisation 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 non-discriminatory 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 LDCs, 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 recognised 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 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 liberalises. 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 liberalise 94% of a list of 120 sectors, while the respective figures for CARIFORUM's LDCs and 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 liberalisation 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 fulfil 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's 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 anticorruption 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 LDCs, 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 then 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 reknown, see the EPA as a new way of doing business for new times, and get on with the business of scoring some runs.

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# THE ANTI-DEVELOPMENT DIMENSION OF THE EUROPEAN COMMUNITY'S ECONOMIC PARTNERSHIP AGREEMENT FOR THE CARIBBEAN

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## Introduction

The basic development problem of the African-Caribbean-Pacific Group of Countries (ACP), including those with relatively high incomes due to their endowment with petroleum and tourism resources, is inadequate, uncompetitive and undiversified productive capacity. Yet the present Agreement that the European Community (EC) has designed for them, that purports to be an Economic Partnership Agreement (EPA), is almost entirely about market access and other trade-related modalities. The EC makes no secret of its theory that it expects "the trade policy framework to deliver development". This is so notwithstanding the fact that, over the thirty-two year history of these Agreements with the EC, this has just not happened. In fact, the ACP has fallen far behind Asia and Latin America in terms of their export share to the European market.

More specifically, this is how the European Commission rationalises its position: "by establishing a stable, predictable and transparent framework for economic and trade relations between the ACP countries and the EU, EPAs are intended to mobilise economic operators at local, national, regional, and international levels, and to promote local activity and attract regional and international investment. By removing border measures to trade between parties, as well as other factors causing market fragmentation, they will enlarge the

markets of ACP countries which will allow for economies of scale, will improve the level of specialisation, will increase the competitiveness of the ACP States and will help them attract investment."

In other words, the ACP countries, by opening up their markets freely to European goods, services and companies (and by regional integration), will be transformed into a state of development—via an impressive chain of unproven, theoretical assumptions. The EPA itself is replete with development rhetoric, and references to the development objectives of the Agreement, beginning with Part 1, Article 1-Objectives, most, if not all, of which are compromised by the content of the Agreement itself. Nowhere in the Agreement is there a direct, targeted attack on the basic supply-side problem, let alone binding commitments to cooperate in putting in place a complement of measures aimed at this problem. And yet, this is an Agreement that purports to be an economic partnership agreement.

The lessons at once to be drawn from this are that: it was a fatal mistake for CARIFORUM (CF) to have accepted, practically without revision, and to have entered into a negotiation based on a template, provided by the European Commission, containing its own in-built ideological agenda; that CF failed to foster ACP and Group of 77 solidarity in support of their interests, and similar concerns by the other ACP regions and the developing world as a whole; that CF neglected to use the leverage of the EU Member States themselves, and of the European and their own Non-

Governmental Organisations, the private sector, organised labour, and civil society. For surely, no serious consideration of the content of an economic partnership agreement focused on the development of the ACP countries could have produced such a text—one that consists almost wholly of market access and other trade-related modalities. From Day 1 therefore, the EPA, looked at from a Caribbean development standpoint, was doomed to failure.

However, there is now a text of an EPA. CF rushed to sign it, admittedly under heavy duress from EC officials. Other regions and countries, more prudent, have been cautious, have initialled "interim agreements", or have refrained from any commitment, thereby providing time for in-depth evaluation of all the provisions of the proposed EPA, and the possible re-negotiation of its content.

As mentioned earlier, the Agreement is lavish in its references to "development" but we need to peel beneath the surface of the pre-ambular rhetoric to discover what substance there really is. Although this is not the approach we would have chosen for an economic partnership agreement, we can, in the present context, point to a number of failings and omissions, and even to instances where it is downright anti-development. Only a few summary examples are given here. They are viewed in terms of their substantive merit as development cooperation

tools, rather than in terms of whether or not they conform to WTO rules, or whether or not they would have been negotiable with the EC. Those benchmarks might be pertinent to an assessment of CF's negotiating capacity, but they are not necessarily a test of the development content of the Agreement.

## *Trade and Trade-Related Matters*

### *Market Access*

In general, the trade regime is not constructed in a way that links the degree of liberalisation, whether measured by implementation schedules, coverage of items, waivers, exceptions and exclusions, or other transitional mechanisms, to a positive correlation with expected country economic and social outcomes, such as income and poverty levels, developmental needs, economic openness, or even trade shares with the EU. For example, it should not have been impossible to construct a liberalisation schedule that proceeds in harmony with revealed export development capacity. Or with further market liberalisation linked to ACP countries attaining, say, the average level of per capita income in the EU, or even the average level of "human development" in the EU.

The CARIFORUM (CF) EPA provides for 4 percent of imports from the EU being liberalised in years 15 to 25, while 30 per cent would be liberalised in years 3 to 15. This heavy front-loading of the liberalisation schedule should have been reversed, especially given the very large disparities in competitiveness between the CF and the EU. Moreover, given that the CF begins from a situation in which 53 per cent of imports from the EU is already free of customs duties, it would be reasonable to claim that more than generous reciprocity already exits, especially again given the disparities in income between the two groups and that further market access should not be conceded until some income or human development level relative to that of the EU is attained. Too often the impression is given that the EU is not the beneficiary of any reciprocity at all for the market access it has extended to the CF.

Moreover, the average CF Applied Rates of Duty (less than 10 per cent) could hardly be of such critical competitive significance to the EU. At least, if the negotiations had been based on the WTO standard of Bound Rates it could have provided a further, longer breathing space, some needed "policy space" for taking forward the development agenda ( particularly as it relates to production and customs revenue), as they are 5 to 13 times higher than the Applied Rates. This would, also, have been perfectly consistent with WTO rules. When the

Americans conceded the use of Bound Rates in the FTAA negotiations, CF was happy enough to claim credit for this outcome. In the case of the EC, its reported non-negotiability seems to have been a sufficient answer. This surely should have been an issue to engage ACP and Group of 77 solidarity. So too, should have been the EC insistence on sticking to the WTO guideline that substantially, all trade must be liberalised, and that the term "substantially" should be interpreted to mean 80 to 90 per cent of imports-itself neither a formal rule of the WTO nor a guideline that has been legally tested.

***Rules of Origin***

The Agreement provides, under extremely complex rules, for cumulation among CF States, ten neighbouring Central American and Caribbean countries and, under highly restrictive "subsequent sufficient working and processing" standards, for materials originating in EC Parties, in the OCT and other ACP States. The standard for "sufficiency" varies from product to product, but in most cases requires that the value of extraneous material should not exceed 15 to 30 per cent of the ex-works price of the product. For an Agreement that purports to be not only development oriented, but aims at "integrating CF into the world economy," these are restrictive conditions that do more to preserve European interests than to promote the announced development and integration objectives for CF. An approach more in tune with the promotion of CF (and ACP) production and exports, and their integration into the world economy would have been to encourage world-wide imports for use in the products' physical transformation process, especially given the exiguous resource base of most of the CF States.

***Special and Differential Treatment (SDT)***

A development oriented approach would have sought to use SDT in such a way as to promote a new generation of exports. This would have involved identifying the kinds of new product-specific SDT that are required and need firm obligations, as distinct from discretionary endeavors. The Trade Agreement Package completed by the WTO (July 2004), actually pointed the way for this to be done, for it is there recognised that SDT for developing countries "will be an integral part of all elements of the on-going WTO negotiations."

***Non-Tariff Barriers (NTB)***

The EC has been less than forthcoming on information in respect of, and commitments to, the removal of a multiplicity of non-tariff measures, other than

quantitative restrictions, that inhibit CF exports to European markets, including the use of technical barriers to trade, rules of origin, sanitary and phyto-sanitary standards, among others. In fact, the provision on non-tariff measures appears under the heading "prohibition of quantitative restrictions". Furthermore, certain provisions under "non-tariff measures" are distinctly anti-development, such as the prohibition on applying internal taxes or other charges to afford protection to like domestic products; and the prohibition against applying any new subsidy programme upon exports of agricultural products destined for the territory of the other Party. These provisions destroy two of the most effective "infant industry" measures, often necessary in less developed countries to develop new productive capacity (and applied also in developed countries themselves). Note here, too, the reference is to "new" subsidies, bearing in mind that the EU countries continue to apply agricultural subsidies on a large scale, while this is not generally a feature of CF and ACP export agriculture regimes. In other words, so far as European agriculture is concerned, the *status quo* remains, or whatever eventually comes out of the Doha Round.

#### *Sanitary and Phyto-Sanitary Measures (SPS)*

The Parties confirmed their commitment to the rights and obligations provided for in the WTO Agreement on SPS Measures. However, the EC goalposts keep moving, in some instances going far beyond international recommendations. For example, recent internal developments in the EU (Regulation 882/2004) have erected new, stringent and pervasive barriers to the export of food and feed products from ACP countries. A Study by the EC itself stated, in a backhanded way, that the new EU food safety legislation will not exacerbate any problem for the exports of ACP food and feed products. However, there are no provisions linking WTO undertakings in respect of SDT to the new and moving SPS targets. It needs to be recognised that the EC is not being asked to be irresponsible in respect of sanitary standards, but that these standards should be fair and made less a matter for arbitrary, unilateral, discretionary application that imposes substantial, unnecessary, additional costs on others, if they are to try to stay in the market.

#### *Technical Barriers to Trade (TBT)*

The Parties again confirmed their commitment to the rights and obligations provided for in the WTO Agreement on TBT. However, there is no attempt to identify for systematic remedial action, similar to the precise instructions governing the tariff liberalisation schedules, those instances in which EU TBT

have been unnecessary, inappropriate, unfair, restrictive or discriminatory. Nor, for that matter, is there any attempt to identify those areas for the mutual recognition of ACP standards.

#### *Most Favoured Nation Treatment (MFN)*

The agreement to apply MFN is another example of a distinctively anti-development provision, as it places developing countries at a disadvantage in expanding trade among themselves, and with strategic partners. It is a backward step, even by WTO standards, and sets a harmful precedent so far as South-South economic and political relations are concerned. This too, should have been a matter on which to engage the solidarity of the ACP and the Group of 77.

## *Development*

We come now to issues that are more critical for the supply side, and thus to the development of ACP countries, namely, Agriculture and Fisheries, Primary Commodities, Manufacturing, Services, Transfer of Technology, Infrastructure, Investment, Development Finance, Social Development, and Regional Integration. Although such productive sectors as agriculture, forestry and fisheries, primary commodities and manufacturing are the life-blood of most ACP countries, on which development is critically dependent, the EPA is silent on any concrete partnership measures that could be undertaken to improve and diversify productive capacity, productivity and competitiveness. This is so, notwithstanding the innovative efforts pioneered in the Cotonou Agreement for sugar, bananas, rice and rum.

**In respect of** Agriculture and Fisheries, despite the recognition of development as a "fundamental objective", of all the problems that afflict this sector, there appears simply the statement that there is the "need to avoid major disruption of markets" and to take account of "conservation, and management of resources" and of "development strategies".

In respect of **Traditional Agricultural Products** there is simply the provision "to undertake prior consultation on trade policy developments that impact on competitive positions" and to "maintain significant preferential access . . . as long as is feasible."

#### *Food Security*

The extraordinary rise in food prices over the last year or two has given a new prominence to the issue of food security. The CARICOM experience

has been, to date, one of ever mounting food import bills, side by side with stagnating, if not declining agricultural production for domestic consumption, and a deepening concern about the effect of imported food consumption on health, in particular, the alarming increase in obesity. The CARICOM Common External Tariff (CET) seemed ineffective against these problems. Indeed, with the continued rise in food prices, certain governments decided to suspend the CET in order to lower food prices.

The EPA provisions on food security provide little or no support in grappling with this difficult problem. At the root of it is the production problem that afflicts staples like rice, ground provisions, vegetables and fruits, combined with the consumption of imported, processed, canned, frozen foods, rich in chemical preservatives, hormones, fats and a variety of additives, through which the health problem is exacerbated.

It comes as a surprise therefore, to note how unhelpful and negative is the EPA's approach to the food security issue. The main substantive provision is aimed at allowing import restrictions when importation leads to "major difficulties" in a CARIFORUM State, but is subject to consultation procedures in the Joint Trade and Development Committee, and thus dependent on EC approval of the safeguard measures to be employed. In any event, such an approach falls far short of an effective contribution to solving the real food security problem, as described above.

Given the ineffectiveness of the CET as a mechanism for dealing with the production problem, one can only expect that, with a full free trade regime in place, the production, and thus, the food security problem, will be exacerbated. What may be even worse is the deleterious impact on health of the unrestrained importation of "unsanitary" foods. Food security, furthermore, could be jeopardised by the prohibition under Chapter 3, Article 1 of restrictions on exports, whether by means of quotas, export licenses, or other measures. This provision could be invoked in respect of, for example, regional rice and vegetable oil exports at a time when ensuring local consumption becomes a national or regional priority, and again would be subject to EC approval in the Joint Trade and Development Committee, of the safeguard measures to be employed

### *Services*

The EPA commits CF countries to major liberalisation of commercial services (up to 75 per cent, with certain variations among countries). EU countries may establish a local presence in a wide range of services, such as telecommunications, banking and other financial services, accounting, medical and other health

services, education, sanitation and waste water services, tourism, retailing, courier services. Prohibitions have also been introduced, with certain exceptions, against treating local and foreign companies differently. These kinds of binding, virtually irreversible liberalisation commitments limit CF countries' policy space in respect of, for example, the use of regulatory measures (which cannot be "more burdensome than necessary"), intended to ensure universal availability, affordability, and appropriate quality of targeted services; the possibility to take affirmative actions in favour of locally-owned companies; and the development of efficient publicly-owned essential services enterprises, using, in the State's discretion, minority private sector participation, under effective regulation.

On the other hand, what CF has secured by way of greater access to Europe is more or less insignificant relative the *status quo,* what is already offered to other WTO members. Where there is some potential marginal gain (for example, the entry of skilled professionals), they are ring-fenced by complex, burdensome requirements and qualifications, as well as European safeguards.

Perhaps the more important fact from a development standpoint is that export services are important only to a handful of ACP countries, mostly those that offer tourism services. The great majority, including many in the CF, have little or no capacity to export services to EU countries, though they are sizeable importers of the full range of services. However, an entire Title of the Agreement (Title II) is devoted to the services sector—nearly 30 per cent of text of the EPA. Additionally, it is almost wholly concerned with market access-related issues. These access-related provisions are, as has been noted above, not only biased against the interests of CF and ACP countries but in important ways, are clearly antidevelopment. Development-type provisions themselves are so vague as to be useless from an action standpoint. It is provided merely that the Parties "agree to cooperate, including, by providing support for technical assistance, training and capacity building."

***Commodities, Industrial Development, Energy and Infrastructure***

These sectors are all fundamental to any programme on development and a basic component of any ACP country's strategy for development. Most CF countries are heavily dependent on primary commodities which are still produced under very uncompetitive and socially unsatisfactory conditions. Industry is woefully underdeveloped in all CF countries, and the target for support to the informal and Small and Medium-Sized Enterprises (SMEs). Indeed, some countries view the informal sector and SMEs as the main avenues for the development of entrepreneurship and the creation of employment. Energy

is among the most costly components of development, and a major source of insecurity. It occupies a key position in the Regional Strategic Development Plan, in which the problems of both new and renewable sources of energy have to be addressed. Adequate and efficient infrastructure is a critical need, as its absence stymies development in all economic sectors, including services. It is the most costly component of development that the public sector must undertake, in collaboration, where feasible, with the private sector. Again, it is surprising that there should be no provisions at all in the EPA relating to the development of these sectors. It is actually a backward step from the Cotonou Agreement.

### *The Transfer of Technology*

This is an issue that the South has struggled over with the North for decades. The agenda is far from complete. This issue-area is actually included in the EPA, but in very dismissive terms. It is disposed of in three short Articles relating to "the exchange of information on practices and policies"; taking "measures to prevent or control licensing practices"; and, without specifying anything of an actionable nature, "to facilitate and promote the use of incentives for the transfer of technology to ACP countries." This dismissal of the transfer of technology issue is a highly compromising one for the ACP countries, as it has set back what has been for them and all developing countries a major international development concern. "Innovation" is similarly disposed of in the meaningless language of "agreeing to cooperate."

### *Investment*

In respect of investment, the EPA is wholly concerned with the liberalisation of entry conditions, covering such issues as commercial presence, market access, and the grant of most favoured nation treatment. However, the issues that are of most concern and most pressing to ACP countries, as the CARICOM Secretariat itself has identified in its *Trade and Investment Reports,* relate to the adequacy, stability, and nature of investment flows, decision-making governing access to them, their terms and conditions, and their timely transfer and disbursement—particularly as they concern flows from institutions that are within the control of the EU governments, namely, the Investment Facility (IF) and the European Investment Bank (EIB). The EPA is silent on all these issues. And again, their dismissal represents a backward step from the Cotonou Agreement. Moreover, it should be noted, CF agreed to include "investment" in the EPA, notwithstanding the fact that the member countries concerned are parties to the stance taken by

the wider developing countries group that it should be excluded from the WTO Doha Round of Negotiations.

### *Development Finance*

Development finance must be at the centre of any serious partnership for development, must be at the core of the "development dimension" of any EPA. Other factors are, of course, important, including public policy and the efficient use of these resources. Nor does it make any sense to equate development support with "continuing high levels" of financial resources being transferred from Europe. Finance is, however, a real issue to virtually all ACP countries as, inescapably certain predictable amounts are necessary for the attainment of targeted rates of growth. Actually, there are no commitments in the EPA itself to development finance. EC financial support to ACP development is carried out in the framework of the Cotonou Agreement and is provided from the European Development Fund (EDF). Part 1, Article 7(2) of the EPA states that "The European Community financing pertaining to development cooperation between CARIFORUM and the European Community *supporting the implementation of this Agreement* shall be carried out within the framework of the rules and relevant procedures provided for by the Cotonou Agreement, in particular, the programming procedures of the European Development Fund." In other words, development finance supporting the implementation of the EPA is merely a repackaging of development support under the Cotonou Agreement.

The commitment to development finance via the Cotonou Agreement and the EDF is EUR 165 million for the Regional Indicative Programme (RIP), over the five-year period 2008 to 2013, for the 15 CF countries. The allocation for the current five-year RIP is EUR 57 million, while in previous RIPs the allocation was nearer EUR 100 million. In incremental terms, therefore, the amount that can nominally be attributable to implementation of the EPA is in effect, about EUR 65 million. The 20082013 allocation, then, is equivalent on average to less than EUR one million per year per country. At the same time, CF countries will face substantial fiscal cost: the economic cost of the impact on local production, the direct cost of the implementation of the EPA, and the even more substantial cost of re-structuring and infrastructure development.

Consider a couple of figures to put the EC RIP in some perspective. A study by the Commonwealth Secretariat put the cost of implementing the EPA at EUR 900 million. While the total capital requirement, at current rates of economic growth, for CARICOM countries only (Haiti and the Dominican Republic are excluded), over the next five years, is at least USD 45 billion. One

is not therefore expecting the EU to take on even a significant development financing effort—so-called "continuing high levels" of support. But economic partnership should mean, and should be expected to have, at least a minimum of real credibility to it. By contrast we note that the Republic of Ireland which has a population of 4.3 million people (CARIFORUM has 20 million people) received from the European Union in Structural and Cohesion Funds from 1989, to 1999 Euro 30 billion, and from 2000 to 2006 another Euro 4.0 billion.

References are made in the usual vague, non-specific, non-binding manner to the availability of other funds, particularly Aid-For-Trade. Apart from the fact that there is no evidence whatsoever of any actual or planned appropriations, at the level of the European Community and/or of the Member States, of the funds referred to, there remains the fact that there can be no assurance that these funds would represent additional resources, would not be merely "repackaging", or that they would conform to CF priorities (for example, for infrastructure investment or structural adjustment or budgetary support) or that their disbursement would be timely, predictable and in harmony with the execution schedules of national and regional strategic development plans. CF has thus conceded substantial, valuable, binding commitments on trade, services, investment and rights of business establishment, in exchange for investment and development finance commitments of little or no consequence.

### *Social Development*

Social development is recognised as an integral aspect of development. The International Community has set the attainment of the Millennium Development Goals (MDGs) by 2015 as the primary thrust of international development policy. All CF countries include substantial social components in their strategic development plans, programmes and budgets. While many, or most, CARICOM countries have attained many of these basic MDG goals, (apart from HIV/AIDS), massive efforts and investments are needed, especially in health services, education, housing, rural community social services, slums, crime and violence, and so on.

"Social Aspects" are actually included in the EPA-in Chapter 5. However, it comes as a shock to note that it is confined to reaffirming adherence to International Labour Organisation Conventions on collective bargaining and employment practices. The motivation behind the provisions in this Chapter is to "uphold the level of protection" for labour so as to prevent it from being lowered "to encourage trade, or foreign direct investment, or enhance or maintain a competitive advantage." The EPA does not address, notwithstanding

the deep concern expressed about development, the major social development preoccupations of ACP and CF countries. This is especially remarkable in respect of the African Groups, where less progress has been made in respect of the attainment of the MDGs.

### *Regional Integration*

Regional integration is a core strategy for ACP groups, including CF, in the drive for development. There are several strong statements in the EPA on regional integration and its role in achieving the objectives of the Agreement (though it is not itself treated as a separate Chapter in the Agreement). For example, Article 4 (1) states that "The parties recognise that regional integration is an integral element to their partnership and a powerful instrument to achieve the objectives of this Agreement." Article 4 (5) continues that "The Parties agree that their partnership builds upon and aims at deepening regional integration and undertake to cooperate to further develop it, taking into account the Parties' levels of development, needs, geographical realities, and sustainable development strategies, as well as the priorities that the CARIFORUM States have set for themselves and the obligations enshrined in the existing regional integration agreements . . . ."

It is ironical, therefore, that the very process of concluding the EPAs has proven to be one of the most internally divisive occurrences in the history of ACP integration movements, creating the emergence of different versions of, and defections from, the EPA by individual States within integration groupings. While such open rifts have not come to the surface in CF, as they have in Africa and the Pacific, EC verbal coercion and economic blackmail have left a strong distaste and distrust of the EC among some, if not all, Member States.

But setting aside that process, there are a number of features of the Agreement that are distinctly anti-integration. Examples are:-the provisions relating to Rules of Origin which place narrow limits on the extent to which third party materials and services can be mixed with those of CF in the transformation process; rules that restrict the right to regulate the movement of capital—liquidate and repatriate investments and profits; the rules governing regional preferences that require CARICOM States and the Dominican Republic not to extend to each other any more favourable treatment than they give to the EC; commitment to full market access that restricts the right to require an investment to be made, or services to be delivered, through a joint venture; and again, commitment to full market access that restricts the right to limit the level of foreign shareholding in a single enterprise, or aggregated in a sector.

CF, or at least CARICOM, has also compromised the regional integration process in other ways. For example, by making commitments in subject-areas not yet settled under the Caribbean Single market and Economy (CSME) or fully implemented, such as financial services, other services, investment, competition, public procurement, eCommerce, intellectual property, free circulation of goods, and the environment. This pre-emption of Caribbean Community prerogative has been justified by some CF officials as the Community political directorate needing a kick from outside to get a move on. Finally, the new CF-EC Joint Trade Council mechanisms jeopardise the functioning of Community institutions by creating parallel, if not competing and pre-emptive, governance and dispute resolution, structures.

## Conclusion

The EPA is not something that was recently started. By the EC's own account it has been in the making, with template ready-made, before Cotonou was signed in 2000. There was therefore sufficient time for the design of a conceptually satisfactory, publicly exposed approach; sufficient time to avoid the kind of vagueness, non-specificity, and non-binding, pie-in-the-sky promises that pervade the Agreement. Then, so far as it concerns a truly development focused partnership-that the Agreement actually purports and extols itself to be-the text should be returned in its entirety to the drawing-board.

## Note

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# REFLECTIONS ON THE CARIFORUM-EC ECONOMIC PARTNERSHIP AGREEMENT: IMPLICATIONS FOR CARICOM[1]

*Clive Thomas*

## Introduction

This chapter offers, basically from a CARICOM perspective, a strategic appraisal of the external trade policy changes encapsulated in the CARIFORUM-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, (EC) 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 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 WTO and those on offer to the CARIFORUM-EC EPA; or
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; and
6) Such other economic reforms 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.

1) We are also assured that despite: 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) as well as *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:

1) Improved rules-of-origin for CARIFORUM exports;
2) A 3 year moratorium and phase-in periods for meeting CARIFORUM's obligations;
3) Safeguard mechanisms, such as the designation of sensitive industries/ sectors, and "zero for zero treatment" of agricultural subsidies; and
4) 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. 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 per cent (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 per cent 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 for the period 20072013, 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 per cent 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 Group (ACP)*

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 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 organisational 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 for a, 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 counties 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 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 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 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 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, recognising 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*

| *No.* | *Item* |
|---|---|
| 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 *unresolved* 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

| *No.* | *Item* |
|---|---|
| 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 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 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 preempted 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 (20002020), 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 liberalisation 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 recognised 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 siezing 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 annually and most importantly it is pledged under the Cotonou Agreement, not the EPA. Of this amount, € 165 million are promised to the Region, of which €132 million go toward CARIFORUM and the remainder (€33 million) go towards the EPA. From the sum of € 132 million, 85 per cent go to the areas of the regional indicative programme and the remaining 15 per cent goes to non-focal areas such as social issues and vulnerabilities. Overall, the EU will also make a best endeavour effort to steer 60 per cent of the 10th EDF, which came into force on July 1, 2008 (€1.3 billion) 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 commit- ted, 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 per cent, 0.56 per cent, 0.70 per cent 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.

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 repackaging) and the other half would come from Member States. Currently, the European Commission provides 840 million Euros and the Member States, €300 million for Aid for Trade. The hope is that Member States would increase to € 600 million 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.

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 unintentionally 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 it 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, troubleshooting and reviewing the EPA. This Council is at Ministerial level and will comprise of 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, organisations 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 are 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 preplanned 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 per cent, 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. First, 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 intergovernmental organisation 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 liberalisation. 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)

I, 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.

## *Operationalising 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 preempts 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 timelines 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:

**Operationalising the EPA: Main Drawbacks/Impediments**

| Category | Drawbacks/Impediments |
|---|---|
| **1. Accompanying Assessments** | • No trade policy assessment<br>• No social impact assessment<br>• No calculations of EU margin of offers at the WTO vs EPA<br>• No quantitative assessment of implications for trade with our primary trading partner (USA) |
| **2. Sequencing: No revealed Coherence** | • Pre-empts/complicates CSME-driven open regionalism<br>• Pre-empts/complicates CARICOM-DR, regional trade agreement<br>• Pre-empts/complicates CARICOM-USA (and Canada relations)<br>• Added complication of CAFTA-USA FTA<br>• Pre-empts/complicates Doha Round partnerships and negotiations (Singapore issues, SVEs, SIDs, G33, etc.) |

| | |
|---|---|
| **3. Misspecification of Development Problem and Development Cooperation** | • 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<br>• No lock-in of definitive timelines/benchmarks for assistance (cooperation)<br>• The disjuncture between improved market access offers an effective enterprise entry into markets<br>• There is no EPA specific financing<br>• National Treatment as a development tool<br>• Despite assurances to the contrary, discontinuity with Cotonou<br>• MFN and South-South relations |
| **4. Safeguard Mechanisms** | • Safeguards weak when compared to WTO positions on SSM etc<br>• Misspecification as to why safeguards (SSM)!<br>• Underestimates EU subsidies and non-tariff barriers to trade in goods and services |
| **5. Economic Governance** | • Continuing non-arm's length relations between CRNM and the EC<br>• Overriding Authorities of EPA organs over CARICOM organs<br>• Reversal of some CARICOM institutional advances<br>• No clear legal expression of primacy of the Treaty of Chaguaramas over the EPA |
| **6. Erosion of Traditional Agriculture** | • Inadequate provisions<br>• No commercial buy-out of Sugar Protocol and falling EU prices<br>• 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 organisational 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 CARI-FORUM-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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# 20

# THE CARIBBEAN COMMUNITY IN THE AGE OF GLOBALISATION: THE IMPACT AND EFFECTIVENESS OF FOREIGN POLICY COORDINATON

*Rudolph A. Collins*

The recently concluded debate over the signing of the Economic Partnership Agreement (EPA) between the CARIFORUM and the European Union has brought into sharp focus the issue of foreign policy coordination and its effectiveness as an essential pillar of support for the development of an economic and socially viable Caribbean Community. The debate therefore has provided a valid reason to examine both the impact and the continuing relevance of foreign policy coordination in advancing the Community's development. It also opens the gates for an examination of the many likely prescriptions for change that can be realistically introduced by a Community faced as it is with the ever-growing imperative to find areas of accommodation within the current era of globalisation.

An ever-present truism, and one which the then Prime Minister Forbes Burnham ventilated at the very first meeting of the Community's Foreign Affairs Ministers Meeting which was held in Guyana in November 1973, is that foreign policy, however defined, is not a set of prescriptions that exist in a vacuum but is, in reality, an integrated element of what constitutes or is defined as national policy. Any serious examination of the region's success or failure at foreign policy coordination has to be structured, to a very significant degree, against an equally serious examination of what the Community's leaders considered to be the fundamentals of the Community development policy. It may be recalled that a

major criticism of the EPA was that as a Community foreign policy experiment it failed because it was not sufficiently development oriented. As far as many of the region's academics were concerned, this was its essential weakness. Without a regional development context, its detractors claimed, the EPA became little more than a series of issue-oriented arrangements based on an EU agenda which, despite some fine sounding language, was unlikely to work to the benefit of the Community.

This essential nexus between foreign policy and the Community's development process was fully recognised and appreciated by the region's leaders. In October 1972, at the Seventh Meeting of the CARICOM Heads of Government, they decided to establish a Standing Committee of Ministers to deal with matters of common interest in foreign policy in view of, inter alia:

> the very great importance of foreign policy for economic policy and general development strategy in the small structurally open economies in the Commonwealth Caribbean countries, and the obvious impact of foreign policy in the volume, quality and source of aid, private investment, trade and technical assistance, as well as on other commercial areas such as the negotiation of Air Routes Rights and Bilateral Air Agreements.

There is no doubt that whatever might be the interpretation of the meaning of *"foreign policy coordination"* it was firmly etched in the intent of the region's leaders that such coordination should be in the interest of promoting the Community's development process.

For reasons which will be examined later, actions in the development of this principle have not consistently been a hallmark of the Standing Committee's record over the years. What appears instead to have characterised the Committee's work was the dogged, often frustrating, task of reconciling among its membership the varying, often subtle interpretations of the meaning of Article 17 of the Treaty of Chaguaramas and specifically coming to grips with the political realities that impacted on its ongoing efforts at coordinating the foreign policies of its Member States. In one of the early reviews of the Standing Committee's work, one Foreign Minister has been quoted as asking his colleagues, in some frustration: "What are the current objectives of our efforts to coordinate foreign policy?" The Committee's discussions in his view were losing sight of the *"objectives"* which, until these were defined and understood, would render pointless further discussions on the issue of coordination. Herein lies the paradox which has dogged the interpretation, and development of this pillar of the Community's structure and which still needs to be addressed by our Community's Leaders. Was the Community merely

to seek to coordinate the foreign policies of Member States or was the objective to seek the *"coordination"* of a common policy in respect of clearly defined regional objectives? The question is neither academic nor semantic, for it strikes at the core of the motivation for action-and inaction-in addressing this pillar of the Community's structure.

In 1973, it was readily recognised that foreign policy coordination among Member States of the Community was going to be an issue where progress would be measured by the least common denominator principle, whereby the mere reservation by one Member State would serve to dampen enthusiasms for more aggressive collective action. In the first place, the Caribbean Community and Common Market was created in the context of the imperative to broaden and deepen the Caribbean Free Trade Area (CARIFTA). It was also created at a time of global ferment, one aspect of which was the decolonisation process and the birth of independent nation states. National pride, the preservation of territorial integrity, non-interference in the internal affairs of States and above all, the jealous guarding of all the attributes of sovereignty were the dominant forces at play in influencing the actions of nationalist leaders. Those of the newly formed Caribbean Community and Common Market were no exception.

Forty-five years later, in June 2008, a Guyana newspaper carried a lengthy report of some comments by the Prime Minister of St Vincent and the Grenadines attacking CARICOM for its ineffectiveness and failure to move forward with the integration process. He was, at the time, speaking at an OECS consultation on moving towards establishing an economic union of that sub-regional grouping. He is reported to have expressed doubts that CARICOM would ever come together to achieve either a common monetary policy or common currency with the CSME. He noted that:

The politics of a limited regional engagement in Jamaica, shackled by the ghosts from the federal referendum; the politics of ethnicity in Trinidad and Tobago and Guyana; a mistaken sense of uniqueness, specialness and separation among large sections of the Barbadian populace; the peculiar distinctiveness of Haiti and Suriname; and the cultivated aloofness from the regional enterprise by The Bahamas are destined in the foreseeable future to keep CARICOM as a community of sovereign states in which survival of its Members jealously guard a vaunted and pristine sovereignty.

These are very significant comments and coming from a regional leader, they ought not to be ignored. To focus on them exclusively, however, may well lead to the accusation that they are being dealt with out of context or worse, that they represent the majority view of the Community. At the very least, however, the Prime Minister's comments should be seen as an expression of concern that

the current infrastructure and administrative apparatus is inadequate to forge a viable Community and that the concept of sovereign independence, in traditional terms, is inimical to the achievement of regional cohesion.

Ambassador Albert Ramdin, Deputy Secretary General of the OAS (and former Assistant Secretary General for Foreign and Community Relations at the CARICOM Secretariat) has approached the issue of the Community's foreign policy from a differing perspective and in a different context as well, but his conclusions are equally pertinent to an appreciation of the impact of foreign policy coordination on the development of the Caribbean Community. In an interview with CANA, broadcast on April 27, 2008, Ambassador Ramdin held to the view that there should ultimately be a common foreign policy for the region. Given what was said subsequently, he was clearly not proposing a single foreign policy for the region but was making a call for a determined and sustained effort at increasing the areas of common consent in respect of foreign policy. He accepted that there were, and would be, difficulties inherent in addressing this mandate of the Treaty of Chaguaramas given the diversity of the region and its preoccupation with issues of national (as opposed to regional) development. Individual States, he said, need to see a common foreign policy (as redefined above) not as a diminution of sovereignty, but as its exercise in another form for the good and benefit of all.

It should be recalled that although the Standing Committee of Foreign Ministers in its initial stages of activity comprised all thirteen (13) Member States, only four (4) of them had by then achieved full independence. Each of these independent States was led by a strong nationalist leader whose primary objective was to deepen the independence process; strengthening national unity in the case of Guyana, Trinidad and Tobago, and Jamaica; and preserving its territorial integrity in the case of Guyana. The other Members of the Standing Committee, while being full partners in its programmes and plans for the Community, remained shackled to the British Government which retained full control over all matters of foreign policy. It was a situation which, despite whatever might have been the best efforts and intentions of the Standing Committee, set the parameters beyond which progress with respect to foreign policy coordination would, at best, be a difficult undertaking indeed.

The evidence does not suggest that in the early days of the Standing Committee's work there was a preoccupation with determining what were "the *current objectives of our efforts to coordinate foreign policy*". The objectives were certainly inherent in the raison d'être for the establishment of the Caribbean Community and Common Market. But what does not appear to have been a focus of discussion during successive Meetings of the Standing Committee was

what should have been the interrelated issue of which external activities should be collectively addressed in order to lend support to, and advance the aims and objectives of the Community and the Common Market.

In summary, the Standing Committee seems to have found agreement on the strict interpretation of the meaning of *"coordination of foreign policy*" within the context of Article 17 of the Treaty. It appears, however, to have been at odds with the issue of whether attempts should be made to forge a single foreign policy or whether, to the extent that agreement could be reached, the region should seek to act collectively on predetermined matters of common concern. In the end, elements of both avenues have been pursued, although from the available evidence it would seem to have been done on primarily an ***ad hoc*** or reactive basis. In respect of the former, one should note with approval the intensive discussions which took place within the Committee which ultimately led to a remarkable CARICOM presence and common position being taken at the 1992 Rio Summit on Environment and Development.

The time has surely therefore come when the issue of foreign policy coordination should be more focused on issues of community development and addressed within the context of the globalisation process. Many who have made a similar proposal have urged that solutions to the Community's dilemma can be found in an examination of the successful implementation of a common foreign policy within the European Union. This can certainly be done if due recognition is given to all the dangers inherent in such an exercise. But there are even better and more relevant lessons to be learned from actions undertaken within the Community itself.

In early 1972, Guyana had decided to establish diplomatic relations with Cuba and so informed the Cuban Government. Guyana, however, took a decision to delay the finalisation of any formal steps in this regard until it had consulted with the other independent Caribbean States: Barbados, Jamaica, and Trinidad and Tobago. The result was a joint announcement in December of that year. The significance of this act goes beyond its collective nature. It served to create breaches in the barrier of global isolation that surrounded Cuba-no mean feat at the time. The process of consultation among the Caribbean States prior to the announcement would surely have been undertaken, for example, against the background of its likely impact on their relations with the United States; the benefits of the region's improved stature within the international community, and the enhanced role which it could thereby play in that arena to the region's collective benefit. It was a successful demonstration not simply of foreign policy coordination, but also, of the intrinsic value of a common policy, albeit on a specific issue, that is based on an examination of its global relevance and on

the role which the region can play in influencing the dynamics of international affairs.

The formation of the ACP grouping in 1975 is another significant example of a common foreign policy exercise. In this regard, it can be identified with the creation several decades later of the Community's Regional Negotiating Machinery. Both have their origins in an assessment of the regional economy and a collective determination to set in motion measures for the preservation and growth of the Community's principal economic development factors.

A clearer picture is beginning to emerge. The commencement of Obama's term of office portends more than the likely end to the Bush doctrine of global hegemony. It signals the emergence of a new United States of America which acknowledges that its strength and ultimate survival as a superpower lies not in a continuing quest for global domination, but in the effectiveness of the global partnerships which it can and indeed, must create. This factor notwithstanding, it is clear that the age of globalisation is witnessing the advent of a multi-polar world in which new economies-China, India and Brazil, for example-will be competing with the established traditional ones.

The Community needs to look at this broad picture and, based on its assessment, determine where its opportunities lie as a region and not as separate states where perceived benefits and advantages too often and too quickly become ephemeral. There is a widely shared view that if the region had collectively made the obvious assessment of the emerging role and influence of China in international affairs and had determined what part it could play in being a contributor to, or participant in this role, then the current situation of a fragmented policy towards China might not have arisen.

There are therefore a number of issue areas where foreign policy coordination can and, in some cases, must be taken to new levels involving a common policy on these issues areas for the benefit of the region and its ultimate standing in the international community. Recent developments involving the maritime space of the States of the Caribbean Community point to an issue that should have long been on the Community's agenda. The dependence of the region on the oceans, their growing economic importance and environmental vulnerability dictate that maritime issues should take pride of place among the list of priority subjects for regional collective action. Right here in our own backyard is an issue that cries out for coordination at the highest possible level in order to maximise the economic and social potential of the Community and to minimise the potential for disaster and regional fragmentation in the absence of collective solutions.

The Hon. Christopher Sinckler, Minister of Foreign Affairs, Foreign Trade and International Business of Barbados, in his address at the signing of the EPA

in October 2008, referred to the region's limitations as small and vulnerable states with weak and underdeveloped economies, limited productive capacity but "intrinsically hemmed to a volatile global economy" Against such a background he urged that the region should seek every opportunity "to intercede at the most critical junctures to at least participate in helping to shape the very instruments that will affect every facet of our lives". He was limiting his observations to the EPA, but his message has resonance in a number of areas in which the effects of foreign policy coordination and a common foreign policy approach would have a beneficial impact on the condition of the small and vulnerable states of the region.

The inescapable conclusion is that the term *"foreign policy coordination"* has served to place too much focus on the lowest common denominator of acceptance and this has been further exacerbated by the implementation structure and related arrangements that governed the operation of the Standing Committee. It is equally the case that the Community, certainly at the level of the Conference of Heads of Government as well as its Bureau, has at various times pointed to the need for a more effective regional response to some of the more pressing global issues. There should therefore be much support for the introduction of revised structural arrangements, with the Council for Foreign and Community Relations (COFCOR) as its centre, in order to develop a more effective programme of contribution, through foreign policy initiatives, to advance and deepen the development process of the Caribbean Community.

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# INVESTMENT PROVISIONS IN ECONOMIC PARTNERSHIP AGREEMENTS

*Gus Van Harten*[1]

## Summary

The African, Caribbean and Pacific (ACP) group of countries are negotiating trade agreements with the European Union in six regional blocs. In December 2007, the CARIFORUM region was the first to conclude a full 'Economic Partnership Agreement' with Europe. The Agreement includes provisions on trade in goods, services and investment, intellectual property, competition, and government procurement. This report examines the investment provisions of the CARIFORUM Economic Partnership Agreement as an illustration of the EPA model.

**Key findings** of the report are:

- The CARIFORUM Agreement requires the Parties to remove restrictions on foreign ownership of their economy in sectors where they undertake positive commitments to liberalise. It prohibits a variety of instruments that are commonly used to limit or screen foreign investment with a view to enhancing its benefits for the host economy. It also establishes an obligation of national treatment which is likely to preclude performance requirements that encourage economic linkages or protect domestic enterprises.
- The EPA model, represented by the Agreement, appears not to account for the potentially adverse impacts of foreign investment on development and regional integration or acknowledge the role of government in

preventing and limiting these impacts. It sidelines domestic tools that can be used to encourage foreign investment, thus displacing the greater flexibility and adaptability that domestic instruments offer.

- The Agreement establishes an obligation of most favoured nation (MFN) treatment which could be read expansively to incorporate into the Agreement post-establishment obligations from other investment treaties, including access to investorstate arbitration.
- By combining provisions on services and investment, the Agreement expands upon market access commitments in other trade agreements by including non-service (i.e., investment) sectors, and raises the prospect of future claims by foreign investors in the service and non-service sectors alike.
- Although the Agreement does not contain an investor-state mechanism, its market access commitments will trigger post-establishment protections, including access to investor-state arbitration, that are available to European investors in other investment treaties. This exposes CARIFORUM states to major liabilities arising from the prospect of direct claims by investors and damages awards against the state. Such claims may arise in any sector with substantial foreign ownership and are particularly prevalent in the energy and resource sectors and in privatized sectors.

**Key recommendations** are:

- In their consideration of a proposed EPA, ACP states should consider their position not only in terms of costs and benefits of their market access commitments in sectors covered by an EPA, but also in terms of their post-establishment commitments under other investment treaties. They may wish to link EPA negotiations to the renegotiation or clarified interpretation of existing bilateral investment treaties with European states.
- The Agreement's definition of the right to regulate, and its exclusion of a commitment to privatize public undertakings, should be strengthened. The Agreement should also clarify that MFN treatment is limited to the pre-establishment phase of an investment. The commitment in the Agreement to liberalise the capital account should be subject to the balance of payments safeguard.
- The Agreement should preclude the arbitration under other investment treaties, of disputes concerning the rights and obligations of the Parties

to the Agreement, or of disputes that are subject to dispute settlement under the Agreement. Negotiations towards an EPA also offer an opportunity to provide for investor claims arising under existing BITs between an EC state and a CARIFORUM state to be referred to the CARIFORUM dispute settlement process, instead of BIT arbitration.

- ACP states should avoid any further commitments to investor-state arbitration in an EPA or in any other treaty. Future consents to investorstate arbitration should be limited to investment contracts that are concluded in anticipation of a specific project.

# 1. Investment-related provisions in the CARIFORUM EPA

The Parties to the CARIFORUM Agreement are the CARIFORUM states, acting collectively, and the 'EC Party', which includes both the European Community and its Member States, to the extent that the competence of each is implicated.[2] This is significant because many bilateral investment treaties (BITs) have been concluded between individual CARIFORUM states and the major European capital-exporting states, acting individually. The Agreement is therefore a subsequent agreement to these existing BITs between states that are also parties to the Agreement. Further, the Agreement expressly preserves the rights of investors under existing or future investment treaties between CARIFORUM states and EC states.[3] Thus, the Agreement expands upon, and does not limit, the restraints and liabilities that existing BITs place on the CARIFORUM states in the regulation of European investors. These aspects are critical to understanding the cumulative impact of the market access commitments undertaken in the Agreement.

## *Substantive commitments*

The substantive focus of the Agreement's investment provisions is market access and pre-establishment investment liberalisation. The Agreement thus requires the Parties to remove restrictions on foreign ownership and control of their economy, in sectors where they undertake positive commitments to liberalise.[4]

In particular, the Parties undertake market access commitments in investment (i.e., 'non-service') sectors, as defined by the International Standard Industrial Classification of all Economic Activities (ISIC Rev. 3.1). Commitments are made in these sectors: Agriculture, hunting and forestry; Fishing; Mining and

quarrying; and Manufacturing; and in the sub-sector of Production, transmission and distribution on own account of electricity, gas, steam and hot water [see Appendix B]. In turn, all sub-sectors within these sectors are liberalised, barring a specific reservation taken by the state in question. In addition, the Agreement contains extensive market access concessions in sectors that are styled as 'services' under the ISIC methodology, but that would also qualify as investment under the broad definitions of that concept in BITs which, unlike the CARIFORUM Agreement, restrict postestablishment regulation of foreign investors by the CARIFORUM states.

In the liberalised sectors, a variety of instruments that are commonly used to limit or screen foreign investment, with a view to enhancing its benefits for the local, national, or regional economy, are prohibited. These include the imposition of various restrictions or conditions on foreign investment, including limits on the number or share of foreign firms in a sector, limits on the proportion of a firm or industry that is foreign-owned, the use of an economic needs test to approve proposed investments, or requirements to engage in joint ventures with local firms.[5]

Further, in the liberalised sectors, the Agreement establishes a general obligation of national treatment for foreign investments and investors relative to their domestic counterparts.[6] The Parties may not treat domestic firms in a way that alters the conditions of competition in their favour relative to foreign firms. (Note that the Agreement does not prohibit states from treating foreign investors more favourably than their domestic counterparts.) The obligation thus likely precludes states from applying performance requirements (other than through subsidies[7]) to foreign investors as a condition of their commercial presence, including, for example, requirements to employ local personnel, use local materials, produce for export, or otherwise establish linkages with the local economy or protect domestic enterprises.

Complementing these restrictions on the regulation of foreign capital is a more specific obligation not to apply capital controls to direct investments or otherwise restrict the repatriation of capital or profit from those investments.[8] This operates to liberalise the capital account of the balance of payment, going well beyond normal IMF obligations to liberalise current transactions. Notably, the commitment is not subject to the Agreement's balance of payments safeguards that otherwise apply in the event of a monetary crisis.[9]

A further commitment deals with most favoured nation (MFN) treatment.[10] It requires the Parties to make available any more favourable treatment to which they agree, in a future economic integration agreement with a major trading economy, to investments and investors covered by the CARIFORUM Agreement.[11] The

commitment acts primarily as a hedge for the EC states against the possibility that CARIFORUM states might grant more generous market access to other major economies. However, it could be read expansively in order to incorporate into the Agreement a host of substantive and procedural obligations from other investment treaties, including post-establishment protections (e.g., duties to compensate foreign investors for 'regulatory expropriation' or 'unfair treatment') and access to investor-state arbitration. This expansive approach to the concept of MFN treatment is surprisingly common in arbitration awards, to date.

Interestingly, the Agreement requires both home states and host states for investors to adopt legislation on anti-bribery, labour standards, and international environmental and labour obligations.[12] It also lays out provisions and a consultation mechanism aimed at checking inter-state regulatory competition to attract investment.[13]

Finally, the Agreement provides for future negotiations within five years of its entry into force, toward further investment liberalisation.[14]

## Coverage

The Parties agree to liberalise capital flows relating to direct investment by opening their economies to foreign investors that are based in another state party and that engages in economy activity in the host state by setting up a commercial presence in its territory.

'Investor' includes both natural persons and juridical persons. The inclusion of juridical persons raises the prospect of forumshopping by EC-based investors. For instance, an EC-based investor that gains market access to Barbados as a result of the Agreement, could channel the legal ownership of its Barbadian assets through Canada by establishing a shell company in Canada, in order to gain access to the additional post-establishment protections (including access to investor-state arbitration) that are available under the Canada-Barbados bilateral investment treaty.[15]

'Commercial presence' (i.e., investment) is not limited to economic activity that delivers a benefit to the development of the host state. However, the concept is apparently limited to direct investment (aimed at managerial control) rather than portfolio investment (not aimed at managerial control), given the requirements that a commercial presence—where made by constituting or acquiring a local entity—must be 'with a view to establishing or maintaining lasting economic links', and given that loans extended by foreign investors must be at least five years in duration.[16]

The Agreement applies broadly to regulatory activity of the state. Firstly, it applies to any measure that affects the commercial presence of an investor, except for a limited range of measures that are expressly excluded.[17] Secondly, it defines 'measure' broadly to include acts of any branch of the state (including the legislative and judicial branches) and of any level of government.[18]

## *Dispute settlement*

The Agreement is unlike other investment treaties in that it does not include an investorstate mechanism that would allow investors to bring claims directly against states for alleged violations of the treaty, leading to an internationally-enforceable damages award against the state. Instead, dispute settlement is limited to state-state arbitration. Thus, the Agreement does not directly import the most troubling component of existing investment treaties: their use of private arbitration rather than a court (whether domestic or international) to resolve regulatory disputes between business and the state, and to delineate the policy space that is available to host governments. This is a positive aspect of the Agreement. Other positive aspects are that the Agreement assigns appointing authority to a public entity (the chairperson of the Trade and Development Committee), directs that appointments be made from a designated list of arbitrators, adopts a presumption of openness in arbitration proceedings, allows for *amicus curiae* briefs, and contemplates a Code of Conduct for arbitrators.[19]

On the other hand, the dispute settlement mechanism has important flaws. Firstly, it allows the rulings of arbitrators to be withheld from public disclosure at the discretion of the Trade and Development Committee. Secondly, it limits the expertise of arbitrators to 'law and international trade'.[20] Thirdly, it precludes the publication of dissenting opinions by arbitrators.[21] Fourthly, in terms of its interpretation, the Agreement contains purposive statements that permit arbitrators to adopt an interpretive presumption in favour of investors, to the detriment of the regulatory position of host states.[22]

Most problematic, however, are two potential areas of interaction between the Agreement and investor-state mechanisms in BITs. The first is that the CARIFORUM states will be exposed to claims against them by European investors whose investments are possible only because of the market access that is granted under the Agreement. These claims are most likely under BITs between a CARIFORUM state and an EC state, although they are possible under any BIT that allows forum-shopping. Also, for purposes of post-establishment protection,

BITs define investment in ways that would include assets owned in 'service' sectors of ISIC as well as 'non-service' sectors.

The second is that the CARIFORUM Agreement's exclusive use of state-state arbitration is subject to the proviso that arbitrators appointed under a BIT may rely on a MFN clause in the BIT to import CARIFORUM commitments on market access into the BIT arbitration.

# 2. Implications for development and regional integration in the ACP

## *Implications of the CARIFORUM Agreement*

The CARIFORUM Agreement points to three assumptions underlying the EPA model. The first is that the conclusion of EPAs is necessary to attract foreign investment into ACP states. The second and third are that this investment will further the development and regional integration, respectively, of ACP states. Comments will be made on each in turn and conclusions will be provided on the asymmetric character of ACP states' concessions under an EPA.

Firstly, one must ask whether ACP states really need to use international law to attract foreign investment by constraining their governments at the domestic level. If investment is foreclosed by domestic measures, then states can open their economies by changing their own laws and policies. Also, if we accept that investment can have both positive and adverse impacts on a host economy and that government has a role to play in managing these impacts, it is arguably much more appropriate to amend domestic law so as to authorise governments to negotiate and approve proposed investments that are judged beneficial for the local economy on a case-by-case basis, rather than to adopt blanket commitments covering entire sectors at the international level.[23]

Moreover, the evidence is weak at best that existing investment treaties actually draw in foreign investment, and there is no evidence that they are more effective in this respect than investment contracts.[24] Without such evidence, it is inadvisable for states to relinquish their regulatory flexibility and policy space in a wide range of fields, in exchange for an elusive promise of beneficial investment that could, in all likelihood, be secured by other means.

Thus, by sidelining domestic tools to encourage foreign investment, the EPA model displaces the adaptability that domestic instruments offer in terms of the tailoring and staging of regulation as the costs and benefits of market access in

different sectors become more apparent over time. It is in this sense that the EPA model demands that ACP states relinquish core policy space; they must accept legal restrictions in a treaty instrument that lacks adaptability and that will be very difficult to adjust or withdraw from.

A second assumption is that foreign investment made possible by liberalisation will further the development of ACP states. But the EPA model does not account for the potentially adverse impacts of foreign investment on development, or acknowledge the important role of government in preventing and limiting these impacts. In doing so, it unduly restrains the policy space of host states. They are foreclosed from adopting a selective approach to the admission of foreign investors, from negotiating conditions on foreign investment that would encourage linkages with the host economy and protect local producers, and from emphasising South-South integration based on privileged market access. Further, in any sector where an EC investor comes to own substantial assets in an ACP economy, major liabilities will follow automatically under existing investment treaties that impose extensive post-establishment constraints on the regulation of foreign investors.

In this respect, the CARIFORUM Agreement acknowledges that states have a right to regulate, but then expressly subjects that right to the Parties' commitments on investment liberalisation[25] and to the postestablishment protections that newly admitted investors will enjoy under BITs. Thus, the EPA model requires states to relinquish their customary right to govern entry by foreign capital into their economies and to regulate foreign capital once it is established. This is authority that has been used successfully by many states, especially in Asia and among the major capital-exporters, to develop competitive industries and national centres of capital, before opening their economies to foreign ownership. It is also used widely by all states to enact regulatory measures that apply generally to investors for a wide range of development purposes, and that will be fraught with risks and liabilities under BITs, once an EPA leads to expanded foreign ownership of the economy.

The second assumption is that foreign investment made possible by liberalisation will further the development and regional integration of ACP states.[26] This assumption appears naive, not to say disingenuous, in important respects. For example, in terms of regional integration, the Agreement states that 'the provision of appropriate regulatory frameworks for trade in services and investment' (including market access) 'will contribute to the deepening of [the Parties'] regional integration process and the realisation of the objectives of this Agreement'.[27] This statement equates regional integration within the Caribbean region to regional integration between the Caribbean region and Europe. But

the latter conflicts overtly with the former. Allowing market access by European firms that are based in larger European markets will spoil many opportunities for economies of scale to develop among Caribbean enterprises based in the Caribbean market.

In resolving this conflict, what does the Agreement do? It expressly subordinates regional investment to investment liberalisation.[28]

Finally, it is important to highlight that the EPA model is asymmetric in that ACP states assume much greater liabilities in relation to investment than do the EC states, because ACP states are overwhelmingly a destination for direct investment from the EC rather than a source of direct investment into the EC. The significance of this asymmetry is heightened further by the extent to which the Agreement delivers privileged market access to European investors relative to other capital-exporting regions. Commitments by EC states under the Agreement should reflect the groundbreaking nature of this concession.

## *Implications of the Agreement's interaction with BITs*

One of the most important features of the EPA model, in light of the CARIFORUM Agreement, is its expansion of the liabilities that ACP states face under other investment treaties, especially their bilateral investment treaties with EC states.

Existing BITs concluded by EC states do not contain commitments on market access but are instead limited to post-establishment protections for investors. They differ, as such, from the investment treaties of other major states, which typically include commitments on both pre-establishment and post-establishment stages of investment.[29] In this respect, the market access commitments in EPAs are meant to 'fill a gap' in the BIT programmes of European capital-exporters by opening host economies to European investment in the manner of a US regional or bilateral investment treaty. However, once markets are opened by an EPA, the post-establishment protections available to European investors in European BITs will be triggered.

This aspect of market access under EPAs is important because BITs, unlike the CARIFORUM Agreement, allow investorstate arbitration and thus expose host states to major liabilities arising from the prospect of direct claims by investors and internationally-enforceable damages awards against the state. Under a BIT, any state measure, whether or not it is permitted under an EPA, may lead to a claim and a damages award under a BIT.

The development implications of this are vitally important. Investor-state arbitration is a uniquely powerful means to discipline host states because (a) it allows direct claims by investors, typically without a requirement to pursue legal remedies in the host state, (b) it allows for damages awards for any regulatory act of the state, including legislation, and (c) it relies on private arbitration to resolve disputes in a way that is structurally biased against host states. To date, there have been well over 100 claims against developing countries under BITs, leading to dozens of damages awards. Numerous states have been ordered to pay awards worth tens or hundreds of millions of dollars. In many cases, awards arise from general regulatory measures that affect foreign investors indirectly and in unanticipated ways. As such, exposure to investor-state arbitration may impact not only the fiscal position of a government, but also its ability to plan and cost out development policies that have the potential to affect the economic position of a foreign investor.

Judging from the experience of other states targeted by investor claims under BITs, the liabilities arising from investor-state arbitration are especially prevalent in the energy and resources sectors and in sectors where state assets have been privatized.[30] In these sectors, countries targeted for claims have included Argentina, Bolivia, Bulgaria, Ecuador, Canada, the Czech Republic, Egypt, Lebanon, Pakistan, Peru, South Africa and Tanzania, for example.[31] Most prominently, Argentina has faced dozens of investor claims arising from measures to address the country's financial crisis in 2001, and it has lost all six claims that have reached the stage of a final award, leading to orders against Argentina to pay over $800 million in total to European and US firms.

Importantly, the general exceptions[32] and other useful language[33] in the CARIFORUM Agreement that emphasize objectives of sustainable development, food security, social benefits, labour standards and safeguards for the balance of payments will be of little use to the host state in an investor-state arbitration under a BIT. A BIT dispute, though it relates to an investment made possible by an EPA, will be resolved with reference to the terms and purposes of the BIT, and the great majority of BITs omit the general exceptions and useful language found in the CARIFORUM Agreement. Thus, once an investor is admitted to a state's territory, any post-establishment regulation by the state that implicates a BIT (to which the investor has access) will not be protected by EPA exceptions on human health, resource conservation, direct taxation, and so on.

* * *

In these respects, the CARIFORUM Agreement has direct and indirect impacts on development and regional integration. Its direct impacts arise from the problematic assumptions that a treaty is required to encourage foreign investment, and that European investment will, as a rule, deliver benefits to host states in spite of the much reduced policy space of host governments. Its indirect impacts arise from the Agreement's interaction with other investment treaties that provide post-establishment protections for foreign investors, including access to investorstate arbitration. In light of this interaction, different states will be affected in different ways by an EPA, depending on the degree to which (a) the state might otherwise use its domestic authority to limit costs and enhance benefits of investment, (b) additional investors enter the state's economy as a result of an EPA, and (c) these investors have access to postestablishment protections under other treaties.

## 3. Implications of subsequent negotiations at a multilateral and bilateral level

The CARIFORUM Agreement reflects an EPA model that imposes extensive restraints on the regulatory flexibility of ACP countries to decide whether to admit foreign investors and under what conditions, and thus limits the policy space that is available to host governments to manage costs and benefits of investment in light of their own development and regional integration priorities. In turn, by opening the door to much greater foreign ownership of their economies, the EPA model expands the liabilities of ACP countries under other treaties. States should therefore weigh the perceived benefits of an EPA against these significant costs and liabilities.

To date, other agreements concluded by ACP states with the European Union are preliminary agreements that establish an initial framework for a full EPA. They do not contain investment provisions, as in the case of the CARIFORUM Agreement, although they do contain a similar dispute settlement process. Also, most of these preliminary agreements contemplate near-term investment liberalisation by requiring the Parties, e.g, to 'cooperate to facilitate all the necessary measures leading to the conclusion' of a global EPA 'as soon as possible' and 'before the end of 2008', including provisions on 'investments'.[34] Recommendations for these negotiations are discussed below.

At the multilateral level, the CARIFORUM Agreement and other EPAs have the potential to undermine the will of ACP and other capital-importers to resist political pressures to make concessions on investment. This is particularly true

in the case of states that have not otherwise conceded significant market access commitments in BITs or other treaties. In itself, the proliferation of bilateral investment treaties since the 1990s reveals the dangers posed by the inter-state competition among developing countries, encouraged by capital-exporting states, to concede ever-higher obligations to admit and protect foreign investors. This poses an ongoing challenge to the groupings of capital-importers that have successfully opposed concessions on investment in multilateral forums, including the WTO. Notably, the CARIFORUM states, relative to other capital-importing regions, have not concluded many investment treaties that contain market access commitments.[35]

Thus, the more ACP states accept intrusive constraints in EPAs and other investment treaties, the higher the bar rises as to what qualifies as a hospitable investment climate, and the less each state can derive an advantage by conceding more to foreign investors than its 'competitors' among other developing countries. By maintaining a unified position, on the other hand, ACP states enhance the bargaining position of capital-importers as a group, and the corresponding ability of individual states to target selectively their legal concessions to investors via investment contracts.

## 4. Recommendations for review or amendment of the EU-CARIFORUM Agreement

The following is recommended for review or amendment before signature or ratification of the Agreement.

The Agreement's statement of objectives in favour of investment[36] should include additional language that recognises states' right to regulate. Such language might draw, for example, on the Agreement's definition of sustainable development[37] by affirming the Agreement's investment-related objectives 'while respecting the right of the Parties and of the Signatory CARIFORUM States to regulate investors in order to advance the human, cultural, economic, social, health and environmental best interests of their respective population and of future generations'.

The Agreement's definition of the right to regulate should be strengthened.[38] It should track the more robust language used to protect the right to regulate in relation to the Parties' commitment not to engage in regulatory competition in order to attract investment.[39]

The Agreement should clarify that any commitment to MFN treatment is limited to the pre-establishment phase of an investment and that it does not

extend to postestablishment protections or to procedural mechanisms that are available to investors under other economic integration agreements.

The Agreement's commitment to liberalise the capital account of the balance of payments[40] should be subject to the balance of payments safeguard.[41] Further, based on Argentina's experience in investor-state arbitration, the Agreement's exception for security measures should include temporary measures necessary to address a monetary crisis.[42]

The Agreement's exclusion of a commitment to privatise public undertakings should be strengthened.[43] Drawing on other exclusions in the same Article, it should read: 'This Title shall not apply to measures affecting public undertakings or limiting the privatisation of public undertakings'. Further, the Agreement should preclude the application of post-establishment protections in other investment treaties to foreign investments in sectors that are privatised following the conclusion of the CARIFORUM Agreement. The Agreement should also contain a general exception for measures relating to the alleviation of poverty or assurance of universal access to basic services.

The Agreement should list additional areas of expertise, such as international law or human development, as suitable qualifications for arbitrators on the designated list.[44] Also, as an accountability check, the discretion of the Trade and Development Committee not to publish an arbitration ruling[45] should be limited to specific and legitimate grounds for confidentiality. Likewise, the Agreement should permit the publication of dissenting opinions by arbitrators.

The Agreement precludes the arbitration of WTO disputes under the CARIFORUM dispute settlement process. It also precludes concurrent arbitration of the same dispute under WTO and CARIFORUM dispute settlement.[46] However, the Agreement should include similar language precluding the arbitration (whether investor-state or statestate) of CARIFORUM disputes under other investment treaties concluded between states that are parties to the CARIFORUM Agreement. In particular, it should preclude the arbitration under those treaties of disputes concerning the rights and obligations of the Parties to the Agreement, or of disputes that are the subject to dispute settlement under the Agreement.

The CARIFORUM Agreement provides an excellent opportunity to address flaws in investor-state arbitration under existing BITs between states that are parties to the Agreement. These might include, for instance, provisions to designate a list of approved arbitrators, to ensure openness in proceedings, to allow *amicus curiae* briefs, and to apply a Code of Conduct to arbitrators. Further, appointing authority for arbitrators appointed under BITs should be assigned to a public body in which voting power is allocated more equitably between

capital-importing and capital-exporting interests. Alternatively, the Agreement could provide that investor claims arising under an existing BIT, between an EC state and a CARIFORUM state are to be referred to the CARIFORUM dispute settlement process, instead of BIT arbitration. Ideally, the Agreement would establish a standing dispute settlement body or international court, staffed by tenured judges, to resolve investment disputes under the Agreement and BITs. These are all feasible options, in legal terms, because the EC states that have concluded BITs with CARIFORUM states are also parties to the CARIFORUM Agreement.

To prevent forum-shopping by non-European investors, the Agreement should expressly foreclose, in relation to any investment covered by the Agreement, access by the respective investors to dispute settlement under other investment treaties where the investor would not qualify for coverage under the Agreement.

## 5. Recommendations for other ACP regions

Other ACP states embarking on negotiations with the EU need to ensure they have assessed the degree to which the costs of the increased foreign investment and ownership that is enabled by an EPA—including the costs of imposing treaty restrictions on measures aimed at development or regional integration, and the liabilities to claims under the EPA and other investment treaties—are clearly outweighed by benefits of increased investment or by other benefits of the EPA.

In the course of this assessment, ACP states should determine existing and projected domains of foreign ownership within the economy, so as to identify those in which the amount of foreign investment at stake has the potential to trigger disputes with a foreign investor or its home state. This should include an assessment of the degree to which market access commitments in an EPA will expand foreign investment and the corresponding liabilities of the state to arbitration claims.

Thus, ACP states should consider their position not only in terms of the costs and benefits of their commitments to market access in sectors covered by an EPA, but also in terms of their post-establishment commitments under other investment treaties. They may also wish to link EPA negotiations to the renegotiation of existing investment treaties, in order to limit their liabilities arising from forum-shopping, undue restrictions on the right to regulate at the post-establishment stage, and the structural bias against capital-importing states in investor-state arbitration.

ACP states should also avoid strictly any further commitments to investor-state arbitration in an EPA or any other treaty. They should limit future consents to investor-state arbitration to consents in investment contracts that are concluded in anticipation of a specific project whose benefits are judged clearly to outweigh the significant exposure that consent to investor-state arbitration entails.

ACP states should set aside a contingency fund for legal costs and awards arising from possible disputes concerning their commitments in any EPA and in other investment treaties. ACP states should also develop an in-house capacity for the litigation of claims arising from investment disputes. ACP states should consider the more specific recommendations in the previous section.

## Notes

1. Gus Van Harten, LLB, MES, PhD; Assistant Professor, Osgoode Hall Law School of York University, Toronto, Canada; author of *Investment Treaty Arbitration and Public Law* (Oxford University Press, 2007). Ox-fam International is acknowledged as the funding source for this report. The views in this report are those of the author and do not necessarily reflect the views of Oxfam International.
2. Part VI, Article 1.
3. Part II, Title II, Article 10.
4. Part II, Title II, Article 6(1); Schedule of Commitments on Investment (Commercial Presence) of CARIFO-RUM States in Non-Service Sectors.
5. Part II, Title II, Article 6(2). The restrictions reflect the language on market access in the General Agreement on Trade in Services, Article XVI(1).
6. Part II, Title III, Article 7. Again, this reflects the GATS language, Article XVII.
7. Part II, Title II, Article 1(3).
8. Part II, Title III, Article 2(1).
9. Part II, Title III, Articles 1 to 3.
10. Part II, Title II, Article 9.
11. A 'major trading economy' is any industrialized country, or any country accounting for more than one percent of world merchandise exports, or any group of countries accounting for more than 1.5 per cent of world merchandise exports. Thus, a large developing state or significant grouping developing states would fall within the category.
12. Part II, Title II, Article 11.

13. Part II, Title II, Article 11; Part II, Title IV, ch 4 and 5.
14. Part II, Title II, Article 3.
15. Part II, Title II, Article 2. The prevalence of forum-shopping in international business means that the liabilities of host states under BITs are not limited to possible disputes arising from assets owned by investors based in the other state party to a BIT, but may extend to disputes arising from the regulation assets of investors based in third states who have channelled their investments in order to gain access to an investment treaty.
16. Part II, Title II, Article 4(a)(i) note.
17. Part II, Title II, Article 5 (excluding measures relating to nuclear materials, war materials, audio-visual services, national maritime cabotage, and certain air transport services).
18. Part II, Title II, Article 2. The definition also extends to non-governmental bodies exercising delegated public powers.
19. Part III, Articles 6(3), 15(2), 16, and 20.
20. Part III, Articles 19(1), 19(2), and 20(3). This expertise requirement can be varied only where both Parties agree to do so after a dispute has arisen, by appointing individuals who have 'sector expertise in specific matters'.
21. Part III, Article 19(1).
22. e.g. Part I, Article 1(b) and (e). e.g. the Agreement includes among its objectives those of 'implementing an effective, predictable and transparent regulatory framework for trade and investment' and 'supporting the conditions for increasing investment', but does not qualify these objectives with language to recognise the role of government in encouraging benefits and limiting costs of foreign investment.
23. The EC could play a constructive role in this respect by providing financial and other support for the development of domestic capacity to evaluate and approve specific investments.
24. e.g. M. Hallward-Driemeier, 'Do Bilateral Investment Treaties Attract Foreign Direct Investment? Only a Bit . . . and They Could Bite' (World Bank Policy Research Working Paper No. 3121, Washington, June 2003) 4-5 and 22-3; P. Egger and M. Pfaf-fermayer, 'The Impact of Bilateral Investment Treaties on Foreign Direct Investment' (2004) 32 *Journal of Comparative Economics* 788; J. Tobin and S. Rose-Ackerman, 'Foreign Direct Investment and the Business Environment in Developing Countries: the Impact of Bilateral Investment Treaties' (Working paper, Yale University, January 3, 2005).

25. Part II, Title II, Article 1(4) (clarifying that the 'right to regulate and to introduce new regulations to meet legitimate policy objectives' is retained, but only 'consistent with the provisions of this Title').
26. e.g. Part I, Article 8 (stating that 'development co-operation' shall focus on various areas including 'the diversification of CARIFORUM exports of goods and services through new investment and the development of new sectors', without recognising that foreign investment may also crowd out domestic enterprises and substitute foreign for local suppliers).
27. Part II, Title II, Article 3 ter.
28. Part I, Article 4(4) (stating that 'the pace and content of regional integration is a matter to be determined exclusively by the CARIFORUM States in the exercise of their sovereignty and given their current and future political ambitions' but that this is 'without prejudice to the commitments under in this Agreement').
29. e.g. regional agreements like CAFTA, bilateral trade agreements, and US BITs.
30. In this respect, the Agreement does not mandate, but also does not preclude, the privatization and foreign ownership of public assets: Part II, Title II, Article 1(2); Schedule of Commitments on Investment (Commercial Presence) of CARIFORUM States in Non-Service Sectors. Indeed, the language of the Agreement suggests that privatization is an anticipated outcome of market access.
31. The author was informed in 2005 by a legal advisor to the president of a large developing country that the cost of defending a single claim had consumed roughly half of the entire annual budget of the country's department of justice.
32. *Part IV, Article 1(1).*
33. e.g. Part I, Article 2 ('The Parties understand this objective to apply in the case of the present Economic Partnership Agreement as a commitment that: a) the application of this Agreement shall fully take into account the human, cultural, economic, social, health and environmental best interests of their respective population and of future generations . . . ').
34. e.g. *Agreement Establishing a Stepping Stone Economic Partnership Agreement Between Ghana, on the One Part, and the European Community and its Member States, on the Other Part,* Article 44.
35. As at June 2006, the Dominican Republic, Grenada, Jamaica, and Trinidad and Tobago had done so with the United States, and Barbados and Trinidad and Tobago had done so with Canada.
36. Part I, Article 1.

37. Part I, Article 2(a).
38. Part II, Title II, Article 1(4).
39. Part II, Title IV, ch 4, Article 2 (affirming the right of states to regulate 'in order to achieve their own level of domestic environmental and public health protection and their own sustainable development priorities, and to adopt or modify accordingly their environmental laws and policies' and 'in order to establish their own social regulations and labour standards in line with their own social development priorities, and to adopt or modify accordingly its relevant laws and policies').
40. Part II, Title III, Article 2(1).
41. Part II, Title III, Article 3.
42. Part IV, Article 2.
43. Part II, Title II, Article 1(2).
44. Part III, Article 20(2).
45. Part III, Article 19(1).
46. Part III, Article 21(1).

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# THE SUGAR LOBBY 2004-2006: A CASE FOR MORE INNOVATIVE DIPLOMACY

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## Introduction

On July 14, 2004, the European Commission (EC) released its Communication to the European Council and the European Parliament on the proposed reform of the European Union's (EU's) Sugar Regime, as part of the drive to complete the reform of the EU's Common Agricultural Policy (CAP). Whilst focusing on the heavily subsidised and generally uncompetitive European beet sector, the EC proposed to slash the guaranteed price of cane sugar imported under the EU/Africa-Caribbean-Pacific (ACP) Sugar Protocol[2] by 37%, in two steps, over three years, beginning in July 2005. There was no offer of compensation for Caribbean Community (CARICOM) and ACP sugar suppliers, but only vague promises of "accompanying measures" to soften the blow.

On June 22, 2005, the EC submitted to the European Parliament a legislative proposal for reform of the Common Market Organisation (CMO) for sugar and a proposal for an "Action Plan" on accompanying measures for affected Sugar Protocol countries. The new reform proposal called for the new regime to take effect on July 1, 2006, with a total price cut of 39% for raw sugar, phased in over four years. The price for beet would also be cut by 39%, but over two years from 2006, instead of four (EC, 2005a); for Sugar Protocol suppliers, the price cut was deeper than that originally proposed by the EC, but there was one year added to the phase-in period. Under the proposed accompanying measures, still rather vague in their conceptualisation and elaboration, Sugar Protocol countries would get €40m in 2006 to help them adapt to the changes (EC, 2005b). On the other hand, to offset the cut in the beet price, EU growers would receive 60%

compensation in the form of direct, decoupled aid, with a compensation fund of € 6,000m for uncompetitive EU producers and a buy-out scheme to help them leave the sector (EC, 2005a).

On November 24, 2005, the UK Presidency succeeded in brokering a political agreement on sugar reform in the EU Agriculture Council. The new regime would enter into force on July 1, 2006, with the price of raw sugar to be cut by a cumulative total of 36% in three steps, over four years, dropping from €523.7 per tonne to €496.8 (-5.1%) in 2006/07 and 2007/08, €448.8 (-14.3%) in 2008/09, and €335.2 (-36%) by 2009/10. This was down only 3% from the EC's original proposal, but was attenuated slightly by the one-year delay in its implementation and the somewhat less severe reduction in the first two years of the new regime (EC, 2005c).

The EU also came to an agreement on November 30, 2005, on all the elements of its 2006 budget, including the € 40m for accompanying measures. The Parliament adopted the 2006 budget on December 15, 2005, and on May 4, 2006, the EC announced that there was a basis for political agreement within the EU on the overall sum that would be proposed for Sugar Protocol countries in the EU's Financial Perspectives for 2007-13.

This two-year timeline for reform—which also encompassed World Trade Organisation (WTO) negotiations on the Doha Development Agenda (DDA) and efforts to do away with agricultural subsidies in developed countries; the specific case in the WTO brought by Australia, Brazil and Thailand against the EU Sugar Regime and its system of market-distorting domestic subsidies and the EU's subsequent appeal against the Dispute Settlement Body's ruling; and the lead-up to the post-Cotonou world of Economic Partnership Agreements (EPAs)-witnessed intense activity on the part of CARICOM Sugar Protocol members, working in concert with their ACP partners, to lobby against the timing and scope of the proposed changes to the Sugar Regime, in order to maintain access to the EU sugar market at a reasonably remunerative price and to secure adequate transitional support from the EU.

A strong alliance was forged among affected industries and governments in the region, working through the Sugar Association of the Caribbean (SAC) and the CARICOM Secretariat. In Europe, a robust ACP-wide response was developed, under the aegis of the ACP Ministerial Consultations on Sugar and the Sugar Consultative Group (SCG) of Ambassadors in Brussels, with technical support from the ACP London Sugar Group (LSG) of Commercial Representatives, all of which included major inputs from the representatives of CARICOM sugar producing countries. The two-year period thus provides an opportunity for a

case study of a specific theatre of diplomatic activity and a process of engagement to protect vital commercial interests, in which conventional diplomacy morphed into more innovative public diplomacy and lobbying, beyond the framework of traditional bilateral and multilateral diplomatic engagement. Indeed, the molt-faceted approach taken by CARICOM and the ACP bears a close resemblance to what Jorge Heine describes as the "new diplomacy", in which the traditional "club model" of diplomacy, involving mainly government officials and the occasional business person, with the focus generally on the negotiation of agreements between sovereign states, gives way to a new "network model" of diplomacy, in which "diplomats engage a vastly larger number of players in the host country"—or countries as in the case of the sugar lobby—to tell their story to a wider public (Heine 2006).[3]

Even though the region has moved on since the entry into force of the new EU Sugar Regime and with the signing of the EU/CARIFORUM EPA, this chapter will examine how regional stakeholders joined forces with their ACP counterparts and with other stakeholders in Europe to safeguard their interests, and will consider how the deployment of political, diplomatic, industrial and civil society assets in campaigning for a fair deal under the new EU Sugar Regime, including alliances with NGOs, media outreach and attempts to mobilise the Diaspora, fits in with the "network model" of "new diplomacy". Finally, an attempt will be made to determine how effective these efforts were and identify lessons learned for future international engagement on the part of CARICOM. In this respect, the chapter will analyse not so much the positions taken, since CARICOM and the ACP were never involved in a negotiation proper, but the implementation of the lobbying strategy as it evolved.

## The CARICOM Response

Recognising that, if the EC's leaked proposals were allowed to go forward unopposed, CARICOM sugar producers stood to lose an estimated US$180 million in the first three years of the new regime, with a recurring loss of US$90 million annually thereafter, CARICOM Heads made their displeasure clear at their meeting in Grenada, on July 4-7, 2004 (CARICOM, 2004a).[4] Firm action was now required to back up the rhetoric and it would thenceforth be interesting to see how CARICOM would move from reactive to proactive mode and how far the Community, as a whole, would support its sugar producers in an international climate of trade liberalisation and preference erosion and talk in the region of sugar as a "sunset industry". In this respect, the role of giving the

CARICOM position backbone and impetus fell by default to SAC, urged on by the largest three regional producers, Guyana, Jamaica and Belize. Working in harness with the CARICOM Secretariat, SAC was also assured of the support of the CARICOM Spokesman on Sugar, the Hon. Clement Rohee, then Minister of Foreign Trade and International Cooperation of Guyana.

The first concrete step was the convening of a Meeting of CARICOM Stakeholders on Sugar in Georgetown, Guyana, on September 28 to 29, 2004.[5] Having already been caught off guard by the EC's proposals,[6] CARICOM, it might be considered, was still dilatory in taking almost three months to bring stakeholders together. This is, however, a systemic and continuing problem in a region already beset by competing agendas, limited human resources in national and regional bureaucracies, and challenges to easy and quick travel across the Caribbean, which all serve as a brake on rapid response mechanisms and the forging of collective positions in real time.

The Stakeholders' Meeting, chaired by the CARICOM Secretary-General and attended by Ministers, senior officials, industry executives, representatives of cane farmers and sugar workers, and representatives of relevant regional organisations, developed a response to the EC's proposals, based on national and regional plans for restructuring, modernisation and diversification, and the economic, social and political implications of the price cuts (CARICOM, 2004b). The common CARICOM position, forged on the basis of inclusiveness and buy-in, was that:

- The proposed price cut was too drastic;
- The start date was too soon and the implementation period too short;
- The social, political, economic and security consequences would be catastrophic;
- The special status and legally binding nature of the Sugar Protocol were being given scant attention by the EC;
- The UK's enthusiasm for the proposals was a betrayal of its moral commitments to the ACP;
- The accompanying measures needed to be long-term and at the same level as the compensation being proposed for EU beet producers.

It was agreed that these points would be fed into the evolving ACP position and that CARICOM Ministers would be involved in ACP missions to lobby EU Member States, beginning the week of October 10, 2004. Rather innovatively, it was also agreed that the Caribbean Diaspora in the UK should be mobilised in support of the regional position.

## The ACP Position

CARICOM representatives were now able to play a major role in helping to refine the ACP position at a Workshop in Brussels on October 4-6, 2004. In summary, the joint ACP position, subsequently endorsed by ACP Sugar Ministers on November 29, 2004, and by the ACP Council of Ministers on December 1, 2004, formed the basis of the ACP lobby and covered the following key elements (ACP, 2004b):

- Managed Market: Socio-economic development and the maintenance of sustainable agriculture could only be based on remunerative prices, which could only be achieved through an orderly managed market.
- Entry into force: The July 2005 start date was too soon; the new Regime should begin no sooner than 2008.
- Implementation period: The proposed period of three years was too short; a gradual, phase-in period of at least eight years was preferable.
- Level of price cut: The proposed cut of 37% was too drastic.
- Competitiveness Fund: A Competitiveness Fund should be established as early as 2005 to finance adjustment programmes in advance of any reduction in earnings brought about by the proposed reforms. Resources relating to the Competitiveness Fund and compensation for price reductions, equal to that granted to EU producers, should be separate and distinct from each other and should be additional to the European Development Fund (EDF).

With regard to the Action Plan, the ACP also recognised that it was important to engage with the EC before it tabled the Plan, for as it began its move up the EC hierarchy, it would become increasingly difficult to influence any changes (ACP, 2004a).

It is important here to note that the ACP position took as its point of departure, the obligations of both ACP sugar suppliers and the EU under the terms of the Sugar Protocol, with a strong emphasis on what many regarded as the "sacrosanct nature" of the Protocol and the ACP's "legitimate expectations". This would influence greatly the direction and strategy of the sugar lobby. For the ACP, the overriding principle was that the Protocol was a legally binding intergovernmental agreement with obligations to be met by all contracting parties. On the ACP side, there was the commitment to supply anually 1.3 million tonnes white sugar equivalent. The EU's obligation was to respect the three guarantees of price, access and indefinite duration.[7] For the ACP, access without a remunerative

price was meaningless and so they called on the EU to ensure that any reform of the Sugar Regime should take into consideration Article 36(4) of the Cotonou Agreement, wherein the parties recognised the need to safeguard the benefits of the Sugar Protocol, as had been noted in the Communication itself.[8] In addition, any move towards a more liberalised trading regime should be fair and rules-based and should observe existing legal obligations.

The ACP further maintained that the importance of long-standing preferences such as the Sugar Protocol had been fully recognised at the global level, in the July 31, 2004, WTO Framework Agreement which, *inter alia,* made provision for addressing the issue of preference erosion. The Framework Agreement also allowed WTO Members to designate sensitive products for which tariff reduction commitments would be lower. In such circumstances, the ACP argued, there was no compulsion arising from the WTO negotiations for the severe and immediate price cuts as proposed by the Commission.

## The Sugar Lobby

Even before the CARICOM Stakeholders' Meeting and the ACP Workshop, however, lobbying efforts on the part of diplomatic and commercial representatives were already well underway in the UK and Belgium, with a wide variety of interlocutors.[9]

In the UK, the LSG and the High Commissions of Belize, Guyana and Jamaica had taken the lead in engaging the Foreign and Commonwealth Office (FCO); the pro-reform Department of the Environment, Food and Rural Affairs (DEFRA); the pro-liberalisation Department of Trade and Industry (DTI); the pro-poverty alleviation Department for International Development (DFID), which was more aware of the costs and loss of benefits than either DEFRA and DTI; UK sugar stakeholders, including Tate and Lyle, the major destination of ACP raw sugar for refining, beet growers and beet processors, all of whom stood to lose in a reformed market, but all of whom were better positioned to adjust than the cane sugar producers of the developing world; and NGOs such as the Catholic Agency for Overseas Development (CAFOD), Christian Aid and Oxfam UK, all of which were working very closely together to end world poverty and campaign for fairer rules on international trade.

Outreach to the NGOs was particularly important to explain the development dimension of the Sugar Protocol's preferential prices, linked as they were to the EU's subsidised price for sugar, to which the NGOs were strongly opposed, since, in their eyes, subsidies only served to contribute to EU overproduction and export

dumping, to the detriment of developing countries. This was to prove critical in enlisting strong NGO support for the ACP position, particularly for CARICOM sugar producers who had the most to lose in terms of socio-economic fallout.

In Brussels, the SCG was also engaging with EU diplomatic representatives, key officials of the EC's Agriculture, Development and Trade Directorates, Members of the European Parliament (MEPs), NGOs, including APRODEV,[10] CIDSE,[11] Oxfam International, the World Wildlife Fund (WWF), and representatives of Least Developed Countries (LDC) sugar exporters who feared that their expectations for market access under the EU's Everything But Arms (EBA) initiative would be frustrated.[12]

These widening networks of consultations were invaluable in identifying potential allies and convergence of interests, as well as areas of resistance to ACP calls for understanding and moderation in the EC's enthusiasm to pursue sugar reform. Thus, by the time of the ACP Workshop, ACP diplomatic and industry representatives had already begun to develop a fairly good idea of the challenges before them and had begun to feed ACP views into EU mechanisms for consultation.

Following the Brussels Workshop, the sugar lobby began to gain momentum, though it was pursued along generally conventional diplomatic and political lines. The ACP position was sent to the President of the Commission and the Heads of EU Member States by the President of Mozambique, in his capacity as the ACP Chairman, and circulated to all MEPs. Political engagement at the highest levels was seen as critical and it was understood that it would be necessary to go beyond letter writing to personal engagement at the level of Ministers and Ambassadors, with senior diplomatic and industry officials also maintaining regular contact with key counterparts at the technical level to influence the drafting of EC legislative proposals.

The Ministerial mission in the week of October 10-15, 2004, to the UK, Poland, Sweden, Denmark, Belgium and Portugal, to meet with Agriculture Ministers and a wide variety of stakeholders, including cane sugar refiners, beet growers, beet sugar producers and the media, effectively set the template for the ACP lobby.[13] But this and subsequent missions were perhaps too much in the "club" diplomacy vein in structure and approach, relying mainly on official channels for securing meetings and giving priority to government-to-government discussions. Even where there were press conferences, these were almost inevitably arranged by the host government.

Invariably, EU Member States expressed sympathy for ACP concerns, but the pro-reformists stressed the imperative of reforming the Sugar Regime and stuck to the party line that the *status quo* was unsustainable. As far as they

were concerned, ACP trade concerns would be addressed in the context of the EPA negotiations. Throughout, there were strong signals that reform would be driven by modernising zeal and free trade dogma, rather than practical market considerations. Worse, the WTO Panel's verdict against the EU Sugar Regime, released in September 2004, was being disingenuously used by the EC and some EU Member States to justify the need to press ahead with reform. As for the ACP proposal for a Competitiveness Fund, the Members of the EU were at one in preferring to speak of the accompanying measures, which would flow from the EDF, but not from CAP funds set aside to compensate EU sugar producers, to help to improve marketing conditions for those countries that would be economically viable producers, and for diversification where continued sugar production was not viable. Whilst the anti-reform EU States were generally more sympathetic and interested in forging an alliance against the reform proposals, it was always recognised that they were driven by self-interest rather than altruism and that any such alliance would be one of convenience.

Following the October lobbying mission, there were already lessons to be learned, which would be reinforced in later missions and other diplomatic démarches by ACP representatives. These included:

- Given that EU enlargement, from 15 to 25 Member States, in 2004, had brought in a number of countries generally ignorant of, and not necessarily sympathetic to the ACP, the ideal ACP lobbying strategy would have been to encompass individual engagement with all Member States, regardless of whether they were pro-/or anti-reform, tailoring the approach to fit the known position of each, to secure consideration of all concerns and, where possible, support for the ACP's objectives in accordance with the target country's own policies, and to exploit existing divisions within the EU, with a view to delaying passage of the proposals. This was, however, not practical from both the logistical and financial perspectives.
- There needed to be a process of continuous engagement with those countries already approached, at the level of Ministers and senior technocrats, as well as through non-traditional channels in civil society and the media. The UK Government, in particular, as the former colonial power for most Protocol suppliers, as the major destination for ACP raw sugar and as the EU President in the second half of 2005, should be submitted to unrelenting pressure. Similarly, France, as the other major colonial power, was also targeted, especially by Mauritius.

- Regular contact with key Commissioners, EC Directorates and influential MEPs was necessary to influence evolving positions in EU institutions.
- Alliances with stakeholders such as cane refiners and beet sugar producers were important for sharing information and finding common ground.
- Alliances with the NGOs, led by Oxfam, were also important to sway public opinion and influence the politicians. In this regard, care would have to be taken concerning how the relationship with the cane refiners and beet producers was perceived, as they were generally viewed by the pro-poor NGOs as profit-driven exploiters of workers in developing countries.
- Greater media access should be pursued and a critical aspect of ACP lobbying was considered to be the necessity of an EU-wide media campaign to win hearts and minds in all EU Member States, to influence public opinion and political decision-makers.

In the latter respect, one of the most important strategic decisions taken by the ACP was at the Ministerial Consultations on Sugar on November 29, 2004, in Brussels, when Ministers recognised that they had to enhance the ACP's media visibility to disseminate relevant information on the importance of the sugar industry to ACP economies and the implications of EU sugar reform. They accordingly mandated the Sugar Consultative Group (SCG) to draw up terms of reference and identify the most appropriate agency to undertake a professionally run media campaign on behalf of ACP sugar suppliers. In addition, Ministers agreed that all means available, including ACP Diasporas and NGOs, should be used to promote the ACP position on the reforms to the general public in key EU Member States (ACP, 2004b). It unfortunately took some six months before the decision on the media campaign could be implemented, but once this was done, it would provide a much needed stimulus to the ACP lobby.

Before the media campaign could be launched, there was a third phase of Ministerial lobbying, on January 18-24, 2005, in the UK, Finland, France, Hungary, Spain and Belgium,[14] culminating in a Joint Meeting of the EU Agriculture Council and ACP Ministers. This was most significant for the adoption of a Joint Declaration opposing the reform by the ACP and Spain, in Madrid,[15] and the beginnings of a groundswell of public sympathy for the ACP cause.

The Joint Meeting with the Agriculture Council on January 24 was, however, a generally disappointing encounter, as what many had expected to be a major step forward in a substantive political dialogue with the EU on sugar reform turned

out to be more of a stage-managed meeting dominated by the Agriculture, Trade and Development Commissioners, who maintained that reform was an absolute necessity and would not be turned back or diluted. What was now clearer was that the EU was pursuing a twin-track approach, in which the timing and phasing of the price cuts would be determined by the inter-European political process, largely without reference to the ACP, at the same time that the EC sought to develop its Action Plan, whilst looking for longer term trade solutions on sugar in the context of the EPAs. One positive element was that the Action Plan, as presented, was no more than a general framework for addressing the specific needs of ACP sugar producers and its vagueness could be interpreted as having been to the ACP's advantage, in that the EC appeared willing to discuss and try to understand what was necessary for an adequate transition. CARICOM and the ACP were, however, still not prepared for a twin-track approach, which would focus equally on sugar reform and the accompanying measures, choosing instead to concentrate on the possibility of a blocking minority in the EU forcing a compromise on sugar reform.

It was after the disappointment of the Council meeting that ACP Ministers began to develop a better appreciation of the greater media exposure, as the resulting press coverage was quite sympathetic to ACP/LDC concerns, with Oxfam, in particular, being highly critical of the proposed price cut and rejecting the Action Plan as "inadequate" (Oxfam, 2005a). Phil Bloomer, Head of Oxfam's 'Make Trade Fair' campaign said, "We welcome Ms. Fischer Boel's[16] commitment to reforming the EU sugar regime and to helping those countries adversely affected by reform. However, there is not enough detail in this plan about where the money is going to come from or how to ensure that the support will be delivered in a timely and effective manner." He added, "The proposed price cut would have a devastating impact on some of these countries. In Jamaica alone, 32,000 people could lose their jobs and in Trinidad as many as 20,000. The EU must now enter a dialogue with the ACP and act urgently to address these implications with detailed proposals for immediate financial assistance." This was a timely validation of the ACP position, with a particular focus on the socio-economic fallout and the impact on livelihoods in the Caribbean, from an independent source which had, of course, been well briefed by CARICOM and ACP representatives.

In addition, Oxfam denounced Trade Commissioner Peter Mandelson's EPA strategy as a dogmatic push for free trade which would not necessarily help developing countries, and called for the ACP to be allowed to protect its agriculture sectors, rather than demanding complete reciprocity on trade liberalisation. These themes would later be expanded on, jointly with the WWF,

in an influential Critique of the EC's Action Plan in June 2005, which did much to support the ACP position and lend weight to ACP calls for adequate transitional assistance, with Oxfam and the WWF urging the EU to provide "at least €500m a year" from 2005 onwards, for Sugar Protocol countries and an additional sum for non-Sugar Protocol LDCs. (Oxfam, 2005b).

However, instead of changing tack to conduct the lobby more publicly in order to take advantage of this favourable position that was receiving a lot of media attention, the ACP decided to focus on the Madrid Declaration, continuing lobbying efforts aimed at consolidating opposition to the reform proposals and swaying the more moderate EU Member States and the fence-sitters into the dissenting camp. Whilst it was recognised that increased contact with the NGOs and the overdue media campaign would be vital to influence public opinion and politicians in the EU, efforts to get the media campaign off and running were still lagging.

With hindsight, it could perhaps be argued that the ACP was wasting its time in maintaining the pressure on the EU for a genuine political debate on the timing of reform and a more gradual approach to price cuts, rather than focusing on a substantive discussion on the scope and content of the accompanying measures. However, it could equally be argued that, without the pressure on the reform package, the EU might not have felt any compulsion to attach sufficient weight to the Action Plan.[17]

## Widening the Lobby and the Media Campaign

In its process of continuous assessment of the positions of EU Member States, the SCG was especially mindful of the need for closer engagement with the NGOs, particularly Oxfam, with Guyana and Jamaica also pushing for greater involvement of ACP Diaspora communities in key capitals, to build public pressure on Member States, the EC, the Agriculture Council and the European Parliament.

In terms of mobilising the Diaspora in the UK, the Guyana and Jamaica High Commissions had mounted letter writing campaigns to all Members of Parliament, following up with personal outreach to sympathetic MPs. Unfortunately, even though there was a UK general election in May 2005, there was not much impact, in spite of the enthusiastic support of the Guyanese and Jamaican communities, as the constituencies in which they were significantly represented were safe seats for the Labour Party. Nonetheless, continued pressure from Diaspora activists in the UK was welcome to keep the issue uppermost in

the minds of some MPs and to remind the Labour Government that the matter would just not fade away.

Minister Rohee of Guyana had also made several calls for public activism by the Diaspora, but apart from the participation of a committed few in joining a demonstration of thousands of European beet farmers against the reform, in Brussels, at the same time as the July 18, 2005 EU Agriculture Council meeting, in which a group of producers from the ACP, mainly from Mauritius, also participated, Caribbean High Commissions in London did not have the resources to mobilise the Diaspora to travel to Brussels or even to encourage activism in London. Neither did CARICOM governments or SAC industries think it cost-effective to fly workers from the region to demonstrate in Brussels.

For Guyana, attempts were made to engage the so-called "Guyanese mafia" of influential Guyanese-British political figures, whilst Jamaica pursued its own friends in high places. The general response, however, was that Guyana and Jamaica should continue to mobilise their Diasporas to lobby MPs and MEPs; CARICOM needed to lobby the new EU Member States which were relatively ignorant of the Caribbean; and CARICOM should identify those foreign policy matters in which the EU had an interest, to barter support in international forums, such as the UN, for an accommodation in the context of sugar reform. In other words, whilst there was considerable sympathy for the challenges facing CARICOM sugar producers, it was really up to them to build their case and maintain pressure. Though some members of the UK Government might have been sympathetic, CARICOM needed to reach out to the rest of the EU, rather than leave the UK to do all the running, which it was not prepared to do anyway.

In addition, individual CARICOM and ACP representatives were busy cultivating a wide variety of media, think tank and NGO contacts, in an effort to spread the ACP message as far and wide as possible to influence decision-makers, all this complementing the ever more intense diplomatic activity of the SCG and individual ACP Member States, as momentum was built towards the anticipated submission by the EC to the European Parliament, on June 22, 2005, of the legislative proposal for Sugar Regime reform and the proposal for the Action Plan.[18]

The most significant development in the sugar lobby, however, was the long overdue appointment of a public relations company, Hill & Knowlton (H&K), at the beginning of June 2005, to support the lobby with a media campaign funded by the ACP sugar industries. After months of delay, this came just in time and ACP public diplomacy kicked into high gear as the EC submitted its proposals to the European Parliament, on June 22. The key tasks carried out by

H&K, working in close callaboration with the SCG, in the first phase of the media campaign involved (H&K, 2005a):

- Engagement with the key correspondents in the Brussels Press Corps (BPC) who already covered or were interested in the sugar reform story, in order to increase the chances of the ACP's position being taken into account in press coverage, since the BPC was in general swamped with press releases from all kinds of stakeholders in the EU.
- Identification of key publications, discussions with journalists and compilation of a press list of over 150 media contacts in Brussels and in all 25 EU Member States, but with a focus on the UK, France, Germany, Spain, Italy, the Netherlands, Belgium and Ireland, as well as targeting the biggest new Member States, including Poland, the Czech Republic and Hungary, to increase their awareness of the sugar reform issue for ACP countries. H&K also targeted correspondents from the Nordic countries, because of their general pro-developing countries' position;
- Organisation of an ACP press conference on June 22, to coincide with the announcement of the EC's new proposals;
- Preparation and distribution of communication materials, with inputs from the SCG, including press releases and briefing documents; revamping the acpsugar.org website and coordinating postings on the acpint.org website;
- Aligning messages with the LDCs, and coordinating with NGOs, particularly Oxfam and the WWF to ensure that they were supportive of the ACP position;
- Setting up a BBC TV interview, on June 22, with President Bharrat Jagdeo of Guyana and Ambassador Derick Heaven of Jamaica (SIAJ),[19] as well as pre-announcement briefings with Minister Rohee and Hon. K. D. Knight, the Jamaican Minister for Foreign Affairs and Foreign Trade, and other key individuals[20] These briefings were particularly important in order to make sure that relevant publications were informed of the ACP position ahead of the EC's announcement of its reform proposal.
- Fielding calls from the media and lining up spokespersons from the ACP to respond to queries and/or take interviews on the day of the EC's announcement;[21]
- Setting up a post-announcement briefing in the UK;[22]
- Securing significant media coverage, piggybacking on that given to European farmers, for the ACP element in the antireform demonstration in Brussels on July 18;

- Daily monitoring of media and advice on rebuttals.

H&K also reported to the SCG that, in general, the coverage of the ACP position on the EC's reform proposal during the week of June 20 was "very extensive and across the media spectrum" and that "there was a remarkable shift in coverage compared to past reactions to Commission announcements on the sugar reform. H&K's aim was to obtain coverage in media with the highest influence in Brussels institutional decision-making circles as well as the UK as the incoming EU Presidency. This objective was comprehensively reached with in-depth coverage across print and audio visual media."

In addition, H&K reported: "The total reach in terms of viewers, listeners and readers is over 10 million. From a Brussels institutional decision-making readership, we can estimate that ACP managed to reach over 50% of this audience through the coverage it obtained. In view of the quality of the media outlets in which coverage was obtained, the multiplier/pick up effect will ensure that the ACP position is picked up by other media. This coverage becomes information of record for other journalists looking to write on this story." According to H&K, the ACP case was significantly gaining a share of the voice vis-à-vis other stakeholders when compared with coverage of previous sugar reform milestones, and what was particularly "impressive" about all this increased coverage (especially the TV footage) was that "EU sugar reform in general was presented primarily from the perspective of the ACP, i.e. the ACP was positioned as the main stakeholder and the one that stood to lose the most from the reform process."

However, despite the quantitative and qualitative shifts in coverage of the ACP position, significant challenges remained to be overcome, in what would be the last few key weeks of lobbying, following the European summer break and leading up to the ACP meeting with the Agriculture Council on September 19-20, 2005, followed by what was going to be the decision-making Agriculture Council meeting on November 24, before the WTO Ministerial in Hong Kong in December.

As the November meeting approached, ACP efforts did not flag, but there was now very little that the ACP could do to influence the final outcome, as it was always understood that the members of the blocking minority were prepared for a compromise on the reform, in the face of calls from some countries for more radical reform and the clear intention of the UK Presidency to reach a political agreement in November. For many observers, the antireform position was always going to be eroded, as the focus of the countries in this camp appeared to be more on compensation. Whilst the ACP were reportedly mentioned during Council discussions, this was largely due to pragmatic considerations and convenience

rather than a genuine convergence of interests, since the anti-reformers were fundamentally motivated by self-interest. The ACP thus remained on the periphery of the EU decisionmaking process.[23]

Recognising the value of a recommendation by H&K that there should be a tactical adjustment to concentrate on the accompanying measures, the ACP agreed that the focus oflobbying should shift to "the severity of the impact of the reform and the inadequacy of the Commission's proposed response" and "the specifics of the accompanying measures" (H&K, 2005b).[24] It was therefore agreed by the SCG that lobbying the UK Presidency, with a focus on Prime Minister Tony Blair at the Commonwealth Heads of Government Meeting (CHOGM) in Malta, on November 25-27, 2005, as well as other key Member States, the EC and the European Parliament would continue, accompanied by the media campaign to maintain momentum behind the idea that the EU lacked coherence and generosity in its trade and development agendas. At the same time, media materials would be produced to tell the ACP sugar story and highlight the impact of the reforms on the lives of real people dependent on the sugar industry across the ACP. It was now vital to exploit the considerable sympathy stirred up by the media and the NGOs in favour of the ACP.

## The Accompanying Measures

ACP lobbying, with the support of H&K, the media and the NGOs, had succeeded in generating public sympathy in the EU for the need for a better deal for the ACP. In addition to the €40 million earmarked in 2006, some Member States and MEPs began to push for increased assistance to the ACP in 2006. However, the debate was swallowed up within the EU's budget negotiations and concerns about budgetary discipline, which were overriding ACP needs. For the ACP, there was no option but to continue lobbying up to the highest levels to make sure that there was enough money, based on the coherence and viability of the restructuring plans of their industries.

The overall quantum to be provided to the ACP under the 2007-2013 Financial Perspectives was still up in the air, with the final determination of the budget for accompanying measures resting on a co-decision of the European Council and the European Parliament. In light of the increasing public sympathy for the ACP and Caribbean producers in particular, with Belize, Guyana and Jamaica in the forefront, CARICOM and the ACP still had all to play for in pursuit of appropriate assistance under the accompanying measures. It was therefore important for CARICOM, as well as the rest of the ACP, to make their

specific needs known, with credible figures, in the context of their individual action plans, to give the UK and other sympathetic Member States ammunition to prove why funds were needed and to help them and other allies in the European Parliament and the development NGOs, to press for adequate and realistic levels of assistance. Clearly, lobbying and media pressure would have to be maintained.

Now, whilst there was a generally united ACP front, CARICOM stakeholders recognised that they themselves needed to present a strong, united position on the accompanying measures so as not to lose ground to aggressive demands by Mauritius and the Africa/LDC lobby. Thus, at the urging of the 3rd Sugar Stakeholders' Meeting, in Port of Spain, Trinidad and Tobago, on February 6, 2006, CARICOM Heads agreed on February 9-10, to the despatch of a high-level lobbying mission to key EU capitals, the European Parliament and the European Commission (CARICOM, 2006). This mission took place on March 5-10, 2006, headed by the Hon. Dr Denzil Douglas, Prime Minister of St Kitts and Nevis,[25] with the principal aims of:

- Influencing the EU to provide a sum higher than €250m per annum to the ACP under the Accompanying Measures;
- Persuading the EU to front-load support to anticipate rather than merely cushion the impact of reform;
- Calling for a fast-track mechanism for disbursement, which would circumvent the normal, cumbersome and time-consuming EDF procedures and avoid a repeat of the banana[26] and rum experiences; and
- Pressing for allocation criteria based on a weighted average that would take into consideration a) national dependency on sugar, b) the impact of reform on the economy, c) EU export earnings lost, and d) the credibility of action plans.

CARICOM would thus be gratified when it was subsequently announced that the criteria to be used by the EC for the allocation of the €40m for accompanying measures in 2006, would be:

1. The impact of the reform on the sugar sector; and
2. The importance of sugar in the economy.[27] With regard to the allocations out of the

€40m in 2006, the EC proposed a minimum amount of €500,000 per country, with no single country receiving more than 15% of the money available. To the chagrin of the ACP, 3% (€1.2 million) was to be used for administrative support for EU Delegations to facilitate the delivery of assistance in order, according to the EC, to avoid the pitfalls experienced with the Special Framework of Assistance (SFA) for bananas. The Commission's preference was for providing assistance as budgetary support, which resonated with some ACP Governments rather than industries, to ensure quick disbursement of funds, subject to the existence of an appropriate public finance management framework in each country. Table 22.1 shows the proposed indicative allocations as a percentage of estimated losses in 2006.[28]

Comparatively speaking, CARICOM countries were treated favourably in the allocations, when the amount granted was calculated as a percentage of the estimated losses to be suffered. For CARICOM, the total revenue loss in 2006 was estimated at €11,026,154, with assistance proposed amounting to € 19,477,000, which equated to a return of roughly 177%. St Kitts and Nevis received an impressive 603% of an albeit small loss, reflecting a desire to front-load assistance in this specific case, given that country's urgent need to restructure its economy with the demise of its sugar industry. Barbados and Trinidad and Tobago were also treated sympathetically in terms of the losses they would sustain and the relatively lower importance of sugar to their total GDP. The importance of the sugar industry to the economies of Belize, Guyana and Jamaica was reflected in their allocations. Guyana's figure of €5,037,000 (almost 13% of €38.8 million)[29] was second only to the sum allocated to Mauritius, whose figure was exactly 15% of the €38.8m. Mauritius and Fiji, on the other hand, had good grounds to feel aggrieved by their treatment.

**Table 22.1**

| Country | Contribution of Sugar as % of GDP | Revenue Loss 2006 | Amount (€) proposed 2006 | Amount as % of Loss |
|---|---|---|---|---|
| **Barbados** | **1.8** | **863,420** | **2,074,000** | **240%** |
| **Belize** | **9.5** | **1,085,383** | **2,702,000** | **249%** |
| Congo | 1.0 | 274,006 | 500,000 | **182%** |
| Côte d'Ivoire | 0.9 | 274,006 | 806,000 | **294%** |

| | | | | |
|---|---|---|---|---|
| Fiji | 8.1 | 4,447,869 | 3,592,000 | **81%** |
| **Guyana** | **15.8** | **4,288,132** | **5,037,000** | **117%** |
| **Jamaica** | **1.0** | **3,192,922** | **4,641,000** | **145%** |
| Kenya | - | 134,500 | 500,000 | **372%** |
| Madagascar | 3.9 | 289,444 | 504,000 | **174%** |
| Malawi | 4.9 | 560,176 | 593,000 | **106%** |
| Mauritius | 4.5 | 13,208,720 | 5,820,000 | **44%** |
| Mozambique | - | 161,400 | 500,000 | **310%** |
| **St Kitts and Nevis** | **28.0** | **419,395** | **2,531,000** | **603%** |
| Swaziland | 24.0 | 3,170,017 | 4,183,000 | **132%** |
| Tanzania | 3.1 | 274,006 | 500,000 | **182%** |
| **Trinidad and Tobago** | **0.6** | **1,176,902** | **2,492,000** | **212%** |
| Zambia | 2.3 | 194,084 | 500,000 | **258%** |
| Zimbabwe | 2.3 | 813,047 | 1,325,000 | **163%** |
| **TOTAL** | | **34,827,430** | **38,800,000** | **111%** |

The EC indicated that the same principles used in 2006 would be applied, with some fine-tuning, to the 2007-13 period, during which support was expected to total € 1.3bn, averaging €184m per annum, with the suggestion that in some years the figure for support might rise above € 200m. This was back-loading rather than the front-loading sought and the figure of € 165m was less than the € 190m per annum indicated in the run-up to Hong Kong by Commissioners Mandelson and Fischer Boel. However, because the figures would be included in the EU's external affairs budget, the total sum over the seven years could not easily be ring-fenced, which meant that for each year up to 2013, the amount proposed for sugar could be increased or cut on the basis of performance or use of funds by all ACP Protocol suppliers.

In general, ACP lobbying efforts could therefore be considered to have been relatively effective with regard to the accompanying measures. More particularly, CARICOM lobbying would seem to have made some impact in Europe in that there was an appreciation of the importance of the sugar sector in the region. This should be seen as a triumph amidst the general disappointment at the scope of Sugar Regime reform.

## Conclusion

In assessing the sugar lobby, the question of who won and who lost is perhaps a matter of interpretation, depending on whether it is accepted that CARICOM and the ACP got as good a deal as they could have gotten under the circumstances or might even have gotten a slightly better deal with regard to the accompanying measures, if the focus had been on this aspect of the lobby earlier.

Suffice it to say, however, that in the lobby against regime change in sugar, the deck was always stacked against CARICOM and the ACP in the context of the following:

1. The EU was determined to reform its Sugar Regime and complete CAP reform.
2. The EU had no option but to comply with WTO regulations and was gung-ho about creating a new global trading dispensation in the DDA, which inevitably meant the phasing out of preferences.
3. The EU was determined to treat the Sugar Protocol as an anachronism in the context of the movement towards EPAs.
4. In the hard-fought negotiations in the WTO over subsidies and trade liberalisation, coupled with the desire of the EU to appear to be favouring development in Africa and the LDCs, the Sugar Protocol countries were always in danger of ending up as collateral damage.

There were obviously different positions within the EU, which were, broadly, the pro-reform position of the EC and the majority of Member States wedded to ideas of competitiveness, trade liberalisation and removal of subsidies; and the anti-reform position of the less competitive members, driven by beet interests. But, whilst not all wanted the type of reform being advanced, they recognised that they were in a negotiation among themselves and had to fight to secure their own interests. Convergence with the ACP was mostly a matter of convenience.

In terms of the sugar lobby, the EU position appeared to have been that, whatever concerns remained on the ACP side, these would be resolved in the EPA negotiations. Unfortunately, the conduct of negotiations on the EPA was to reveal a serious disconnect between the regional position on sugar and development and the eventual acquiescence to the EU's EPA agenda which, under Mr Mandelson, demanded complete reciprocity on trade liberalisation, rather than being a genuine development partnership that allowed for the protection of the agriculture sector in developing countries. To analyse the respective negotiating positions of the EU and the ACP in the wider context of the EPA would be

beyond the scope of this chapter. With hindsight though, it could perhaps be argued that had CARICOM members sought to exert more leverage in respect of what was then seen to be the DDA endgame and Mr Mandelson's ambition to have a deliverable package to wrap it up in Hong Kong, and link the ACP-wide defence of the Sugar Protocol to the negotiation of the EPA, they might well have gained some tactical advantage in protecting their trade interests on all fronts. However, events would demonstrate that CARICOM and the ACP, as a whole, were not prepared to make the Sugar Protocol a test case for the EU's good faith in the EPA negotiations to come. But this is a moot point, also beyond the scope of this paper.

## The Final Result

To recap, the CARICOM/ACP lobbying position was that:

- The July 1, 2005 start date originally put forward by the EC was too soon; the new Sugar Regime should begin no sooner than 2008.
- The implementation period of three years first proposed was too short; a gradual, phase-in period of at least eight years was preferable.
- The cut, varying from 36% to 39%, was too deep. As the endgame approached, SAC/CARICOM and the ACP began to talk of a compromise figure of 25%, but this never gained traction.
- Compensation should be paid and a Competitiveness Fund established. However, the CARICOM/ACP strategy was not to focus on the accompanying measures, as it was felt that this would be a tacit acceptance of the inevitability of reform.
- There was some talk of seeking a trade-based solution, i.e., increased access at a reasonably remunerative price; but access was fixed under the Sugar Protocol, which CARICOM and the ACP considered to be paramount. This was therefore a bit of a Catch-22 situation.

One overriding factor was that CARICOM and the ACP were never involved in a formal negotiation, though the word was sometimes used disingenuously by European officials.

In the final analysis, CARICOM and the ACP's diplomatic and political outreach and lobbying met with mixed results. The lobby against the timing and scope of the proposed changes to the Sugar Regime was limited in its success in that the total price cut was reduced by only 3% from the EC's proposal of a

39% cut. However, the blow was somewhat eased by the one-year delay in its implementation to July 1, 2006 and the fact that the first two years of the new regime were marked by a cut of only 5.1%. This did allow some breathing space, especially as some countries had argued that their plans for adjustment were well advanced. The end result could also be said to be nuanced in that certain countries had the potential to do better than others, although political and economic challenges facing CARICOM sugar producers have severely affected the ability of regional industries to come fully to terms with the new Sugar Regime.

With regard to claims for compensation, CARICOM and the ACP hit a brick wall. But in terms of the accompanying measures, CARICOM members could derive a measure of satisfaction in the determination of the criteria for their allocation and in the indicative allocations made. Whilst the transitional support from the EU was never going to be as much as that sought by the ACP, the proof of the effectiveness of the total funds allocated would be later determined by the speed of disbursement and the ability of countries to absorb them and put them to good use. Regrettably, there was none of the front-loading sought, as the drive by the Agriculture and Trade Commissioners to complete sugar reform always enjoyed primacy over the development needs of the ACP. This would have been a good lesson for CARIFORUM EPA negotiators to heed later on.

As for maintaining access to the EU market, this was guaranteed as long as the Sugar Protocol remained in place. That the EU would later choose to denounce it in favour of the EPA was unanticipated. Unfortunately, though this was always recognised as a possibility, CARICOM and ACP policymakers, and even SAC Directors, were perhaps culpable of setting too much store on the "sacrosanct nature" of the Sugar Protocol and what they considered to be their legal and moral rights under the Protocol.

On balance, CARICOM and the ACP did relatively well in what was recognised at the outset as an uphill and uneven struggle. A lot of passion and commitment went into the fight for an equitable outcome, but it was known that this would never be enough. CARICOM and the ACP needed to present themselves as constructive partners, reinforcing their acceptance of the need for reform with concrete and workable alternative proposals. The extent to which they were eventually able to do so was reflected in the allocations under the accompanying measures.

## Lessons Learned

A coherent strategy of engagement with the EU, based on ACP solidarity and unity, was always an absolute necessity. Even when ACP solidarity threatened to unravel over the allocations under the accompanying measures, better sense prevailed.

In CARICOM, notwithstanding the systemic challenges in coordinating responses in real time, one of the most positive elements of the sugar campaign was the alliance of sugar industries, regional technocrats and political leaders in defence of an historically and economically important regional industry, especially as the industries were themselves willing and able to channel financial, technical and human resources into the sugar lobby. Minister Rohee, as CARICOM Spokesman on Sugar, in particular, benefited from the resources put at his disposal by GUYSUCO, the largest sugar producer in CARICOM, and the technical expertise of SAC and the CARICOM Secretariat. Thus, unity of purpose and unity of message always ensured that CARICOM's position was coherent and consistent. Throughout, with the backing of industry representatives and their technical advisers, CARICOM, as with the rest of the ACP, was able to harness facts and figures to prepare the requisite legal and technical briefs to provide a strong foundation for political positions. CARICOM, by maintaining a regional strategy, regularly updated and fine-tuned in its Sugar Stakeholders' meetings, was always able to position itself to influence the overall ACP strategy and contribute to stiffening the collective ACP spine. Stakeholder buy-in served as a valuable stimulus and support to the overall process and the early recognition of its importance was another lesson that could, arguably, have been better heeded in the EPA process.

Whilst not all CARICOM countries were sugar producers, there was a general feeling of solidarity, as reflected in official statements emanating from the region. In truth, the sugar lobby was effectively driven by the largest three SAC producers, with Barbados and Trinidad and Tobago hardly participating in lobbying activities and St Kitts and Nevis more focused on issues surrounding the closure of its industry. Privately, a few CARICOM members might have even harboured the feeling that the lobby was a waste of time. However, it is difficult to give this perspective much weight, as it is generally based on hearsay and perceptions, even though there is a sense that a greater foreign policy priority did not seem to be attached by Heads and the Community's Council for Foreign and Community Relations (COFCOR) to the sugar lobby in the conduct of bilateral relations with the UK and the EU. This could well be interpreted as a weakness in the overall CARICOM position, but it has to be said that CARICOM Heads

demonstrated complete solidarity when they were together outside the region, at their meetings with Tony Blair in London and at CHOGM in November 2005.

Given the unity of purpose and the resources brought to the table by CARICOM's sugar producers, it is tempting to speculate what the outcome might have been had even more human and financial resources been made available to wage the campaign. For example, diplomatic missions in Brussels and London could have been strengthened and more resources could have been channelled into mobilising the Diaspora.

The utilisation of the Diaspora did add an interesting dimension to the sugar lobby, but once the letter writing campaign was undertaken, there did not appear to be the requisite energy or resources to maintain the pressure. One wonders how much greater the impact might have been if the entire Caribbean Diaspora had thrown its weight behind the Guyanese and Jamaican lobby, all across the UK, especially in an election year, finding ways to translate discontent into the spectre of a loss of votes. This inevitably leads to the broader question of how exactly CARICOM governments can tap the vast resources available in the Diaspora in a structured and continuous manner.

It is a pity, too, that time and resources did not allow for ACP lobbying missions to all EU Member States, regardless of whether they were pro-/or anti-reform and to maintain a process of continuous engagement with those countries already approached. The ideal strategy would have been to engage with all EU Member States individually, but this was just not practical from both a logistical and financial perspective. In addition, the lack of diplomatic representation in key capitals was a distinct handicap in terms of keeping the CARICOM perspective on sugar in the public eye.

Whilst there was engagement with the UK Government at the highest levels, by Guyana and other CARICOM and ACP countries, to take advantage of the UK's stated concern for the impact of reform on the ACP, this perhaps came a little too late to influence sugar reform. Further, whilst the FCO and DFID, like the EC's Development Directorate, appeared fully sensitised to the implications of sugar reform, such as loss of livelihoods, economic devastation, increased poverty and stagnated development, it was not always appreciated that in larger countries and the Commission itself, joined-up government is perhaps something of a myth, i.e., different agendas are always at play.

The nature of ACP diplomatic engagement and the conduct of the lobbying missions were, in the opening rounds of the sugar reform process, too reactive and too conventional, too much in the "club model". Letter writing, courtesy calls and official bilateral meetings served a purpose, but there was a need for greater urgency of engagement, wider deployment of high level representatives

and broader public outreach, updating the "club model" along the lines of the "network model", to spread the ACP message.

For example, it might have been useful to make simultaneous approaches to different Ministers along the following lines: the Agriculture and Trade Ministers could have been approached with more technical and legal arguments and made aware of market considerations, perhaps with the support of industry allies in the EU; more pressure could have been placed on Development Ministers across the EU, with NGO support, to sensitise them to the implications of the reforms, such as loss of livelihood, economic devastation, increased poverty and stagnated development; and Foreign Ministers and Heads of Government could have been pressed on the critical threat to regional and global security that would ensue from the socio-economic fallout and heightened instability brought about by radical reform, and could also have been gently reminded that they could lose friends and votes in global forums. All of this would have benefited from earlier and stronger engagement with civil society and the media.

Indeed, the whole deployment of significant diplomatic, industrial and civil society assets could be said to have made a strong case for more innovative public diplomacy, especially on the part of small CARICOM Governments with few and small diplomatic missions in Europe. Networking with Government representatives, MPs, MEPs, EU producers' associations, beet processors and cane sugar refiners, the NGOs, academics and think tanks, and the media was invaluable for finding common ground and identifying potential allies, sharing information, building support and influencing public opinion, as well as anticipating areas of resistance and challenges. If anything, this is an area that should be a permanent feature of the work of all CARICOM missions, varying, of course, according to the national interests of individual countries.

There is no doubt that what was truly innovative and really added value to the ACP lobby was the media campaign coordinated by H&K and the support of influential NGOs like Oxfam. Notwithstanding the excellence of some of the diplomatic representatives in Brussels and London, their networking with journalists and the NGOs, and the flow of press releases from the ACP Secretariat, it was the wider dimension brought by H&K and the access to NGO media networks that really served to give the sugar lobby impetus and greater coverage to generate sufficient sympathy for the ACP cause. How much more effective this would have been, had a company like H&K been contracted earlier, is an interesting point for conjecture. In future negotiations of similar magnitude, it may well be worthwhile to consider engaging a professional public relations company at the beginning in order to pursue the most effective strategic outreach

possible, especially given the operational constraints affecting small diplomatic missions in large capitals.

Coordinating the regional position in these circumstances was never going to be easy, but it was done to a reasonable degree, even if decisions were not always taken quickly enough to satisfy those in the frontline in Brussels and London. But with the use of modern communications technology, which allowed for an integrated and continuous flow of communications among the main regional players, between regional capitals and Brussels and London, and with the ever-widening networks of contacts, coherence of message was generally maintained.

Even if CARICOM and the ACP were a little slow out of the blocks, the importance of continuous engagement at all levels was certainly better appreciated in the battle for the accompanying measures. The value of representatives being plugged into a wide variety of networks in terms of gathering intelligence, setting up early warning mechanisms and sending out messages cannot be overstated. As Heine puts it, "Ideas travel fast in today's globalised world, but they do not do so by themselves—they need to be shepherded and guided, especially so in the case of small and middle powers" (Heine 2006).

## Notes

1. Dr Riyad Insanally represented Guyana's sugar interests in Europe from June 2004 to August 2006, during which time he was simultaneously Senior Trade Adviser at the Guyana High Commission in London and London Commercial Representative of the Guyana Sugar Corporation (GUYSUCO). In the performance of his duties, he sat on both the ACP Sugar Consultative Group in Brussels and the London Sugar Group of Commercial Representatives, participated in lobbying activities and attended meetings of CARICOM Stakeholders on Sugar and the Sugar Association of the Caribbean (SAC). The views expressed in this paper are not necessarily those of the Government of Guyana or GUYSUCO.
2. The CARICOM Sugar Protocol members were Barbados, Belize, Guyana, Jamaica, St Kitts and Nevis, and Trinidad and Tobago.
3. The abstract of the paper by the Chilean political scientist and former Ambassador, Jorge Heine, "On the Manner of Practising the New Diplomacy", reads thus:
   "The traditional model of diplomacy, founded on the principles of national sovereignty and of statecraft, is becoming less relevant as a field of new,

influential actors enter the international system. Diplomats must now engage a vastly larger number of players in host countries, as the age-old 'club model' of diplomacy gives way to a less hierarchical 'network model.' This paper calls for a new approach-one in which diplomats project their nation's values and interests to the growing field of international players, focusing on a critical set of issue areas of special relevance to the mission. Although the environment in which diplomacy is practiced has changed drastically, the adaptive behaviour of many diplomats and foreign ministries has not always kept pace with this new reality. This is part of the reason they are not fully able to take advantage of the many new opportunities offered by increased international flows and interactions." (Heine 2006)

4. As the EC's original proposals had been leaked in June, CARICOM Heads were able to address the implications for the Community's sugar producing States before the formal release of the EC Communication on July 14. The relevant text of the Communiqué is worth reproducing in full for an understanding of the mood in CARICOM (CARICOM, 2004a): "Heads of Government rejected outright the proposals for the reform of the EU Sugar Regime reportedly being considered by the European Commission, which envisage a 37% reduction in the guaranteed price for sugar supplied under the ACP-EU Sugar Protocol. They characterised the proposals as a betrayal of the commitments and guarantees given by the EU at the time of the negotiation of the Protocol in 1975. The proposed reduction, to be implemented in three stages commencing in 2005, would result in an annual catastrophic loss of US$90 million by CARICOM sugar-supplying countries from 2008. Heads of Government noted that the projected loss outstrips by more than 150% the aid that the EU has committed to regional programmes for the current five-year cycle. They further noted that the proposals also apply to sugar supplied under the Special Preferential Sugar (SPS) arrangement and would further diminish its value which is being eroded each year. They emphasized that the Caribbean sugar exporting countries along with other ACP countries in the Sugar Protocol and the SPS arrangement are major stakeholders in the EU Sugar Regime but have been left out of any serious consideration in the European Commission's proposals. Heads of Government regarded the proposals for price reduction as an act of bad faith on the part of the European Commission, which has encouraged the efforts to restructure the Region's sugar industries in order to achieve international competitiveness. They condemned the disregard shown for the provisions of Article 36(4)

of the Cotonou Agreement, which commit the EU to safeguard the benefits derived from the Sugar Protocol in the review to be undertaken in the context of the new trading arrangements currently being negotiated with the ACP countries. Heads of Government noted that while under the proposals EU sugar producers would be compensated for sixty percent of the price reduction, ACP producers would receive no such support. They emphasized that the assistance proposed for ACP producers through the European Development Fund was totally inadequate as this would only be a short-term measure. Heads of Government affirmed that 7, the Commission's proposals call into question the seriousness of the EU's commitment to the recently launched negotiations for an Economic Partnership Agreement between the EU and the Caribbean. They called on the European Commission to withdraw the proposals and to ensure that the interests of the ACP sugar supplying countries are taken fully into account in the reform of the Sugar Regime."

5. Whilst it is not the intention to present a chronological account of the events related to the sugar lobby, it is nevertheless important to refer to key meetings and dates to convey an appreciation of how quickly and effectively CARICOM and the ACP reacted to developments and took action.

6. The timing of the EC's July Communication, leaked first in June, and the speed with which the drastic changes being proposed were to be implemented, took most stakeholders in the ACP, including SAC, by surprise. Indeed, as recently as the SAC Directors' Meeting on May 13-14, 2004, in Barbados, the feeling had been that, because of the uncertainty surrounding the outcome of the WTO Dispute, with the WTO Panel's findings due in September 2004, and the change of Commissioners due to take place in November 2004, the EC would not put forward any proposals until later in the year and not by the end of June 2004, as originally projected (SAC, 2004). Unfortunately, it was realised too late that the outgoing Agriculture Commissioner, Franz Fischler, was determined to table and advance as far as possible, before de-mitting office, his package of radical reforms.

7. Article 1 of the Sugar Protocol, originally signed on February 28, 1975, states that "the [European] Community undertakes for an indefinite period to purchase and import, at guaranteed prices, specific quantities of cane sugar, raw or white, which originate in the ACP states and which these States undertake to deliver to it." Protocol 3 of the ACP-EU Partnership Agreement, Cotonou, Benin, 2000.

8. However, whilst the Communication referred to Article 36(4) of the Coto-nou Agreement, later events would show that it was not really with the intention of safeguarding Sugar Protocol benefits, but rather in terms of a review of the Sugar Protocol in the context of the EPA negotiations. This was subsequently confirmed in informal contacts with the EC, in which they signalled that they would like to have the Sugar Protocol integrated into the EPAs. The ACP preference throughout the negotiations and lobbying leading up to the new Sugar Regime was that the Sugar Protocol should be treated as a "stand alone" agreement, without detriment to other particular regional interests and negotiating positions in the EPAs. The fact that it was later denounced by Trade Commissioner Peter Mandel-son, as the EU-CARIFORUM EPA was nearing finalisation, was a particularly bitter pill to swallow. But by that time, in the context of the EPA negotiations, CARICOM and a divided ACP had no strong negotiating leg on which to stand.
9. Mauritius had seemingly looked set to jump the gun with their own lobbying initiative, led by their Deputy Prime Minister, in mid-September, to France, Germany, Luxembourg and the Netherlands, but this had been quickly expanded to include other ACP States able to join the mission at short notice, although no CARI-COM Ministers had been able to participate.
10. APRODEV is an association of the 17 major development and humanitarian aid organisations in Europe, which work closely together with the World Council of Churches.
11. CIDSE is an international network of 16 Catholic development agencies, which share a common strategy in their fight to eradicate poverty and to establish social justice.
12. The LDCs had proposed on March 3, 2004, an adaptation of the EBA initiative through an increased access with a second-tier quota up to 2016 as against quota-free access. The LDCs were of the opinion that it was crucial to maintain an orderly market arrangement and thus secure a guaranteed high remunerative price. Short of such an approach, the EC's proposals would only benefit industrial users of sugar in the EU, and large multi-commodity exporters. The LDC position was largely ignored by the EC.
13. This mission was led by Hon. Nand-coomar Bodha, Minister of Agriculture, Food Technology and Natural Resources, Mauritius and ACP Spokesman on Sugar. The CARI-COM Ministers were Hon. Roger

Clark, Minister of Agriculture, Jamaica and Hon. Eamon Courtenay, Minister of Foreign Trade, Belize.

14. The visit to Brussels included a bilateral meeting with the Agriculture Minister of the Czech Republic. Hon. Clement Rohee, Minister of Foreign Trade and International Cooperation of Guyana and CARICOM Spokesman on Sugar, participated.

15. The Joint Declaration (ACP, 2005):

- Called for adequate remuneration for both EU and ACP/LDC sugar producers;
- Rejected the extent, start date and time frame of the proposed reform;
- Highlighted the multifunctional role played by the sugar sector in parts of the EU and in the ACP/ LDCs, and the deleterious effects of the reform proposals;
- Pointed out that the WTO Doha July 2004 package did not require drastic price cuts;
- Supported retaining ACP preferences and ensuring stable income and predictability for LDCs, all within an orderly managed market that maintained a sustainable sugar sector in all producing regions of the EU;
- Called for an amended approach to reform to maintain a balanced EU market;
- Registered agreement to continue collaboration to ensure common interests.

16. The responsibility for driving EU sugar reform rested with the Agriculture Commissioner, Mariann Fischer Boel, of Denmark. Denmark was strongly in favour of CAP reform and Mrs Fischer Boel, a former Agriculture Minister, was regarded as a strong supporter of modernisation and reform in the new College of Commissioners.

17. Even if not formally acknowledged by the ACP as a whole, it was already understood by SAC producers that they would be well advised to have their own strategies and requirements ready as soon as possible, at both the national and regional levels, especially as the conventional wisdom was that Mauritius already had its plan and shopping list ready. In other words, CARICOM sugar suppliers had to match the ACP rhetoric of being cognisant of the need for reform and modernisation at home with

concrete evidence of plans to cut the unit cost of production, improve efficiency and 19 enhance competitiveness.

18. This outreach included appearances at the European Parliament; the 9th Session of the ACP-EU Joint Parliamentary Assembly, in Bamako, Mali, on April 18-24; a presentation at a *Conference on Trade, Agriculture and IP: Issues in the Lead-up to Hong Kong*, organised by the International Centre 20 for Trade and Sustainable Development (ICTSD) and a Sub-Committee on the WTO of the Finnish Parliament, in Helsinki, on April 19 (The presentation by the author, entitled *EU Sugar Regime Reform: The ACP* 21 *Perspective,* is typically representative of the ACP position. The PowerPoint presentation can be found at www. acpsugar.org/docs/RInsanally.pdfJ; a presentation at the Royal Institute of International Affairs, Chatham House, London, on May 20; a seminar on *The European Sugar Regime: Alternative Reform Proposals,* organised by Oxfam International in Madrid, on June 6; a presentation at the 8th European Sugar Conference on *Sugar Post-Reform: The Way Forward,* in Brussels, on June 7-8; participation in a conference organised by civil society groups in Belgium with the support of the Flemish and Walloon Governments, on June 9; a Roundtable discussion, in which Minister Ro-hee participated, organised by Oxfam UK, at the Houses of Parliament, in London, on June 23; and a presentation at a CEFS-EFFAT-CIBE Conference (CEFS-Comité Européen des Fabricants de Sucre; EFFAT-European Federation of Food, Agriculture and Tourism Trade Unions; CIBE-International Confederation of European Beet Growers), in Brussels, on June 28.

19. Ambassador Heaven was the Executive Chairman of the Sugar Industry Authority of Jamaica (SIAJ) and a former Jamaican High Commissioner to the UK. Newsnight with Jeremy Paxman on June 22, 2005, dedicated a very significant amount of air time to President Jagdeo and Ambassador Heaven.

20. On June 20, 2005, Ministers Rohee and Knight met with three key publications: The Financial Times, The Guardian and The Times. On June 21, Minister Rohee met with Le Monde and Le Figaro.

21. On June 22, the ACP position also got coverage on the BBC Ten o'Clock News, which included an interview with Minister Rohee. In addition to this TV coverage, Minister Rohee and the author featured throughout the day on a number of different BBC Radio 4, Today and BBC World Service news programmes. Also, the SCG Chairman, Ambassador George Bullen of the Eastern Caribbean States, Ambassador Patrick Gomes of

Guyana and Ambassador Sutiawan Gunessee of Mauritius were repeatedly approached for the views of the ACP.

22. June 23 had been earmarked for possible additional media outreach in view of the Oxfam/ACP Roundtable at the UK Houses of Parliament. However, in view of the high interest of the UK media in the Ministerial pre-briefings, and the possibility of differing messages between Oxfam and ACP, it was decided to take advantage of the presence of President Jagdeo in London 24. the same day and provide an exclusive interview to The Independent, which was one of the UK majors unable to cover the story from Brussels.

23. There were other pressing reasons in the EU for a decision by November, 2005. At the October Council meeting, the Agriculture Commissioner had underlined the importance of reaching a deal, not only in order to know exactly what she would need to defend at the WTO Ministerial in Hong Kong, but also to enable the subsequent implementing rules to be finalised in good time for farmers to make their planting decisions before 25 sowing in March, for sugar companies to take early decisions on whether or not to take up the restructuring scheme—and cease production—and 26. to provide a transitional period in the 2006/07 marketing year for producers in southern European Member States who were already planting their crop. Mrs Fischer Boel also warned that delaying tactics would not allow the current regime to be prolonged, as the WTO had deemed the present system illegal. Indeed, on October 28, the WTO arbitrator ordered the EU to comply with the Dispute Settlement Body's ruling by May 22, 2006. The arbitrator's determination thus increased the pressure on the EU to make drastic production cuts and therefore agree quickly on the reform of the Sugar Regime. Although the EU had ignored WTO arbitration in the past, one got the sense that they would not be prepared to do so this time, as the dispute involved three large countries and retaliation could be considerable. Moreover, the quantity of sugar being dumped was far too large to be ignored.

24. Whilst H&K were quite rightly advising an intensification of the lobby and a refinement of the message, it did not go unnoticed at the SCG that they were making a pitch for more work in terms of strategic advice and lobbying activities beyond the remit of their media campaign contract. That the SCG did not bite was in part due to the fact that it did not have a war chest out of which it could finance discretionary spending and also because, though the advice was deemed to be useful, there was a sufficient degree of confidence in the ability of the SCG to strategise.

25. The mission included Minister Ro-hee and Dr the Hon. Timothy Harris, Minister of Foreign Affairs, St Kitts and Nevis.
26. Both the banana and sugar problems were obviously the result of changes in the EU CAP and the trend towards preference erosion. Both cases have had tremendous socio-economic impacts on the small, preference-dependent economies of CARICOM, with Belize and Jamaica being affected on both fronts. Probably the main difference in how the two issues were treated lies in the approach taken by the EU, in which the emphasis was consistently on the need for these small economies to restructure and diversify away from the two commodities. In the case of bananas, however, in addition to the Special System of Assistance in 1994 and the Special Framework of Assistance in 1999, the ACP were in certain circumstances eligible for compensation for loss of earnings under STABEX and the replacement FLEX mechanism. In sugar, compensation was never on the table and the larger SAC producers were able to argue convincingly against EU pressure to diversify away from sugar in favour of diversification *within* the sugar industry. One of the main lessons the EC seemed to have learnt from the banana experience was the importance of multi-year action plans as opposed to what Edwin Laurent (2004) seems to suggest was the failure in the banana situation to address adequately economic diversification from the beginning, with the early focus being on projects aimed at boosting productivity. And whilst it took the EC until 2002 to recognise the value of multi-year action plans in bananas, this concept was present in the thinking on the accompanying measures for sugar from the very beginning. The whole issue of budget support to countries able to absorb and manage such funding, as opposed to project financing, was also a new direction for the EC in the case of sugar.
27. These criteria corresponded to an assessment of the actual needs of countries, rather than any principle of compensation. The impact of reform was based on dependence on the EU market and loss of export earnings. The importance of sugar was assessed on the size and relative importance of the sugar sector in the economy in terms of GDP share and jobs.
28. Based on calculations made by the ACP LSG and the author's notes in support of the CARICOM lobby.
29. In Guyana's case, the allocation was also a reflection of GUYSUCO's projected capacity, based on its action plan, to adapt to reform and thrive in a more competitive international environment.

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# 23

# EPA'S INVESTMENT COMMITMENTS: INTERNATIONAL STANDARDS AS FACILITATORS OF INTEGRATION AND COMPLIANCE

*Katharina Serrano*

## Introduction

> The region has been blessed in the past with leaders having the capacity and the will to provide [ . . . ] leadership [on the world stage]. We expect no less in future. However, our high profile could also work to the region's disadvantage. It is especially so when countries of the region fail to adopt and implement international standards and are perceived to be indifferent in their commitment to such standards.
>
> *Curtis A. Ward (2006)*[1]

From a global perspective, the European Union (EU) is the largest economic entity and the EU's presence in the world economy manifests itself not only through its participation in multilateral trade governance, but also through its intense regulatory activity and a web of legally binding agreements that impact considerably on the commercial, political and social behaviour of non-EU countries.[2] A prime example of such a high-impact instrument of external economic policy is the EU-CARIFORUM Economic Partnership Agreement (EPA), signed in October 2008.

Not only does this EPA belong to a new generation of WTO-compatible, reciprocal trade arrangements between ACP countries and the EU, but it also goes beyond commitments made by all Member Countries at the WTO level. And because the EPA 'locks in' reforms already made at the regional level, it potentially results in a 'policy of encirclement'[3] with little or no manoeuvre space for CARIFORUM signatories to the EPA. But while the former may be considered a necessary part of a move towards market-oriented sustainable economic development, the latter cannot and should not be taken as the inevitable consequence of an interdependent economic order. In other words, although the EPA has been signed and sealed, it is not an irreversible agreement.

In this chapter, it is proposed that CARIFORUM countries take the signing of the EPA as an opportunity to demonstrate presence and unity on the international stage, particularly through participation in the setting of international standards. Simultaneously, they should be pursuing their own harmonised agenda of regional integration in areas of immediate relevance to their economic development. Once CARICOM countries start overcoming their differences through agreement on welfare-enhancing, international standards, the benefits for the CARICOM Single Market and Economy (CSME) will be tangible. In this context, foreign direct investment (FDI) and its regulation will be examined at the international level as well as through the EPA.

But international standards cannot only help Caribbean countries to pursue their own integration in the area of FDI. They can also facilitate the strengthening of CARIFORUM's negotiation position vis-à-vis the European Commission during the first renegotiation of EPA investment provisions in 2011. This is because the Commission, for its own sake, cannot afford to ignore international standards with the potential to affect European businesses. Also, it might be easier for Caribbean countries to push for development-friendly standards in relevant forums with the support of a wider community of developing states rather than in bilateral negotiations with the Commission. As such, the forums can act as facilitators of pro-Caribbean consent even before a renegotiation of the EPA begins.

After a brief introduction of WTO-plus issues in the EPA and their effect on regional integration, FDI as an international concern will be discussed to demonstrate why the decision to include it in the EPA was not unreasonable from a developmental perspective. Arguments in favour and against developing countries' participation in international investment standard setting will subsequently be presented. On the basis of a pro-participatory conclusion, some practical propositions will be suggested concerning the institutional structure for a regional approach to international standard setting. In conclusion, an alternative

route to liberalisation of FDI, one under true ownership of the Caribbean region, is proposed.

## WTO plus issues and regional integration

The Fifth WTO Ministerial Conference held in Cancun, Mexico, in September 2003, collapsed due to wide divergences amongst WTO members on, amongst other things, the four so-called Singapore Issues-trade and competition, trade and investment, trade facilitation and transparency in government procurement-also known as WTO-plus issues. Investment provisions in the EU-CARIFORUM EPA allow the EU to circumvent resistance by developing countries to include these in currently ongoing Doha Development Round (DDR) negotiations. This strategy led to the criticism that the EPA is primarily about opening markets for large EU corporations; protecting their intellectual property rights; and limiting opportunities for ACP countries to regulate their economies in the interest of their people and the environment.[4]

EU's Global Europe project, aiming at "opening new markets abroad for EU companies to trade and ensuring that European companies are able to compete fairly in those markets" [5] can easily be perceived as standardisation of EU's free trade policy along neoliberal norms and philosophies-mostly concerned with deregulation and market opening—heavily promoted by DG Trade.[6] This strategy has significantly contributed to the European Commission's insistence on inclusion of WTO-plus issues in bilateral and regional trade agreements between the EU and Third Countries, where the imperative to pay sufficient attention to the development status of the latter is absent.[7] In this context, there has been considerable criticism of the integration-distorting effect of such provisions, if included in North-South trade arrangements.

In terms of fostering regional integration and harmonisation in the area of investment regulation between CARIFORUM states, Part I, Article 4(4) seems to be a particularly troublesome provision in that it subordinates any regional efforts to commitments of CARIFORUM states under the EPA. This means that the EPA is *de facto* becoming a *lex specialis* towards any regional efforts at harmonisation of approaches to FDI. Seeing that considerable regional efforts in this area await implementation in 2010, CARICOM countries may have manoeuvred themselves into a difficult position. Once again, the policy space to negotiate a regional consensus is determined by the scope of investment provisions in the EPA. In other words, the EU has indirectly pre-determined

the contents of any regional agreement covering FDI, as well as that of national legislation in this area.

With thesigningofthe EPA, CARIFORUM states entered into binding commitments on policies related to investment, competition, public procurement, intellectual property and e-commerce in return for a preservation of the existing duty-free quota-free access in Europe for 82.7% of their goods exports in 15 years. These commitments will not only force CARIFORUM states to adjust existing laws and to enact ones in the respective areas; they also require the set up of new implementation and enforcement institutions, which observers believe to be ". . . financially onerous and a drain on scarce technical manpower."[8] The financial burden and revenue losses due to liberalisation result in a vicious circle for CARIFORUM countries. Unless legislative instruments are harmonised and new institutions are set up at the regional rather than national level, CARIFORUM states may risk regional disintegration, instead of reaping the benefits of successful regional integration. This, in turn, results in lower levels of compliance, a crucial factor for successful implementation of EPA provisions. In addition, individual countries may face a race to the bottom[9] since relevant binding commitments have been entered into by individual CARIFORUM signatories, rather than by the region collectively.[10]

It is thus imperative for CARIFORUM states to set up a harmonised 'Single Economic Space' within the Single Market and Economy (CSME) in areas related to WTO plus issues. Only a unified approach to EPA commitments is most likely to prevent economic disintegration, unhealthy competition and a weakening of CARIFORUM's bargaining power vis-à-vis the EU. Regional harmonisation efforts expose the ambiguous character of WTO-plus provisions most. On the one hand, they have the potential to foster regional integration through a push towards harmonisation of national policies and common efforts to implement the relevant provisions. On the other, WTO-plus provisions might potentially result in economic and political disintegration of CARIFORUM countries, should these ignore or abandon regional initiatives based on WTO-plus issues which are currently under way.[11] Hence, commentators have been calling for some time for urgent adoption of appropriate regional initiatives, to 'lock in' reforms under Caribbean ownership rather than have these displaced by EU-installed reforms in alike areas.[12]

Although the analysis of substantive investment provisions is outside the scope of this chapter,[13] it needs to be mentioned that the approach to liberalisation of FDI differs significantly between the EPA and Caribbean FDI regulation initiatives. While the latter have a strong focus on harmonisation and flexibility in the use of instruments protective of the domestic economy, the former targets

strict liberalisation of investment. This leaves CARIFORUM countries not much leeway to use traditional regulatory instruments in cases where domestic firms or investors require a higher level of protection.[14] In this, the EPA cuts down on economic policy options for countries which depend on flexible responses in order to maintain their commitment to economic development. However, the EPA is not only about rights of investors. It also caters for coverage of investors' corrupt practices; ensuring compliance with core ILO labour standards or international environmental standards as laid down in international agreements signed and ratified by CARIFORUM states; and the establishment and maintenance of local community liaison processes, especially in projects involving extensive natural resource-based activities. In this, the EPA seems responsive to calls for a rebalancing of the rights and responsibilities between foreign investors and host countries.[15] In the following, an overview is presented of efforts to approach FDI as an issue of common concern on the international arena so as to demonstrate why it was important for CARIFORUM to see investment regulation included in the EPA, despite the above-mentioned disadvantages of liberalisation in this area.

## FDI as international issue

After a vastly increased inflow of foreign direct investment into the Caribbean region in the 1990s,[16] the Caribbean Regional Negotiating Machinery (CRNM), the governments and other regional institutions began to consider FDI an important cross-cutting issue, particularly in the light of their increasing dependence on FDI for economic development. FDI was also considered to support the expansion of an ever-important services sector and to positively influence export diversification of Caribbean countries.

However, it was not only the Caribbean countries which attached particular importance to FDI and its regulation. At the Annual Meeting of the Organisation for Economic Cooperation and Development (OECD) Council at Ministerial level in May 1995, OECD Member States launched negotiations on a Multilateral Agreement on Investment (MAI). The overarching objective of the MAI was "to provide a broad multilateral framework for international investment with high standards for the liberalisation of investment regimes and investment protection and with effective dispute settlement procedures, open to non-Members."[17] The initiative has been heavily criticised as "a charter of rights and freedoms for international capital"[18] and government obligations in which governments were pushed towards extreme deregulation of FDI and prohibited to regulate

standards under which foreign investors were allowed to operate. Although the move towards international investment standards seemed sensible, the MAI was considered counterproductive, especially from the perspective of developing countries, as freedom of "regulation has always been regarded to be a central part of successful industrial development strategies."[19] Ultimately, this imbalance between rights and obligations for investors and governments triggered a forceful campaign against the MAI which eventually led to its demise. Fears that the agreement, possibly in altered form, would find its way into the WTO did not materialise. In December 1998, the OECD decided to formally suspend further negotiations of the MAI.

In 2001, government officials from Caribbean and Central American countries met with officials of the OECD and private sector stakeholders to discuss the region's investment environment, including ways for its enhancement. The Caribbean Rim Investment Initiative (CRII), a result of these meetings, was intended "to improve [Caribbean and Central American] investment climate, attract increasing flows of investment-both foreign and domestic-and maximise the benefits that such flows may have in [Caribbean and Central American] economies."[20] On the basis of Business Investment Reports (BRI) for participating pilot countries,[21] the CRII meant to help formulate a common approach to the investment policy reform agenda, including implementing measures.[22] Overall, the CRII project has had a rather limited impact on FDI reform and liberalisation in the Caribbean region. The project lacked implementation focus and was insufficiently result-driven so that a coordinated approach to inconsistent FDI regulation did not emerge on the basis of BRIs which were produced for selected countries only. A region-wide, enthusiastic participation has not emerged so far, so that the CRII remained one of the many useful but not result-oriented studies.

Another international forum that became increasingly interested with FDI liberalisation and regulation was the WTO. As early as 1996, during the Singapore Ministerial Conference, the EU, in particular, supported the launch of negotiations to set up a coherent basic framework of multilateral rules on FDI. While working groups were established, the collapse of the Ministerial Conference in Seattle in 1999 meant that no move had been made to establish formal negotiations on an Investment Agreement under the auspices of the WTO. Generally, developing countries, in particular, have been apprehensive about the start of negotiations in new, so far not WTO-covered areas such as investment, because they were still engaged with implementation of their commitments made under the 1994 Uruguay Round of negotiations. And because the WTO is first and foremost a "member-driven" organisation, there was general consensus that

any WTO agreement on investment should reflect the interests of developing countries.[23] It was thus, not until 2001 that developing countries agreed, under heavy pressure from developed countries, to include in the Doha Declaration the intention to discuss the aims and scope of a possible agreement on FDI.[24]

Following the historic suspension of the DDR in July 2006, a multilateral approach to FDI has so far not resulted in a specialised WTO Investment Agreement, so that at the time of writing, there is no such instrument in place. Investment is thus only partly covered by the WTO, mainly in the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Investment Measures (TRIMs). The GATS includes provisions on the establishment by a foreign service supplier of a commercial presence in an overseas market while the TRIPS elaborates on existing GATT provisions prohibiting government requirements for investors to purchase inputs locally, or to sell their output domestically, rather than exporting it. Both agreements are significantly reflected in EPA provisions on investment. However, the main instruments for determining investors' and governments' rights and obligations remain Bilateral Investment Treaties (BITs) negotiated between CARIFOUM countries and individual EU Member States.

Before the EPA, the BITs already demonstrated a positive Caribbean attitude to inclusion of investment provisions in their relations with Third Countries. The same position has also been stressed by the CRNM in relation to criticisms of investment inclusion in the EPA: "The fact that an issue, such as investment, has not been the subject of a multilateral approach in the WTO is no reason for any country to refuse to address it in bilateral negotiations."[25] Despite fundamental difference in negotiation positions on investment, "both partners have thus prepared draft legal texts on investment reflecting the contemplated structure and positions of an eventual EPA chapter on investment."[26] According to the CRNM, the EU and CARIFORUM countries initially agreed on only six out of eighteen issues covered by the Investment Matrix, a baseline document for EPA investment chapter negotiations. Interestingly, one of the areas of agreement related to International Minimum Standards, where CARIFORUM countries proposed that "investors be treated in accordance with customary international law concerning the fair and equitable treatment and full protection and security of the investment."[27] This could be taken as evidence that future involvement of Caribbean countries in the setting of such standards might have a positive influence on the renegotiation of the EPA or the negotiation of any new agreements in this area. After all, internationally agreed measures have a better chance of being automatically accepted as justifiable.

However, it must be noted that, before entering the international scene, Caribbean countries need to establish a region-wide consensus on the type of criteria which they wish to see reflected in international investment standards. Such criteria must, in any case, support Caribbean countries in the alignment of FDI inflows with national and regional development plans and objectives.[28] International standards should be defined according to the development, trade and financial needs of CARIFORUM countries, while balancing the interests of home and host countries.[29] Together with an effective property rights regime[30] and WTO-compatible investment incentives, development-oriented international investment standards can facilitate regional integration and enforcement of the EPA's investment provisions at the national level.

From the aforementioned, it is evident that CARIFORUM countries consider FDI an international issue, worth exploring in more than one context. The EPA can be crucial in keeping up the momentum for the region's engagement with international investment standards complementary to BITs and the EPA itself. The standardisation and harmonisation of regional FDI regimes along the lines of regionally agreed FDI criteria and internationally negotiated investment benchmarks may thus develop into an alternative route to sustainable economic growth of the Caribbean region, provided that developmental aspects are taken into account in the formulation of FDI policies. A development angle on FDI is hence presented in the subsequent section.

## FDI - a development perspective

There is common agreement that FDI is a sword that cuts both ways from a developmental perspective. On one hand, FDI, a sensitive and cross-cutting issue, is considered by Caribbean countries to be a key component for the sustainable development of developing countries,[31] particularly important for economic stability and growth in times of a global recession. On the other, "not all FDI is in the best interests of host countries. Some can have an adverse effect on development."[32] Such adverse effects include distortions of regional integration efforts and a minimised policy space in circumstances which necessitate protection of domestic industries or where foreign investors' actions have a detrimental effect on the sustainable development of national economies.

In addition, commentators generally agree that, although the full impact of WTO-plus provisions in the CARIFORUM-EU EPA is not foreseeable at this point in time, the impact will be substantial in all areas covered.[33] Any negative effects of FDI liberalisation on development may be exacerbated by the current

financial and economic crisis, should Caribbean countries not be permitted to use traditional regulatory instruments to protect their vulnerable economies from external shocks and sudden FDI outflow.

Hence, the focus should not only be on the quantity of FDI but also on its quality. Both aspects can be covered through a concerted approach to international FDI standard setting when translating agreed benchmarks into regional investment strategies. As such, investment policy instruments targeting the quality of FDI should also cover the regulation of concrete contributions of FDI, such as knowledge and technology transfer, product enhancement, research and development and export diversification—all issues with a substantial contribution to a sustainable approach to economic development of the Caribbean region.

The ambivalent nature of FDI in terms of development has also been realised in the UN. The Monterrey Consensus, as a result of the first UN Conference on Financing for Development in 2002, identified Foreign Direct Investment (FDI) as one of the main sources of financing economic growth in developing countries.[34] The second such conference, which took place in Doha in December 2008, resulted in the adoption of the Doha Declaration on Financing for Development.[35] However, although a predictable and enabling investment environment has been confirmed to be a "vital complement to national and international development efforts",[36] the parties to the Conference have also stressed that "it is for each Government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraints posed by the loss of policy space."[37] In the following section, the costs and benefits of Caribbean engagement with international investment standards will be discussed.

## To participate or not to participate?

In today's interdependent system of multilateral economic governance it is difficult, if not impossible, for governments to escape international rules and commitments for the sake of a wider or freer policy space. For this reason, some form of voluntary adherence to international standards is a prerequisite for effective and active participation in international trade relations. Given that Caribbean countries will inevitably have to engage with third countries operating on different terms, regional investment rules should be coherent with international investment standards so as to facilitate the region's international trade relations. So, why not engage with international investment standards as a region in the first place and then devise regional rules accordingly? In this way,

Caribbean countries would not run the risk of putting the cart before the horse. Admittedly, they would sacrifice some policy space at first. This, however, could be redeemed to a greater extent than before, once an informed, united region faces a major player like the EU, e.g., during renegotiation of the EPA investment provisions in 2011.

In order to participate in the setting of international investment standards, Caribbean countries need to build capacity and rationalise their resources if they are to get the most out of their international engagement. Well-trained CARIFORUM negotiators will have to be sent as senior representatives of CARIFORUM interests to standard-setting International Organisations (IOs) and NGOs. Although some negotiators may represent the region in one or more IOs, there may not, at present, be as many experienced negotiators with regional and international knowledge of relevant issues as necessary. CARIFORUM countries will thus first have to invest in the development of substantive and negotiation skills so as to "enable officials to analyse the many proposals that will be forthcoming and to determine their impact"[38] on regional FDI strategy.

Donor agencies and countries with close links to the Caribbean region could help in bearing the cost of training, e.g., as part of their Official Development Assistance (ODA) schemes. Caribbean countries may also be eligible to apply for special loan schemes from Regional Development Banks, such as the Caribbean Development Bank (CDB), e.g., under the (Unified) Special Development Fund. Due to the often proclaimed development dimension of the EPA, the EU should be asked to make contributions to CARIFORUM's engagement with international standard setting, especially when these activities have the potential to contribute to the sustainable economic development of the region. The EU's contributions could come from the European Development Fund (EDF) but do not necessarily have to be financial. The provision of training and know-how or the facilitation of educational opportunities would be sufficient as a first step. This is so specifically in the area of provision of education and know-how where the European Commission can be of particular assistance through the issuing of calls for project proposals related to the development and implementation of responsive curricula at the tertiary level and in specific knowledge transfer initiatives.[39] This would not only enhance the in-region knowledge-base related to the utilisation of international standards for development purposes, it would also enhance the regional ownership of this type of development route.

Furthermore, it is likely that the Caribbean public and private sectors will face increased compliance and operative costs through recruitment of new staff and/or retraining of existing staff to meet the new international regulatory standards for investment liberalisation and protection.[40] Compliance by the private sector

with the new requirements, reporting back on prohibited activities as well as awareness campaigns to inform all stakeholders of new developments may add to these costs.

On the qualitative side, it may not always be possible to calculate advantages accruing to the region as a whole though participation in international standard setting. However, there are some evident qualitative benefits to the region as a whole. Firstly, the participation in the design of international investment standards and their active implementation and enforcement throughout the region will inevitably enhance the Caribbean region's international reputation. A dynamic, liberalised and transparent investment climate may result in positive perceptions of the region by international businesses, thereby attracting more business and FDI to the region.

Secondly, the region may benefit from enhanced competitiveness through the provision of a legally sound, transparent and enabling investment environment. Foreign investors are attracted to politically stable regions in which cross-border investment faces significantly reduced compliance cost through, amongst other, harmonisation of regulatory regimes and standardisation of administrative requirements. From an investor's perspective, a region becomes more attractive, when the less hurdles and obstacles exist in doing business. In its efforts to harmonise foreign investment policy within the realm of the CSME in 2015, the CARICOM Secretariat may want to take a closer look at harmonisation routes for investment within the Single European Market (SEM).[41] Once appropriate international standards have been identified, negotiated and transposed into national legal systems, the principle of mutual recognition may play a key role in the development of a uniformed FDI strategy at the regional level.

It is thus imperative that CARIFORUM countries become standard makers, not standard takers,[42] despite the costs and time involved in such an exercise. This involvement is essential to influence the development of FDI standards of interest to the region. The benefits accrue not only in terms of FDI attraction but also in terms of regional integration and ownership of commitments. It is exactly in areas of integration and ownership where Caribbean countries can take sustainable economic development into their own hands. No matter how interdependent the region becomes with Third Countries, the over-dependence on FDI should be kept to a minimum for the sake of home-made development.

## Participate! But how?

In order to participate effectively in international investment standard setting, CARIFORUM countries need to think about an appropriate institutional structure in support of coordinated international activities. On the basis of a clear mandate, regional experts will need to identify international best practices in the area of investment policy and analyse preferred, development-oriented regulatory and administrative procedures in order to arrive at regionally acceptable proposals for the formulation of harmonised investment principles at the international level. In this, they are facing a problem which has previously been encountered by the EU, namely, how to get individual Member States to speak with one voice in the international arena.

To start with, CARIFORUM countries might want to set up a specialised intra-regional office dealing with issues of international standardisation and regional development. A Standardisation for Development Office (SDO) could be established as an integral part of the CARICOM Secretariat in Guyana, possibly under the auspices of the Council for Trade and Economic Development (COTED). The Secretariat may be a preferred option to the Caribbean Regional Negotiation Machinery (CRNM) in view of the fact that CARICOM Heads of Government recently agreed on a downgrade and possible absorption of CRNM by the CARICOM Secretariat in a move towards new institutional arrangements in the region.[43] The SDO could serve as the main forum for debate, coordination of the CARIFORUM's requirements, and core hub for dissemination of information to all stakeholders.

Two immediate benefits of this institutional set-up come into mind. Firstly, just as the construction of a unified European voice in trade relations contributed to the institutional reinforcement of the EU, the proposed SDO would strengthen CARICOM in all negotiation areas simultaneously—due to the cross-cutting nature of FDI. This strengthened position could also be of benefit to Caribbean countries in a potential review and renegotiation of the CARIFORUM-EU EPA. Although the management of a large number of overlapping issues may be a challenge, the new standardisation for development agenda of CARICOM has a potential to improve effective international trade policymaking, while keeping the pulse on regional integration imperatives, as it is only in the light of the latter that the SDO could perform its comprehensive mandate.

Secondly, the establishment of the SDO will benefit regional integration on all fronts. Since the SDO will be dealing with and managing major cross-cutting issues, its work will have an impact on most regional integration plans appearing on the Caribbean agenda. The work of the SDO would also have an impact on

how these steps will be implemented in practice. Should the SDO become a successful forum for identification and participation in the setting up of relevant international standards, it is not unlikely that it will contribute to their uniform and harmonious application throughout the region, thereby strengthening considerably regional integration efforts. Furthermore, as an inclusive forum for debate, it would be open to all stakeholders in the region, including the public and private sectors, foreign investors and civil society. Moreover, the benefits of the SDO as the disseminator of transparent and the accessible information must be stressed, given the often criticised lack of information channels for dissemination of critical information and discussion in decision-making throughout the region.[44]

But what modus operandi should be preferred for the SDO? Again, a comparative look at the EU may be helpful here. Many observers of the EU as an international economic actor, claim that "EU external trade policy is an extremely complex process . . . It is a system of multilevel governance with overlapping jurisdictions with numerous potential access points for societal interests to influence European external trade policy."[45] On the basis of Article 133 (formerly 113) of the EC Treaty, the Council of Ministers delegates' negotiation powers in the form of a prescribed mandate to the European Commission which acts as the face of the Common Commercial Policy of the EU towards Third Countries. Following a similar model, formal negotiation authority, based on a vote in the Council for Trade and Economic Development (COTED), could be delegated to the SDO, with veto powers for CARICOM countries in particularly sensitive areas. This would not necessarily mean greater centralisation, but the delegation of binding powers to a specialised organ. As such, the SDO could evolve to perform the role of a one-stop shop for issues related to regional and international investment standards. Simultaneously, it could feed back into the general work of the Council for Trade and Economic Development.

At the international level, participation in standard setting comes down to the negotiation processes in relevant international standard consortia and International Organisations, such as the OECD, UNCTAD, UNIDO, WTO or World Bank. Where Caribbean states do not have membership, they may want to submit memoranda on the basis of their status as observers. Access to draft texts and instruments is the key. Caribbean states can also invest in research and publishing of appropriate studies in support of expression of their needs through academic, diplomatic and consultative channels.

## It is not all water under the bridge

Now that the EU-CARIFORUM EPA has been signed, many may, not entirely mistakenly, question efforts to seek for alternatives to an investment regime dictated by terms and conditions laid out in the EPA. Moreover, why develop an argument against the EU's policy of encirclement when the EPA has been negotiated and signed in its present form? Is it not all water under the bridge? Should not ways be found to limit the negative impact of the EPA on CARIFORUM countries? Cannot strategies of effective compliance be devised with the EPA's substantive provisions on investment? However, as the reader may remember, the major objective of this article is to demonstrate that *although* the EPA has been signed in its current form, it is neither irreversible nor a dead end street for CARIFORUM states. Rather, it presents an opportunity for indirect harmonisation of investment regulation in the Caribbean region—via international investment standards. In this, the EPA can be perceived as a catalyst for regional integration and harmonisation efforts in the area of FDI regulation. In addition, the precedented value of the EU-CARIFORUM EPA for outstanding negotiations of comprehensive EPAs between the EU and the remaining ACP regions[46] makes such a discussion almost mandatory.

Bilateral trade agreements were always negotiated; undoing or amending them is consequently also a negotiation process.[47] After the signing of the EPA, there remains no other option for CARIFORUM signatories than to implement the EPA provisions on investment in good faith and try to get them reviewed by 2011 and in regular intervals thereafter. However CARIFORUM countries have also signed up for a commitment to enter into *further* negotiations on investment and trade in services as paragraph 9 of Annex IV 2. contains a standstill clause in Article 62 which states that 'the parties shall enter into further negotiations on investment and trade in services no later than five years from the entry into force of this Agreement with the aim of enhancing the overall commitments undertaken under this Title.'. This clearly points to progressive liberalisation of investment, i.e., the review of the EPA in 2011 de facto allows for an extension of the scope of parties' commitments only.

So how could potential amendments and innovations find their way into a signed and sealed agreement, despite a limited review option in the EPA? The proposed alternatives could be included in the current EPA either through a mutually agreed moratorium on implementing the regime for services or through an independent, continuous EPA Monitoring Mechanism. According to calls of the European Parliament, the Mechanism should be transparent and should be "coordinated by the relevant parliamentary committee and involving members of

the Committee on International Trade and of the Committee on Development."[48] In order to respond quickly to the changing needs of CARIFORUM countries, the Monitoring Mechanism should give the Trade and Development Committee an in-built, fast-track authority for amendments of CARIFORUM commitments on the basis of assessment of the impact and cost of implementation and enforcement of existing investment provisions, particularly in the light of a deteriorating international economic climate.

This procedural tool would allow the Trade and Development Committee to harmonise the investment provisions of the EPA-without the involvement of the Joint CARIFORUM-EC Council, CARIFORUM-EC Parliamentary Committee or CARIFORUM-EC Consultative Committee-with common international FDI standards once they have been negotiated in an international forum with the participation of the EU and Caribbean countries. Clearly, the conditions for such fast-track amendments would have to be precisely defined to ensure that this automatism does not distort the continuity of EPA commitments on both sides. Once established, such a Monitoring Mechanism would considerably contribute to the facilitation of CARIFORUM countries' participation in international standard setting and may, in itself, become an important contribution to the EPA's overarching objective of development promotion.

## Conclusion

The comprehensive CARIFORUM-EU EPA belongs to a new generation of WTO-compatible trade agreements with development aspects. Realising the development potential of FDI, Caribbean countries and the EU have jointly agreed on the inclusion of an investment chapter into the new agreement-despite the risks of investment liberalisation. This decision has met with severe criticism, particularly in relation to its harmonisation and integration distorting effects. Moreover, the EU has been said to practice a development-unfriendly policy of encirclement, leaving CARIFORUM countries with little or no space to manoeuvre in the area of investment policy formulation.

But despite the signing of the EPA, CARIFORUM countries have every opportunity to turn the agreement into a catalyst for the shaping of a regional, homegrown approach to FDI issues. Through engagement with the setting of investment standards at international level, Caribbean countries can shift their position from standard takers to standard makers, thereby improving their international reputation, while continuing to pursue the regional investment regulation under way. Moreover, regional integration and harmonisation based

on international investment standards can provide Caribbean countries with a stronger bargaining position in external negotiations and facilitate the adjustment needed in implementing the requirements of investment provisions in the EPA. This can potentially lead to the (re-)formulation of a new CARICOM-wide investment policy and contribute to a second generation of standards-oriented, WTO compatible EPAs in partnership with the EU. This type of agreement may attract stronger commitment due to CARIFORUM ownership.

The establishment of an intra-regional Standardisation for Development Office may facilitate the engagement with international standards and contribute to their uniform application throughout the region. Moreover, this new institution may aid the dissemination of critical information and discussion in decision making ". . . to ensure that Member States have the information and tools they need to meet their international obligations."[49] As such, it can prove a unifying factor as an inclusive forum for debate and a persuasive force for regional approaches to cross-cutting FDI issues.

Indirect harmonisation via international investment standards could render the EPA a catalyst rather than an irreversible document with exclusively detrimental effects for the region. A transparent fast-track Monitoring Mechanism could be used to include international investment standards and regional benchmarks in the EPA, without time delay and complicated negotiations within the EPA's institutional structure. The new procedural tool can add to the development value of the EPA by facilitating CARIFORUM countries' engagement with international standard setting.

It remains very obvious that problems related to compliance, commitment and implementation of EPA's investment provisions cannot and will not be resolved in the short run. However, recommendations put forward in this paper are a way of addressing Ward's concerns regarding the indifference of Caribbean countries towards international standards.[50] It is now up to the countries themselves to take these on board and formulate corresponding and well-informed regional and international investment policies.

## Notes

1. Curtis A. Ward, "Region-wide anticorruption standards as a CARICOM priority", Kingston, Jamaica: *Jamaica Observer,* January 15, 2006. Although Curtis A. Ward's observations relate to the benefits of acceptance of international anti-corruption standards for the Caribbean region, the underlying assumptions and conclusions are of universal nature and

hold true for any international standards which may be of benefit for the region, including international investment standards as discussed in the present paper.

2. Katharina Serrano, "Economic Partnership Agreements: Machiavellian instruments of EU Trade Policy or Samaritan development tools?", *Int. J. of Private Law* Vol. 2, No. 3, (2009) pages 290-291.
3. Originally a military concept, the term has been recently applied to the current development context, see e.g. Latha Jishnu, "Policy of encirclement", *Business Standard,* New Delhi, India (January 30, 2009).
4. "Pulling the strings of African business-How the EU Commission orchestrated support from African business for EPAs", March 23, 2009 (Brussels, Belgium: Corporate Europe Observatory). Available at: http://www.corporateeurope.org/docs/pulling-the-strings-of-african-business.pdf. (Last accessed 27 March 2009).
5. "Global Europe: Competing in the World", 2006, (Brussels, Belgium: European Commission Communication COM (2006) 567 final). Available at: http://eurlex.europa.eu/Lex- UriServ/LexUriServ.do?uri=COM:2006:0567:FIN:EN:PDF. (Last accessed April 14, 2009).
6. Jan Orbie, "Europe's Global Role: External Policies of the European Union". (Aldershot: Ashgate Publishing, 2008), page 61.
7. See note 2, above.
8. Havelock Brewster, Norman Gir-van and Vaughan Lewis, "Renegotiate the CARIFORUM EPA". Article drawn from a memorandum submitted to the Reflections Group of the CARICOM Council for Trade and Economic Development (COTED) (February 27, 2008). Available at: http://www.thecommonwealth.org/ files/177301/FileName/Girvan-HB-VL-Rev-Renegotiate_the_EPA-VH-NG-clean1.pdf. (Last accessed April 13, 2009), page 3.
9. *Transnational Corporations and Export Competitiveness, World Investment Report,* 2002 (Geneva, Switzerland: UNCTAD), page 218. See also: Lyu-ba Zarsky. 1999. "Havens, Halos and Spaghetti: Untangling the Evidence About Foreign Direct Investment and the Environment" in *Foreign Direct Investment and the Environment* (Paris, France: OECD), page 48.
10. See note 8, above.
11. Relevant CSME regimes include the Draft CARICOM Financial Services Agreement and the Draft CARICOM Investment Agreement.
12. Norman Girvan, "The CL Financial debacle: big companies should not be allowed to run small countries" (February 3, 2009). Available

at: http://www.normangirvan.info/ the-cl-financial-debacle-big-companies-should-not-run-small-countries-by-norman-girvan/. (Last accessed March 15, 2009), page 4.

13. For an excellent analysis of substantive investment provisions in the CARIFORUM-EU EPA, see Gus Van Harten, Investment Provisions in Economic Partnership Agreements (York, England: Osgoode Hall Law School, York University, March 2008).
14. Norman Girvan, "Caribbean Integration and Global Europe: Implications of the EPA for the CSME" (2008). Available at: http://www.forumdesalt-ernatives.org/docs/caracas/Caribbean. doc. (Last accessed April 13, 2009).
15. For recommendations on rebalancing of investor and government obligations, see Promotion of Foreign Direct Investment: What are the Costs? November 2005 (Amsterdam, The Netherlands: Centre for Research on Multinational Corporations). Available at: http://www.caribexport.com/SiteAs- sets/Investment%20promotion%20-%20what%20are%20the%20costs. pdf. (Last accessed March 11, 2009), page 8. For a discussion on EPA's unbalanced approach, see Jane Kelsey, "Regulatory Implications of the Investment and Services Chapter of the CARIFORUM EPA" (March 2008). Available at: http://www.normangir-van.info/the-investment-and-servic-es-chapter-of-the-CARIFORUM-epa-by-prof-jane-kesley (Last accessed April 1, 2009), page 1.
16. Aggregate data on investment show that foreign direct investment (FDI) increased significantly in Grenada, Guyana, St Kitts and Nevis, St Vincent and the Grenadines and Trinidad and Tobago during the 1990s-see The development of services in the Caribbean-Report of the Caribbean Development and Cooperation Committee, LC/CAR/G.717, January 17, 2003 (New York, US: UN Economic Commission for Latin America and the Caribbean). Available at: http://www.eclac.org/publicaciones/xml/5/12285/lcarg717.pdf. (Last accessed April 2, 2009), page 13.
17. Multilateral Agreement on Investment, 1998 (Paris, France: OECD, Directorate for Financial and Enterprise Affairs). Available at: http://www.oecd.org/document/35/0,3343, en_2649_3378376 6_1894819_1_1_1_1,00.html. (Last accessed April 12, 2009).
18. Andrew Jackson and Matthew Sanger, *Dismantling democracy: the Multilateral Agreement on Investment (MAI) and its impact.* (Canadian Centre for Policy Alternatives, Toronto: James Lorimer & Company, 1998), page 1.
19. Ibid., at page 17.

20. The Caribbean Rim Investment Initiative (CRII): An innovative approach towards international cooperation, February 2002 (Paris, France: OECD, Directorate for Financial and Enterprise Affairs). Available at: http://www.oecd.org/dataoecd/21/28/1934270.pdf. (Last accessed April 12, 2009), page 2.
21. Initially, Costa Rica, the Dominican Republic and Jamaica were selected, with further additions of countries in 2002.
22. See note 20 above, at page 4.
23. Juergen Kurtz "A General Investment Agreement in the WTO? Lessons from Chapter 11 of NAFTA and the OECD Multilateral Agreement on Investment", Jean Monnet Working Paper No.6/02 (2002).
24. Investment and the WTO-busting the myths, Briefing Report, June 2003 (London, England: Friends of the Earth). Available at: http://www. foe.co.uk/resource/briefings/inves-ment_and_the_wto_bust.pdf. (accessed 11 April 2009), page 3.
25. Response Letter of H. E. Dr the Hon Richard L. Bernal, OJ, Director-General CRNM, February 2008, to Professor Clive Thomas' article in *Starbroek News,* February 3, 2008 "Guyana and the Wider World-Establishing SIDS and sabotaging it: Casualty of the EPA!" (Georgetown, Guyana: Starbroek News). Available at: http://www. crnm.org/index.php?option=com_ d o c m a n & t a s k = d o c _ download&gid=49&Itemid=97. (Last accessed April 12, 2009).
26. EPA Investment Matrix, 2008 (Christ Church, Barbados: CRNM). Available at: http://www.crnm.org. (Last accessed April 3, 2009), page 1.
27. Ibid., at page 2.
28. Examples of such plans include the DFID Regional Development Plan for the Caribbean of the UK Government or the Caribbean Regional Indicative Programme 2008-13 as well as individual National Indicative Programmes and Country Strategy Papers under the European Development Fund.
29. The freedom of host countries to use investment incentives forms an inherent part of this balance. Such incentives should always be WTO compatible and can e.g. include programmes to support and expand business activity, business development and startup grants, special loan schemes or a tax structure favourable to SMEs.
30. A predictable, transparent and enforceable property right regime is a condition *sine qua non* for attraction of FDI. Investors need to be certain that they will be free from nationalisation or appropriation and that they will be at all times able to repatriate profits acquired in the host country.

31. See for example Eduardo Borensztein, E., Jose De Gregorio and J. W. Lee. "How Does Foreign Direct Investment Affect Economic Growth?", Journal of International Economics, Vol. 45 (June 1, 1998) pages 115-135 and M. Blomstroem, R.E. Lipsey, and M. Zejan "What Explains Developing Country Growth?", NBER Working Paper, No. 4132, (1992), Cambridge: National Bureau of Economic Research.
32. World Investment Report 1999: Foreign Direct Investment and the Challenge of Development, 1999 (Geneva, Switzerland: United Nations Conference on Trade and Development).
33. M. Meyn, et al. "The CARIFORUM-EU Economic Partnership Agreement (EPA): the development component", ODI Report for the European Parliament, 2009 (London, England: ODI). Available at: http://www.odi. org.uk/resources/download/3222. pdf. (Last accessed April 22, 2009).
34. Monterrey Consensus, 2002 (Monterrey, Mexico: First UN Conference on Financing for Development). Available at: http://www.un.org/esa/ffd/. (Last accessed March 11, 2009).
35. Doha Declaration on Financing for Development, December 2008 (Doha, Qatar: Second UN Conference on Financing for Development). Available at: http://daccessdds.un.org/ doc/UNDOC/GEN/N09/224/24/ PDF/N0922424.pdf?OpenElement. (Last accessed April 22, 2009).
36. Ibid., page 6.
37. Ibid., page 4.
38. Mike Moore, "The challenges of the Doha Development Agenda for Latin American and Caribbean countries" DG Inter American Development Bank, Speech at the WTO, February 27, 2002 (Geneva, Switzerland: WTO). Available at: http://www. wto.org/ english/news_e/spmm_e/spmm78_e.htm. (Last accessed April 9, 2009).
39. The time this contribution would need to show positive effects should however not be underestimated.
40. For a similar conclusion in South Pacific context, see Sunita Bois-Singh, "Costs and Benefits of Adopting and Implementing New International Standards for the Operation and Regulation of the International Financial Services Sector in Vanuatu", *Journal of South Pacific Law,* Vol. 12, Issue 1, (2008) page 30.
41. See e.g. Commission White Paper of 15 November 2006 on enhancing the single market framework for investment funds [COM(2006) 686 final; Commission Directive 2007/16/ EC of March 19, 2007 implementing Council Directive 85/611/EEC on the coordination of laws, regulations

and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards the clarification of certain definitions [Official Journal L 79 of 20.3.2007]; and especially Commission Directive 2006/73/EC of August 10, 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive [Official Journal L 241 of 2.9.2006]. Note however, that the EC will only have full competence in the area of foreign investment once the Treaty of Lisbon has been ratified.

42. Document WSIS/PC-2/CONTR/82-E, May 31, 2003, (New York, US: Economic Commission for Latin America and the Caribbean (ECLAC), UN). Available at: http://www.itu. int/dms_pub/itu-s/md/03/wsispc3/c/S03-WSISPC3-C-0082HPDF-E.pdf. (Last accessed April 29, 2009).
43. "News in Brief: Negotiating Machinery losing its status", London, England: BBC Press Release, April 22, 2009. Available at: http://www.bbc.co.uk/caribbean/news/story/2009/04/090421_nib2115tues. shtml. (Last accessed April 28, 2009).
44. See note 1, above.
45. M.S. Reichert and B.M. E. Jungblut, "European Union External Trade Policy: Multilevel Principal—Agent Relationships", the *Policy Studies Journal,* Vol. 35, No. 3 (2007), page 396.
46. Pierre Sauvé and Natasha Ward, "The EC-CARIFORUM Economic Partnership Agreement: Assessing the Outcomes on Services and Investment", (Brussels, Belgium: European Centre for International Political Economy, 2009). Available at: http:// www.acp-eu-trade.org/library/files/ Sauve-Ward_EN_0109_ECIPE_As-sessing-CARIFORUM-EPA-Servic-es-Investment-Provisions.pdf. (Last accessed March 23, 2009), page 6.
47. Fred Phillips, "Trading down: The intellectual poverty of the new free trade agreements", Technological Forecasting & Social Change, Vol. 71 (2004), page 867.
48. European Parliament resolution of March 25, 2009 on the Economic Partnership Agreement between the CARIFORUM States, of the one part, and the European Community and its Member States, of the other part, 2009 (Strasbourg, France: European Parliament). Available at: http://www. europarl.europa.eu, (Last accessed 18 April 2009).
49. See note 1, above.
50. See note 1, above.

# 24

# CARICOM TRADE AGENDA IN THE WORLD TRADE ORGANISATION

*Andrea M. Ewart*

How does a small-island nation state get its voice heard and positions known on the international arena? This is the challenge that faces CARICOM Member States in many arenas, and no less so than in the area of trade and negotiations within the World Trade Organisation (WTO). Like the majority of other WTO members, CARICOM states have used their participation in coalitions to help advance their agenda. Indeed, with 149 members in the WTO, coalitions are crucial not just to strengthen the position of small countries like those of CARICOM. Coalitions strengthen the position of all countries lacking the political and economic capacity to negotiate single-handedly; they are also used within the WTO to facilitate negotiations by reducing the number of principals.[1]

Upon joining the WTO, CARICOM members became active in several coalitions that were in keeping with their longstanding diplomatic alliances in the developing world, most noticeably the African-Caribbean-Pacific (ACP) group. Interestingly, it was the coalition strategy of the Group of 77 and the United Nations Committee on Trade and Development (UNCTAD) which through their observer status in the WTO, led to the creation of the Generalised System of Preferences (GSP) and passage of the Enabling Clause, forerunners of the non-reciprocity component of the existing framework of special and differential treatment for developing countries in the WTO.[2]

Beginning in the late 1990s, CARICOM members also began to affiliate with what initially appears to have been an unusual coalition of small vulnerable economies (SVEs) consisting primarily of other small island developing states in the south Pacific and landlocked developing states in Central and South America.

The list of 51 Small Island Developing States (SIDS) was developed by the United Nations (UN) and sixteen of them would eventually belong to the emerging SVE coalition—thirteen CARICOM Member States and three from the south Pacific. Fiji, Papua New Guinea and the Solomon Islands are geographically remote island micro-states of the south Pacific which, like the Caribbean, secured political independence in the 1960s and 1970s while remaining dependent on their former colonial powers for export markets through the preferential arrangements granted to ACP countries.[3] The UN List of Landlocked Developing Countries (LLDCs) comprises 31 countries mostly in Africa and Asia, three of which-Bolivia, Mongolia, Paraguay-belong to the SVE coalition.[4]

These countries may seem to have different agendas and issues. On the one hand, the LLDCs claim to be impeded by the lack of access to water while on the other, the SIDS are surrounded by it. However, these differing geographical features mean that both groups face problems accessing transit routes; one, from being landlocked, the other, from remoteness and/or the high cost of transportation. The countries also share a colonial past that has made their economies dependent on a limited number of commodities for export earnings as well as a number of other features that help them together to make a strong case for acquiring special assistance to become effective participants in the global trading system. They also share the goal of seeking changes to the rules of the international trading system that would properly take into account their economic vulnerabilities. These commonalities have combined to make the SVE coalition an effective platform on which CARICOM works to advance its agenda within the WTO.

This article will examine the emergence and growth of the SVE coalition and the role that CARICOM has played in this process to advance its interests and agenda in the WTO. While the group has earned a significant amount of recognition and even sympathy, has this translated into recognition of the need for special rules for SVEs? The author posits that success at this level has been limited, reflecting the need for greater specificity and procedural clarity to what are essentially proposals for special and differential treatment for SVEs. The author offers recommendations to understand and address this shortcoming.

## Emergence and Growth of the Coalition of Small and Vulnerable Economies in the WTO

The SVE sub-grouping first made its appearance at the Geneva Ministerial in 1998 with the primary purpose of achieving a differentiated approach within WTO rules to the needs of small economies. After experiencing a lukewarm

response, today, the issues pertaining to SVEs have been incorporated into the WTO's work programme and are a standing item on the agenda of the General Council, the organisation's permanent decision-making body. This section follows the evolution of the coalition and its positions as documented through the work of the WTO Ministerial Conferences (the primary decision-making body of leading ministers held every two years), the General Council (the permanent decision-making body), and the WTO committees.

Individual CARICOM members began to make their case at the first WTO Ministerial Conference held in Singapore in December, 1996, where the Eastern Caribbean states of Dominica, St Kitts and Nevis, and Saint Lucia were the first to articulate, within the WTO, a position around the special set of circumstances they believe that small island developing economies face within the WTO.[5] Saint Lucia's statement, in particular, addressed at some length its concern that though not officially recognised as less developed countries (LDCs)[6] because of their smallness, insularity, fragility, vulnerability, openness and dependence on a single commodity export, this group of countries was just as structurally disadvantaged in the global economy and therefore required special attention and concern if they were not to be marginalized.[7]

Within less than two years, by the time of the second WTO Ministerial Conference, held in Geneva, May 1998, the SVE coalition had begun to take shape, coalescing around the statements made by the OECS countries. Notably, at a February 17, 1997 meeting of the WTO Committee on Trade and Development, Bolivia urged that a HighLevel meeting being contemplated with the UNCTAD, the International Trade Centre, aid agencies, multilateral financial institutions, and LDCs to foster an integrated approach to assist these countries to enhance their trading opportunities, "be integrated and applied to other countries with small economies, including land-locked countries."[8]

At the Geneva Ministerial, in the country's official statement delivered by its Prime Minister, the Right Honourable Edison C. James, Dominica welcomed the organisation's work on LDCs, but reiterated the need for the organisation to also recognise a second category of countries, caught between LDCs and emerging economies, the needs of which were being overlooked. The statement echoed the requests of most developing country Member States for adequate transitional periods and for more technical assistance. On behalf of the emerging coalition (CARICOM and the Pacific Islands), the Prime Minister added:

> We propose that machinery be established within the WTO to examine the special circumstances of small States, particularly islands, given their

recognised fragility and vulnerability, with a view to determining how the rules could be structured to take into account these dis-advantages.[9]

The proponents continued their efforts in the working sessions held during the Ministerial. In the ***Working Session on Implementation,*** Papua New Guinea and Guyana offered statements urging the WTO to confront the particular challenges faced by small and vulnerable economies.[10] In the ***Working Session on Future Activities,*** Mauritius proposed that the WTO Committee on Trade and Development be requested to examine the particular problems and difficulties which small island countries faced in integrating into the multilateral trading system, and to make appropriate recommendations on how to address them. Mauritius also provided a list of the salient features that characterised the problems facing the SIDS:

i. Limited domestic demand because of their small size which in turn, discouraged the flow of domestic and foreign investment;
ii. Lack of natural resources, which compelled economic operators to rely solely on imported raw materials and capital equipment;
iii. Sharp rises in production costs because of the transportation cost of raw materials as well as the small scale of production;
iv. High freight costs because of their remoteness from the main export markets;
v. Reliance on preferential treatment for export-oriented industries to address these constraints;
vi. Heavy dependence on imports of foodstuffs and other basic necessities because of size and adverse climate conditions, leading to high import bill, thus creating heavy strains on their balance of payments situation which could only be partially redressed through higher export earnings.[11] There were also indications that the emerging coalition had earned the support of the ACP group. Uganda, speaking on behalf of the group in the plenary and in the working committee, asked that special consideration be given in the WTO to the "vulnerable, low-income, landlocked and small island economies" in light of the various disadvantages that characterise these groups of countries.[12]

All of this effort earned brief recognition in the Ministerial Declaration adopted at the end of the Conference. Paragraph 6 expressed "deep concern over the marginalization of LDCs and certain small economies". However, it stopped short of authorising a work programme as requested by Dominica, speaking

on behalf of CARICOM, and Mauritius. Paragraph nine authorised a work programme to examine the issues related to the LDCs and the concerns raised by developing countries about the challenges they faced in implementing their WTO commitments.[13]

After the conclusion of the Geneva Ministerial, the effort to address the issues raised in the Conference was continued within the relevant WTO bodies, primarily the Committee on Trade and Development (CTD) and, to a lesser extent, within the General Council. Participation in the work of the WTO at this level requires an ongoing presence at the WTO through a permanent mission in Geneva. Consequently, at this level, CARICOM is hampered by the reality that only three of its members have a permanent WTO mission—Barbados, Jamaica and Trinidad and Tobago. Mauritius is the only Pacific Island member with a permanent WTO mission. Nevertheless, these countries assumed the task of shepherding the concept of small economies into WTO parlance. For them, the challenge was to achieve the fullest possible participation in the numerous meetings and committees that make up the WTO work schedule despite the very small size of their missions. The Barbados Mission, for example, currently has five full-time staff members and the Trinidad and Tobago Mission, two diplomatic officers, each headed by an Ambassador and Permanent Representative who is also accredited to numerous other international organisations.[14] Meanwhile, in addition to the General Council, which also meets as the organisation's Dispute Settlement Body and Trade Policy Review Body, there are also the Councils for Trade in Goods, Trade in Services, and TRIPS, no less than 18 permanent committees, as well as sub-committees, working groups, negotiating groups, and special sessions of these Councils, committees, and groups.[15]

To overcome these challenges, the minutes and documents of the WTO organs suggest that the emerging coalition begin to use some division of labour, with Mauritius assuming the leadership role on the issue in the CTD and Jamaica, in the General Council. The two were also consistently supported in these meetings by another SID, Sri Lanka, and an LLDC, Bolivia, both of which also had permanent WTO missions. It also appears that, as the coalition was taking shape, there was the transition in terminology from "small island economies" to "small economies" and eventually to "small vulnerable economies", which captured the reality of the LLDCs. These terms were often used interchangeably, and at times generated confusion and even resistance to the overall concept within some WTO members. (See U.S. comment later as an example.) For the sake of clarity, this article will use the term "small economies" to capture the positions of the coalition as it evolved.

At the first meeting of the CTD immediately following the Ministerial Conference, relying on the loose reference in paragraph 9, Mauritius raised the concerns and issues of small economies, proposed that the issue be placed on the provisional agenda for the Committee's next meeting, and volunteered to prepare a paper that would provide the basis for discussion. Mauritius' statement was supported by the representatives of Sri Lanka and Bolivia.[16] Accordingly, a joint paper by Barbados, Jamaica, Lesotho, Mauritius, Sri Lanka and Trinidad and Tobago titled "Concerns and Problems of Small Economies" was circulated to the Committee. An examination of the paper's contents indicates that it aimed to achieve the following goals:

1. Establish a theoretical basis for delineating a separate category of "small economies".
2. Debunk the idea of GDP as the sole criterion for measuring the level of a country's development. This was essential because most of the proponents did not meet the GDP criterion used to delineate the group of LDCs already designated as requiring special attention. In the discussion of the paper within the Committee, for example, Tanzania, an LDC, noted that Jamaica's GDP and export earnings were twice that of its own.[17] Instead, the chapter proposed a "vulnerability index" which captures the extent of a country's economic fragility and precariousness arising from exposure to factors outside the country's control, such as the country's physical features, demography, small internal markets, dependence on trade taxes, and other inherent disadvantages.
3. Provide support for the request for special attention to the needs of small economies. Pointing out that the WTO already recognises the specific needs of other groups of countries, such as LDCs and net-food importing countries, the paper reiterated that the group of small economies also faced difficulty in realizing the benefits of WTO membership, complicated by the absence of efforts to help them to integrate into the multilateral trading system.
4. Make the case that continued access to trade preferences is an essential requirement to facilitate the countries' integration into the multilateral trading system.

The chapter concluded by repeating the proposal made by Dominica at the Geneva Ministerial to establish a work programme on the concerns of small economies.[18] An in-depth discussion of the paper followed at the 22nd Session of the CTD. As a result, CARICOM and the other proponents can be said to

have succeeded on at least two fronts. Firstly, they successfully introduced into the Committee a discussion of the concept of vulnerability, other than GDP, as an additional indicator of development. Tanzania, for example, making a strong case for special consideration, acknowledged that while LDCs faced structural problems that were of a temporary nature, small economies faced problems that appeared to be beyond their capacities. At the same time, as an LDC, Tanzania shared the concerns of other LDCs that this move should not divert attention away from the needs of LDCs, a concern that remains in place today. Secondly, the proponents received the agreement of the CTD to place the item on the agenda of its next meeting. [19]

In fact, the issue of small economies remained on the CTD's agenda for the next four consecutive meetings and for subsequent meetings. The following themes emerged from the discussions:

- Growing acceptance of, and sympathy for the position that small economies face a particular set of problems that require specific and practical solutions.[20]
- The need to, nevertheless, further refine the concept of "small economies in order to determine its conceptual fit within the WTO rules-based system.[21]
- The need for clarity and use of a consistent term as several representatives pointed to the number of terms used during presentations and discussions on the issue—" small economies", "small states", "small and vulnerable economies", "small, vulnerable and volatile economies", and iterations and combinations of these terms.[22]
- The perspective that some of the problems could be addressed by increased WTO technical assistance and cooperation, while others need to be referred to other international organisations which focus on development and financial assistance.[23]
- The opinion that the proponents themselves need to do their own analytical work and needs-assessment on such questions as the areas where technical assistance was required, with the relationship to the rule-based multilateral trading system as the starting point.[24]
- The conclusion that there is no need to create a separate category of countries and the concerns of "small and vulnerable economies" should be addressed through existing provisions for special and differential treatment.[25]

The concerns reflected in these discussions remain challenges that the coalition continues to face today.

This attention to the issue within the CTD also generated two other major activities. The WTO Secretariat began to participate in a Joint Task Force on Small Economies with the World Bank and the Commonwealth Secretariat. A representative of the Commonwealth Secretariat presented its findings to the Committee in July 1999, expressing the hope that discussions would lead to ideas concerning how the trading system could accommodate the special needs of small states.[26] The Committee also organised a seminar on Small Economies, which was held on October 21, 2000, in conjunction with Geneva Week for observer delegations. A report on the Seminar was delivered and discussed at the 31st Session of the Committee, which was now operating under the chairmanship of Jamaica. This led to a reiteration of the call for the issue to be included in the WTO's work programme. At the same time, the discussion highlighted the problem of the lack of definitional clarity of the concept of "small economies", as mentioned above. [27]

Meanwhile, within the General Council, discussions focused on the issues that it had been mandated by the Geneva Ministerial Declaration to address, namely:

1. Establishing a process to ensure full and faithful implementation of WTO Agreements
2. Preparing for the Third Ministerial Conference
3. Submitting to the Third Ministerial Conference the consensus of the Members on recommendations for further organisation and management of the work programme arising from the Geneva Ministerial.[28]

Jamaica, Mauritius, and other proponents, through their participation on the General Council, worked to take advantage of opportunities to insert into the discussion the perspectives of small economies that fell within this mandate.

Immediately after the conclusion of the Geneva Ministerial, Jamaica circulated a "Draft Annotated Agenda for Follow-Up to the 1998 Ministerial Declaration" which proposed subject areas for new negotiations of concern to developing and transitional economies. Included on that list was an item devoted to discussing the "challenges and opportunities faced by small economies as a result of their macro-economic vulnerability, given their openness and reliance on international trade."[29] Jamaica followed up with a statement at the Special

Session of the General Council on September 24 to 25, 1998.[30] The reports of Mauritius to the General Council also kept the issue alive in that body.[31]

Through several other papers, the emerging coalition worked on crafting proposals and recommendations for consideration at the Third Ministerial Conference, scheduled for the U.S. city of Seattle in December 1999.[32] While several proposals addressed the concerns of developing countries, in general, a number of them were specific to the concerns of the small economies. The stated purpose of some of these proposals was to identify trade rules that the proponents considered needed to be adjusted to make them more compatible with the goal of integrating "small countries" into the multilateral trading system. Despite this claim, several proposals were not at all trade-related and were therefore inappropriate for the forum of the WTO. For example, it was proposed that with respect to agriculture, the body adopt rules that provide: (i) measures at the international level to assist small economies whenever they are adversely affected by a natural disaster; (ii) assistance for feasible and sustainable diversification of production in products which have the potential for higher value-added; and (iii) integration into a future Agreement on Agriculture of the provision of technical and financial assistance by major agricultural exporters and development institutions to improve agricultural productivity, and the establishment of a mechanism to provide concessional facilities whenever food prices exceed a particular ceiling or domestic food production drops below a certain threshold. The trade-related proposals enunciated negotiating principles, which left the hard work of developing proposal language containing concrete and specific measures to a later date.

The papers presented all reiterated the proposal that the CTD elaborate a Work Programme to address the constraints and to submit its recommendations to the General Council for adoption prior to the Ministerial Conference. As a result of this effort, the text of the draft Seattle Declaration contained three paragraphs that addressed the concerns of small economies, including the following commitment to:

. . . initiate a work programme, involving all relevant WTO bodies, to identify concrete trade-related measures for the fuller integration of small, vulnerable economies into the multilateral trading system. This work programme shall take into account and draw on relevant work being undertaken in other international fora. The General Council shall review the work programme and make recommendations for action before the end of the year 2000.[33]

The premature end to the Seattle Ministerial because of the unprecedented level of popular protests which disrupted the Conference also meant that the draft containing this language was never adopted at the Third Ministerial. The

proponents would, however, finally succeed on this proposal at the Fourth Ministerial, held in Doha, July 2001.

Within the General Council, Jamaica, Trinidad and Tobago, Mauritius and Saint Lucia used the failure of the Seattle Ministerial to reinforce the need for a work programme on small economies as a confidence-building measure.[34] In preparation for the Doha Ministerial on July 25, 2001, Fiji submitted to the General Council, on behalf of Antigua and Barbuda, Barbados, Dominica, the Dominican Republic, Fiji Islands, Grenada, Haiti, Jamaica, the Maldives, Mauritius, Papua New Guinea, the Solomon Islands, St Kitts and Nevis, Saint Lucia, St Vincent and the Grenadines, and Trinidad and Tobago a document titled, "Preparations for the Fourth Session of the Ministerial Conference, Issues of Concern to Small Economies".[35] The submission requested that the text of the draft Declaration of the Fourth Ministerial retain the language contained in the draft Seattle Declaration. In light of plans to launch a new round of negotiations at Doha, the submission also aimed at providing further clarification on the coalition's joint proposals for consideration and inclusion in the text of the draft Ministerial Declaration. The document established the following negotiating principles for the members of the coalition going into the Ministerial:

- The quota regime established in the General Agreement on Trade and Tariffs provides security and predictability of market access for traditional small suppliers, taking into account factors such as the importance of the product to the exporting country as opposed to the percentage share in the importing markets (as proposed by CARICOM).
- The Subsidies and Countervailing regime take into account the vulnerability and special problems of small economies by, for example, using threshold limits relating to percentage share of exports in import markets and in global trade; and developing measures to mitigate the high cost of freight and other transport costs resulting from small volumes and remote and distant locations.
- The General Council adopt measures to secure a redistribution of negotiation rights in favour of small and medium size exporting members in trade negotiations.
- Reforms to trade in agriculture include as an integral component: (i) the long-term objective of substantial progressive reductions in support and protection; (ii) food security and environmental protection; (iii) special and differential treatment for developing country members; (iv) the possible negative effects on the implementation of the reform process on least developed and net-food importing developing countries; (v)

preservation of the flexibility of developing countries to implement commitments in line with their development needs and, in particular, the need to take into account the special circumstances of developing countries highly dependent on existing preferential arrangements.

- Services negotiations to: (i) take due account of national policy objectives and level of development of individual members by allowing for the appropriate flexibility for opening fewer sectors and liberalising fewer types of transactions in line with their development situations; (ii) undertake a progressive approach that incorporates into each round an assessment of the extent to which the goals relating to increasing participation of developing countries in world trade are being met, i.e., strengthening of their domestic services capacity, access to technology, access to distribution channels and information networks, and liberalisation of market access in sectors and modes of supply of export interest to them; (iii) give credit for autonomous liberalisation undertaken by developing countries; (iv) elaborate emergency safeguards and subsidy rules for trade in services.
- No extension of the negotiations to include new investment rules, trade and competition policy, or public procurement (the so-called "Singapore Issues") and increased technical support for trade facilitation measures.
- Ensuring that trade-related environmental measures are not used as a disguised restriction on trade.
- Development of new multilateral disciplines for indigenous property rights holders that are no less favourable than those available to other intellectual property rights holders.

The proposal also addressed systemic issues within the WTO:

- Provision for small economies' representation in the "green room" process in the interest of increased transparency in the negotiating process.
- Opposition of moves to introduce decision-making based on trade-weighted voting.
- Call for separate, affordable and consistent accelerated accession rules for small vulnerable economies and LDCs through an improved process to facilitate their integration into the multilateral trading system.
- Creation of means by which small and vulnerable economies that are nonresident WTO Members and Observers can be represented in Geneva at costs they can afford. Members with small administrations should not be required to accept obligations which they do not have the

administrative capacity to implement. Provide technical assistance and co-operation in order to build their capacity to effectively participate in the multilateral trading system.

The countries also paid close attention to the text of the declaration as it was being drafted. Barbados and Jamaica, for example, offered an extensive critique of the draft declaration.[36]

## Accomplishments at the Doha Ministerial Conference and Implementation of the Doha Declaration

Jamaica's official statement at the Doha plenary indicates the key issues for the coalition going into the Ministerial. The coalition wanted to see a development agenda that addressed the nature and structure of the rules as well as the timing and sequencing of obligations entered into by small economies, and identified the following outcomes for the Doha Ministerial:

1. Agreement on a work programme to address the needs and concerns of small economies that would include recommendations on concrete and specific measures that will reduce the marginalization of small vulnerable economies.
2. Grant of the EC/ACP waiver request for the ACP-EU Cotonou Partnership Agreement.
3. Agreement on a package of implementation measures that is substantive enough to contribute to confidencebuilding and to make a meaningful contribution to redressing the imbalances deriving from the Uruguay Round Agreements.
4. Address the longstanding deficiencies relating to internal transparency, inclusiveness and organisational procedures.
5. Adoption of a work programme that is development-driven, seeking to redress past asymmetries in rules, disciplines and opportunities and recognise the limited capability of many developing countries to engage in new negotiating processes and to assume new obligations.
6. Adoption of a Declaration on TRIPS and Public Health which confirms that under the TRIPS Agreement, Members have the flexibility to take measures to address public health concerns.[37]

Many of these issues were developed within the framework of, and supported by the ACP coalition, as reflected in an ACP Ministerial Declaration adopted in Brussels just prior to the Ministerial and circulated to the Conference.[38] The reality is that the atmosphere after Seattle created a ripe environment for receiving these requests. The Ministerial took favourable action on points 1, 2, and 6 of the above list. Specifically, on small economies, the relevant paragraph in the Doha Declaration read:

> We agree to a work programme, under the auspices of the General Council, to examine issues relating to the trade of small economies. The objective of this work is to frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, and not to create a sub-category of WTO Members. The General Council shall review the work programme and make recommendations for action to the Fifth Session of the Ministerial Conference.[39]

At the same time, the other issues in Jamaica's statement identified the heart of the disagreements between developed and developing countries within the WTO which have since stalled the forward movement of the Doha negotiating round. The new round of negotiations was launched with what was, and still is being called "the Doha Development Agenda". However, the process received another setback when the Fifth Ministerial Conference in Cancun in September 2003, highlighted the rift between developed and developing countries in relation to what it meant to launch as a "development round". The Conference was called to a halt, this time, for failure to agree on the text of the Declaration. At the Sixth Ministerial in Hong Kong, December 2005, the Members reached several compromises, including the removal from the negotiating table of the Singapore issues, another victory for developing countries and the SVE coalition. At the time of writing, however, the negotiations are again stalled.

The negotiating parties have been able to agree on a framework for the negotiations which, in the following areas, reflect several of the negotiating principles advanced by the SVE coalition:

- Agriculture-developing countries are to receive longer transition periods; the temporary ability to continue subsidies to reduce the costs of marketing exports of agricultural products; continued exemption from the commitment to reduce domestic support for government assistance and investment programmes that encourage agricultural and rural development; and the ability to designate as "Special Products"

and therefore eligible for more flexible treatment, those products that a country considers important to its food security, livelihood and rural development needs.

- Market access-for non-agricultural goods, focus on reducing or eliminating high tariffs, tariff peaks (tariffs of 15% or above), tariff escalation (higher import duties on semi-processed and finished products than on raw materials), and non-tariff barriers on those products that developing countries are particularly interested in exporting; longer implementation periods for developing countries to implement tariff cuts; and the ability to commit to smaller tariff reductions than those made by developed countries.
- Services-individual developing country Members may be allowed to open fewer sectors and to liberalise fewer types of transactions.
- Trade facilitation-provide transition periods for implementing commitments, which will also include a consideration of countries' actual implementing capacities; an understanding that countries are not to be required to undertake investments in infrastructure projects beyond their means; and the means of addressing the cost implications of proposed measures; improving technical assistance and capacity-building and establish provisions for effective cooperation between countries' customs agencies.[40] Although there is no specific language that recognises the special concerns of the SVEs, this may reflect the agreement not to create another category of countries within the WTO. Furthermore, the specific rules on market access and trade liberalisation commitments for the SVEs, areas on which there is as yet no agreement, are what will affect the outcomes for the coalition. Throughout this process, however, the commitment to developing a work programme to address the concerns of SVEs has been renewed, most noticeably in the text of the Hong Kong Ministerial Declaration. [41] This only meant, though, that the hard work of articulating an actual programme had switched back to the WTO bodies, where this process continues. The following section discusses the work in this area and records some successes of the coalition.

On March 1, 2002, the General Council agreed that to implement paragraph 35 of the Doha Declaration on small economies:

- The question of small economies would be a standing agenda item of the General Council;

- The CTD would hold Dedicated Sessions on this question and report regularly to the General Council.[42]

Over the course of the next four years, the CTD met in dedicated session to discuss the issues and concerns of small economies. In these sessions, the SVE coalition was again charged with developing proposals to address their trade-related concerns for discussion by the members. At the 1st Dedicated Session, held on April 25, 2002, the delegations of Barbados, Belize, Bolivia, Cuba, the Dominican Republic, El Salvador, Fiji, Guatemala, Haiti, Honduras, Jamaica, Mauritius, Nicaragua, Papua New Guinea, Paraguay, the Solomon Islands, Sri Lanka, and Trinidad and Tobago submitted a document which identified the trade-related issues of particular concern to small economies. After discussion, the authors were requested to take the comments made on their document into account and develop a "road-map" to be presented at the second Dedicated Session.[43] The "road-map" presented at the 2nd dedicated session contained the following proposals for changes to several existing WTO agreements:

1. Preserve the existing margins of preference for products exported by small economies.
2. Change the rules so that small economies not be required to give reciprocal treatment in return for the preferential treatment that they receive from developed Members in the context of regional trading arrangements.
3. Allow small economies to keep existing fiscal incentives that violate current WTO rules on subsidies.
4. Amend the reporting requirements, investigation procedures and assessments, causation principle, and the definition of domestic industry in the rules governing the application of antidumping and countervailing measures for small economies.
5. Explicitly recognise that small economies can designate a regional body as their competent authority on antidumping and for the implementation of the provisions of the Sanitary and Phyto-sanitary (SPS) and Technical Barriers to Trade (TBT) Agreements.
6. Change the definition of domestic industry and serious injury, the investigations and reporting requirements, causation and non-attribution principle, and the right of compensation and/or retaliation in the Safeguards Agreement for small economies.

7. Incorporate provisions for technical assistance and the flexibility for small economies in dealing with time-frames and notifications requirements.[44]

It is probably fair to say that most of these proposals have been rejected. The proponents were asked to provide clarifications and refinements; the clarifications presented at a later date also required further clarification—a diplomatic rejection. It can be categorically stated that the WTO as an organisation will not retrench on its primary objective of increased trade liberalisation which are implied by points 1 to 3 above. The rule changes that points 4 and 5 would require amount to a *de facto* recognition of the SVEs as a separate category of developing countries, which places them outside of the mandate given by the Doha Declaration. Furthermore, there is concern that allowing one category of developing countries lower procedural and substantive standards on such issues as the use of safeguards would diminish the ability of other developing countries to protect their own products.[45]

The proposal to allow SVEs to designate a regional body as their competent authority on specified areas, point 5 above, has been accepted and adopted. Expanded to incorporate their commitments under the Trade-Related Intellectual Property (TRIPS) Agreement, in response to questions and concerns expressed by the members of the CTD and of the relevant committees, the SVEs also clarified that the proposal was intended to allow the use of regional bodies, such as laboratories, to help them meet WTO obligations such as notifications and assessments, but that each Member would remain entirely responsible for compliance.[46] The proposal was submitted by the CTD and adopted by the General Council.[47] This was a symbolic victory; if the obligation for compliance and notifications continues to reside with the individual country, then surely would not the means chosen to meet this obligation be also within the sovereign right of each country? Nevertheless, the decision holds some lessons for CARICOM as it continues its work within the SVE coalition.

## Lessons Learned and Recommendations

CARICOM's experiences within the WTO have reinforced the value and validity of the SVE coalition to assist the region in achieving its trade agenda. The coalition is well-formed, first of all because it avoids the problem that has characterised some of the larger groups. Rolland writes that many of the developing country coalitions have brought together groups with a broad range

of heterogeneous issues, resulting in a relatively amorphous and politically unsustainable agenda that then weakens the coalition.[48] She notes that the SVE grouping avoids this problem through more homogeneous membership, negotiation priorities and interests, and concludes that the coalition should therefore be more successful.[49]

A second positive feature of the coalition is its use of objective UN-developed criteria to define its members. UN-developed criteria provide a more objective and acceptable standard, less subject to manipulation, more transparent and uniform.[50] The use of UNdeveloped criteria has been one key factor that has contributed to the identification of the LDCs as a group deserving of special rules, most notably, the Doha decision to provide all LDCs with duty-free, quota-free access to developed country markets. The use by the SVEs of the UN-developed vulnerability index as an indicator and the supporting literature has also contributed to the success of the SVEs in raising awareness, within the WTO, of their special concerns. Inclusion in the WTO work programme, as mandated by successive Ministerial Declarations is another success. As documented in this article, numerous hours have been dedicated to a discussion within the WTO of the issues facing small economies, as a result of which there now exists an enormous amount of information that can assist the countries as they continue to develop and advocate proposals to address their concerns.

How can CARICOM and the SVE coalition better advocate its positions? Much has been made of the success of another coalition, the Cotton-4, consisting of the cotton-exporting countries of Benin, Burkina Faso, Chad and Niger—which first appeared at the Cancun Ministerial with the demand that cotton subsidies be abolished after a limited transition period in the United States, Europe and China and that financial compensation be provided to offset the losses incurred by African cotton producers during the transition. The proposal was eventually incorporated into the final ministerial declaration at the Hong Kong Ministerial and is seen as one of the positive achievements of the Ministerial.[51] The SVE coalition won a similar victory when it got the language it wanted included in the Declaration at Doha and subsequent Ministerial Conferences. One thing that makes the achievement of the Cotton-4 so much more newsworthy, however, is the specificity of its proposal. It is specific to one product and includes transition periods. This specificity makes it easier to link the requested behaviour to a specific need, i.e., improved market access and market conditions for the cotton produced by these countries. It also makes for a very compelling argument.

This linkage provides the second, related lesson from the success of the Cotton-4 demand in that compliance targets the egregious practices in their developed country destination markets and projects no harm to the position of

other developing countries. This, unfortunately, is not the case with the SVE proposals to freeze their preferential access, particularly with respect to bananas and sugar, which targets a practice that appears to discriminate against the interests of developing country non-recipients of these preferences. While the tendency has been to focus on the pending loss of preferences for these products, examining the issue in the light of the Cotton-4 experience suggests another set of conclusions. CARICOM's focus on the importance of preferences for bananas and sugar to the countries' economies and overall livelihood has actually resulted in a phased withdrawal of these preferences. Viewed in this light, CARICOM may achieve improved success on its market access concerns by identifying specific products and services, focusing on the impediments that they face upon entering existing and potential markets, and developing proposals to address those specific issues. To the extent that they would seem to require exemptions from existing WTO rules, the proposals should specify time frames within which those exemptions could be removed while leaving open the possibility of extensions should these deadlines prove unrealistic.

The biggest challenge to be addressed is getting involved in negotiations within the WTO. The real agenda-setting takes place in the "Green Room" at the Ministerial Conferences, where the various proposals that have been tendered by members get refined, included, or discarded.[52] Participation is "by invitation only", increasingly tendered to countries whose presence appears critical to moving forward the overall agenda of the organisation through their influence over other members. The SVE submission to the Doha Ministerial included a request that participation in the "Green Room" process be broadened to include other groups. Bearing in mind the concerns mentioned above, the SVE coalition should persist in its demand for inclusion in the process. At the same time, this request is likely to receive serious attention only to the extent that the coalition demonstrates that it can contribute to the overall progress of the negotiation of trade rules.

To achieve a more rules-based approach to the negotiations, the SVE coalition should focus on those proposals that make adjustments to existing rules and formulae to address their concerns. This was the approach used with respect to the proposals to establish the regional bodies to monitor SPS, TBT and TRIPS obligations and demonstrates the WTO's preference for proposals aimed at refashioning current rules rather than those aimed at changing existing rules. At the same time, a rules-based approach can co-exist with, and contribute to the process of reforming those rules. Discussions about "operationalizing" special and differential treatment, for example, are really a discussion about providing specificity and procedural clarity to the provisions that would make

them easier to measure, quantify, and monitor.[53] Procedural reforms often come in incremental stages. To illustrate, the decision to allow the SVEs to use regional bodies to monitor their obligations under the SPS, TBT, and TRIPS Agreements could eventually lead to providing these bodies with a wider scope of authority, provided that the overall obligation to implement the commitments under these agreements continues to rest with the individual countries. The provision of technical assistance to these regional bodies that increases confidence in their capacities to meet the obligations would facilitate this procedural change.

Another approach is to use negotiating modalities that achieve their specific goals, even if requiring slight changes to the rules. For example, South Africa has proposed that SVEs be allowed to use different and less onerous formulae to calculate tariff reductions in the Doha Round.[54] While not underestimating the challenge this approach could face, again, the experience of the Cotton-4 suggests that negotiating as a coalition can provide significant leverage and visibility for countries that would otherwise have been marginalised.[55] Developing a negotiating strategy that targets specific market access goals tied, for example, to specific products and services, as discussed above, is particularly important as the issues raised by SVEs have been incorporated into the Single Undertaking, which means that tradeoffs will be demanded in return for any concessions made.[56] The best way to address this reality is to ensure that the coalition, in turn, receives meaningful tradeoffs in return for any concessions that it makes. Representation on the relevant negotiating committees, in addition to the Green Room process, is also crucial. The small size of their missions would provide a strong argument for allowing the SVEs to be represented as a coalition on these bodies.

Finally, CARICOM and the SVEs should focus their efforts on advancing only those proposals that are likely to be considered within the framework of the WTO. Some of their proposals can be best addressed in other fora, such as development organisations that provide technical assistance. Another arena for some of the coalition's issues is bilateral and regional trade agreements. For those products and target markets of particular concern, negotiation of reciprocal trade agreements provides unique opportunities to receive and institutionalize favourable rules of origin and other market access conditions and for capacity-building.

## Notes

1. Bernard Hoekman, Cancun: Crisis or Catharsis? (2003) unpublished note, on file with the Brookings-George Washington Trade Roundtable). Available at http://www.sed.man-chester.ac.uk/idpm/research/events/

wbseminar/CancunCatharsisorCrisis. pdf, (last accessed April 30, 2009) page 504.

2. Sonia E. Rolland, "Developing Country Coalitions at the WTO: In Search of Legal Support," *Harvard International Law Journal,* Vol. 48 (Summer 2007) pages 483-551, page 488.
3. Jane Kelsey, "World Trade and Small Nations in the South Pacific Region," *The Kansas Journal of Law & Public Policy,* Vol. 14, (Winter 2005) page 249.
4. The following 22 countries have consistently self-identified as belonging to the SVE coalition: Antigua and Barbuda, Barbados, Belize, Bolivia, Cuba, Dominica, the Dominican Republic, El Salvador, Fuji, Grenada, Guatemala, Jamaica, Mauritius, Mongolia, Nicaragua, Paraguay, Papua New Guinea, Solomon Islands, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago.
5. World Trade Organisation (hereinafter "WTO") Ministerial Conference, 1996 Statements by Dominica, WT/ MIN(96)/ST/127; Guyana, WT/ MIN(96)/ST/56; Jamaica, (WT/ MIN(96)/ST/39); St Kitts and Nevis, WT/MIN(96)/ST/126; Saint Lucia, WT/MIN(96)/ST/98; Suriname, WT/MIN(96)/ST/88; and Trinidad and Tobago, WT/MIN(96)/ST/83.
6. In addition to recognising the need for developing countries to receive special and differential treatment, the WTO has also recognised a sub-category of LDCs within the group of developing countries as deserving even more special attention. The LDC category was developed by the United Nations using GDP and other objective criteria and comprises the poorest of the poor countries, mostly in Africa. Haiti is the only CARICOM member that falls into the group of LDCs.
7. WTO Ministerial Conference, 1996, Saint Lucia-Statement by H.E. Mr Edwin Laurent, Ambassador, Permanent Representative to the WTO, WT/MIN(96)/ST/98.
8. WTO Committee on Trade and Development, 2007, Notes on the Meeting of February 17, WT/ COMTD/M/14.
9. WTO Ministerial Conference, 1998, Commonwealth of Dominica-Statement by the Honourable Edison C. James, Prime Minister. Available at http://www.wto.org/english/thewto_e/minist_e/min98_e/anniv_e/james_e.htm (last visited May 3, 2009).
10. WTO Ministerial Conference, 1998, Minutes of the Working Session on Implementation, WT/MIN (98)/ WS/M/1, paragraphs 103, 107, and 111.

11. WTO Ministerial Conference, 1998, Minutes of the Working Session on Future Activities, WT/MIN (98)/ WS/M/2, paragraph 79.
12. WTO Ministerial Conference, 1998, Uganda-Statement Circulated by the Hon. H.M. Kajura, Minister of Trade and Industry, WT/MIN(98)/ ST/114; Minutes of the Working Session on Implementation, paragraphs 103, 107, and 111.
13. WTO Geneva Ministerial Declaration, (1998) WT/MIN (98)/DEC/1, paragraph 6.
14. Taken from the websites of the Barbados Permanent Mission to the WTO, http://www.foreign.gov.bb/geneva/ category.cfm?category=3; and the Trinidad and Tobago Permanent Mission to the WTO, http://www3. itu. int/MISSIONS/Trinidad-Tobago/ about_geneva%20mission.htm, last visited May 4, 2009.

    This issue was and remains an ongoing challenge, one referred to throughout the minutes of the meetings. *See e.g.* WTO General Council, 2000, Minutes of Meeting-Held in the Centre William Rappard on July 17 and 19, WT/GC/M/57, a large portion of which was devoted to the scheduling issues that confront small delegations.
16. WTO Committee on Trade and Development, 1998, Note on the Meeting of June 19, WT/COMTD/M/21, paragraphs 61-63.
17. In the discussion of the paper within the Committee, for example, Tanzania, an LDC, noted that Jamaica's GDP and export earnings were twice that of its own. WTO Committee on Trade and Development, 1998, Note on the Meeting of November 2, WT/ COMTD/M/22, paragraph 89.
18. WTO Committee on Trade and Development, "Joint Paper by Barbados, Jamaica, Lesotho, Mauritius, Sri Lanka, and Trinidad and Tobago, Concerns and Problems of Small Economies," Nov. 12, WT/ COMTD/W/50, paragraphs 2 to 6; 7 to 13; 14 to 16; 23; 89.
19. WTO Committee on Trade and Development, 1998, Note on the Meeting of 2 November, paragraphs 89 to 91; 108 to 109.
20. *See* comments by Egypt and the European Communities, WTO Committee on Trade and Development, 1998, Note on the Meeting of December 7, WT/COMTD/M/23.
21. See comments by Brazil and Japan, WTO Committee on Trade and Development, 1998, Note on the Meeting of December 7, paragraphs 27 and 35.
22. See comments by United States, Bolivia, Guatemala, and Chile, WTO Committee on Trade and Development, 2000, Note on the Meeting of

October 27 and November 8, WT/ COMTD/M/31, paragraphs 28 to 30, 35.

23. See comments by the European Communities, WTO Committee on Trade and Development, 2000, Note on the Meeting of October 27, and November 8, paragraph 30.
24. See comments by the European Communities and Japan, WTO Committee on Trade and Development, 2000, Note on the Meeting of October 27 and November 8, paragraphs 30 and 35.
25. See comments by the United States, WTO Committee on Trade and Development, 1999, Note on the Meeting of 4 June, WT/COMTD/M/25, paragraph 156. The U.S. representative was reassured on that point by Guatemala, Bolivia, Barbados, and Sri Lanka, paragraphs 163, 166 to 168.
26. WTO Committee on Trade and Development, 1999, Note on the Meeting of July 7-8, WT/COMTD/M/26, paragraphs 16, 27, 31, 39, 41.
27. WTO Committee on Trade and Development, 2000, Note on the Meeting of October 27 and November 8,
28. WT/COMTD/M/31.
29. WTO Ministerial Declaration, 1998, paragraphs 9 and 10, available at www.wto.org, (last visited May 1, 2009).
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# 25

# CARICOM IN MULTILATERAL TRADE NEGOTIATIONS

*Emalene Marcus-Burnett*

## Introduction

*'Globalisation is both an opportunity and a* threat.' *Chunzheng Wang, 2001*[1]

Trade is important to all countries, but is especially so for the 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 MERCOSUR.[3] Given this high degree of openness, trade policy is an indispensable element in national growth strategies; making successful involvement in bi-lateral, 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, 1999 [4]

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, and 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, 2003[15]

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, 2001[23]

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 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 subset 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 overall group's 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 among 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-focussed 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 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 is 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 holisitc 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.

## Notes

1 "Feature Address by Vice Chair man 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/ getfocument. 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.* 2nd edn. Routledge, p. 134.

7. At the end of the Uruguay Round negotiations, over 123 countries were 11 participating, with over 100 of them 12 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 13 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 14 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 15 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. 16 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 1,909.
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, p. 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, 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, pp. 147-48.
29. Ibid., pp. 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_doors- but/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.* 2nd edn. 2004. Routledge, p. 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, p. 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, p. 152.

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# 26

# CARICOM—US TRADE RELATIONS IN AN ERA OF 'OPEN REGIONALISM'[1]

*Karl Petrick*

## 1. Historical Background: The Caribbean Basin Initiative in Three Acts

The Caribbean Basin Initiative (CBI) was initiated during a time of economic crisis in the Caribbean: from 1980-1983, the average change in real GDP across the 12 major economies in the region (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Barbados, Dominican Republic, Guyana, Haiti, Jamaica, and Trinidad and Tobago) was—23.5%. Considering only the Caribbean countries in that group, the average was only slightly less dire:-16.9% change in real GDP over the period, ranging between Trinidad and Tobago (-12.3% growth) and Jamaica (-27.3% growth, not only the worst of the Caribbean countries, but the fourth worst in the entire 12-country group).[2] Furthermore, The average Balance of Payments deficit across the group was US $ 196.0 billion (US $ 334.8 billion for the Caribbean countries)[3] and debt as a percentage of GDP was an average of 61.68% across the group (55.64% for the Caribbean countries).[4]

Amidst this backdrop, the CBI was presented 'as a Marshall Plan tailored for the Caribbean.'[5,6] In February 1982, the then U.S. President Ronald Reagan outlined the tenets of the CBI at an address to the Organisation of American States, characterising the CBI as "a 'fresh view of development'" as it moved away from an emphasis on financial aid (and government intervention) and put the emphasis on trade and investment (and the free market). Reagan's argument was that such a focus would gradually phase out the dependence of Caribbean

Basin countries on foreign aid and enable self-sustaining economic growth in the region by 'making use of the magic of the marketplace'.[7]

The belief underlying the CBI was that the dismantling of trade barriers between countries would be the primary force for economic recovery across the region, as indeed, the 'Reagan Doctrine' envisioned the same across the globe. Despite the rhetoric, this view is hardly new—the idea that trade is the engine of growth and that free trade would benefit all parties was first expressed by David Ricardo in 1817.[8] Nonetheless, President Reagan's pronouncement of a 'new' development vision for the region was broadly endorsed across both parties in the U.S. Congress: Thus, Act One of the CBI, The Caribbean Basin Economic Recovery Act (CBERA) was passed into law.[9]

The 'carrot' was a widening of trade preferences under the U.S. Generalised System of Preferences (GSP) to the advantage of CBI countries, as well as a simplification of the U.S. duty structure to help Caribbean exporters access the U.S. market. However, to gain this access, CBI countries had to enact a whole series of trade policies. For example, Section 212(c ) of the Act outlines five discretionary criteria for the U.S. President to consider before bestowing beneficiary status to any state, including:

- "The country's acceptance and adherence to rules of international trade in accordance with the General Agreement on Tariffs and Trade.
- The country's willingness to provide equitable and reasonable access to the markets and commodity resources of the country.
- The degree to which a country uses trade distortion manoeuvres, such as export subsidies, export performance requirements, or local content requirements.
- The degree to which a country is engaging in self-help practices and measures to promote and ensure its own economic development"[10].

Apparently, the degree of openness to free trade (as measured by the first three criteria above) was to be taken as an indicator of the level of the fourth criteria: the American draftees apparently never considered that the 'self-help practices and measures to promote and ensure (a country's) economic development' could well **include** a level of export subsidies, export performance requirements, and/or local content requirements. On the U.S. side, however, the CBERA (section 213(e)) allowed the President to 'invoke protective measures to respond to negative impacts of CBI duty-free treatment on American domestic industries.'[11] The Caribbean Basin Economic Recovery Act included a 'sunset clause' (Section 218), which scheduled the termination of the CBERA on August 5, 1990; 7

years was apparently seen as enough time for all that 'self-generating economic growth' to kick in across the Caribbean Basin. However, when the United States International Trade Commission (USTIC) reviewed the effects of the initiative in 1989, it noted 'the CBERA and other related provisions have not as yet brought about substantial improvements in the overall export position of CBERA countries vis-à-vis the United States, and, indirectly in the diversification, restructuring, and/or expansion of the Caribbean economies as a whole.'[12] The understated conclusion of the USTIC study was that 'the effectiveness of the CBERA might need some improving.'[13] This led to the CBI Act Two: The CBERA Expansion Act (1990), which widened the access of duty-free goods from the region somewhat and also pushed CBI recipients for more tax incentives for U.S. Foreign Direct Investment.[14] It also abolished the 'sunset clause'.

Act Three of the CBI began in 2000: The Caribbean Basin Trade Partnership Act (CBTPA), which effectively signalled the eventual ending of the CBI as a preferential trade agreement and a shift in emphasis towards a deeper free trade area: 'it is the policy of the United States to offer Caribbean Basin beneficiary countries willing to prepare to become a party to the (Free Trade Agreement of the Americas) or another free trade agreement, tariff treatment essentially equivalent to that accorded to products of (North American Free Trade Agreement) countries for certain products not currently eligible for duty-free treatment under the CBERA.'[15]

The significant feature of the Trade Partnership Act was that CBI countries asked for and received 'NAFTA parity' for their products in the run-up to that agreement. They had worried that a free trade agreement between the USA and Mexico (as two-thirds of NAFTA) would be disastrous-not necessarily due to an erosion in imports of CBERA-eligible products, but rather, due to the textile/apparel provisions in NAFTA shifting production in this CBERA-ineligible sector from CBI countries to Mexico. As a result of the Trade Partnership Act, textiles were CBERA-eligible for the first time, albeit as long as the apparel was 'from fabric wholly formed or cut in the United States'[16] in most cases, leaving the CBI countries as sewing shops using fabric (and thread) supplied by US companies, which was little different from the situation as it already existed in CBI countries.[17] The Trade Partnership Act may have placed these goods within the CBI preferences, but by the early 1990s, 'Free Trade Zones' were already being set up in the region as assembly plants for the electronics and apparel industries in a separate attempt to attract FDI and alleviate local unemployment.[18] Although the eventual metamorphosis of the CBI into a free trade agreement (in particular, the absorption of the CBI inside a much larger Free Trade Agreement of the Americas (FTAA)) was emphasized in the Trade Partnership Act of 2000, any

development of the FTAA was off the agenda after 2005 (and not significantly moving forward before that) for a number of political and economic reasons which are outside the scope of this chapter. In any case, four years elapsed between the Fourth Summit of the Americas (in 2005) and the recent Fifth Summit (April 2009). While it can be argued that operating within the FTAA would be the most beneficial option for CARICOM,[19] it is also fraught with challenges for the member nations.[20] Therefore, even if FTAA were a currently available option, it would be something to work towards in the long term and not a starting position for future CARICOM-US negotiations.

As it now stands, the CBI remains a preferential trade agreement, although the US was partially successful in promoting its free trade agenda in the sense that a segment of the CBI beneficiaries, the Central American countries as well as the Dominican Republic, split off into the Central American Free Trade Agreement with the United States (CAFTA, rechristened DR-CAFTA once the Dominican Republic indicated its desire to join).[21] At the time, the Bush administration stated that it wished to use DR-CAFTA as a framework for all future free-trade agreements in the hemisphere.

However, it is hard to see how some of the key features—namely, that tariffs were immediately eliminated on 80% of all US manufactured exports and over 50% of US agricultural exports to participating countries, with remaining tariffs to be eliminated over time[22]—would be easy for CARICOM to swallow. As noted by the World Bank (2005),[23] import duties remain a large source of revenue for CARICOM members—an average of just over 15% of tax revenue comes from these duties, with Antigua and Barbuda, the Dominican Republic, St Kitts and Nevis, and Suriname all above the average and the Bahamas relying on these duties for nearly 50% of its tax revenue (p. 236). Also, the Import Duties to GDP ratio for CARICOM countries averages 3.22%, over three times the average in Latin America.[23] As a result, eliminating duties on U.S. imports without first establishing additional revenue to offset the loss of revenue would cause CARICOM countries to lose nearly 8% of their tax revenue and 1.5% of their GDP.[24] As USITC (2008) (Op. Cit.) notes, even the gradual movement towards a harmonised external tariff has contributed to worsening fiscal deficits in all CARICOM countries except Trinidad and Tobago (p. 3-35).

A related worry is what would happen to production in CARICOM members if those duties were removed. Although CARICOM has collectively posted a trade surplus with the USA since 2004, this is misleading in the sense that this is driven by Trinidad and Tobago—the only member country to actually have a surplus.[25] Trinidad and Tobago posted a surplus throughout the decade, and by 2004, this was large enough to pull CARICOM overall into a trade

surplus.[26] USITC (2008) (Op. Cit) notes that CARICOM countries are heavily dependent on merchandise trade with the USA, even more so when considering imports alone-anywhere from 27% to 88% of a CARICOM member's imports are coming from the US (pp. 2-13, Table 2.5,). So even with these duties in place (an average of 20%), CARICOM companies generally have difficulty competing with U.S. imports.

The USITC and World Bank reports noted above often cite trade diversion caused by these tariffs, along with the assumption that further openness would be a better solution. In a very simple textbook model, it would be. In theory, any tariff is inefficient as it interrupts the 'magic of the market' as invoked by Ronald Reagan above.[27] But the simplest answer-remove the tariffs which are causing this inefficiency—is also too simplistic. What is missing from this principles-level exposition is what happens to unemployment levels if this protection is removed[28]—which is particularly important in an area of high under/unemployment, like many of the CARICOM members—as the World Bank (2008)[29] notes, the average unemployment rate in the region for 2002—-2006 was 10%—and that in the midst of a global economic boom.

Often, tariffs are introduced by Developing Countries as part of an 'infant industry' arrangement, the principal idea being that segments of domestic industry are not ready to compete with fully developed multinationals, and need time to develop and learn.[30] This solution is supposedly a temporary one (the tariff will end once firms are able to compete), but even though there have been some success stories, historically, one noticeable feature of an 'infant industry' programme is that few firms actually grow up.[31]

The second argument for tariffs (and other sources of protection) is that they help offset the social costs of opening up, such as yet higher unemployment, as noted above. This should also be a short-term or mid-term reason for protection. A third (and longer-term) argument would be a non-economic argument: self-sufficiency for strategic reasons. For example, even with an average CARICOM import tariff on agricultural goods of 40%, 'food and live animals' as a category is still the fourth largest import from the United States.[32] Nonetheless, if a degree of protection keeps some domestic agricultural production (and knowledge and skills) intact, this might be worth keeping—particularly in recent times with 'food security' having become an issue in the face of high increases in food prices worldwide.

There is no easy resolution of this issue. One difficulty is how CARICOM should deal with the tension between the 'liberalisation' agenda that is pervasive in the CBI (at least when it comes to beneficiary countries) and the desire to protect vulnerable domestic sectors for a variety of reasons. We will return to this

in the final section. However, before progressing with our consideration of the Caribbean Basin Initiative, there must first be clarification about where such an agreement fits into the multilateral agreements that CARICOM is party to as a member of the WTO. This is important, because the WTO and its relationship with Regional Integration Agreements (like the CBI) will also be a key influence on recommendations in the final section.

## 2. Regional Integration Agreements and the World Trade Organization (WTO)

The WTO began in 1947 as The General Agreement on Tariffs and Trade (GATT). The GATT was created with two main purposes. One was to provide a forum for international talks aimed at reducing trade barriers worldwide[33]. The second purpose was to establish the rules of conduct for international commerce and to serve as an arena for resolving international trade disputes. To that end, 'GATT Rules' were created, with four overarching principles:

1) **Reciprocity:** All member nations agree to lower barriers to trade. Lowering one's own trade barriers is a condition for greater access to another nation's market.
2) **Non-discrimination:** a member's trade decisions are to be adopted in a non-discriminatory way.[34]
3) **Permanence:** Trade concessions cannot be rescinded without paying compensation, nor can new barriers replace old ones: i.e. any agreement by members in the GATT/ WTO rounds is 'locked in'.
4) **Enforcement:** Trade disputes between members are to be settled by consultation. To that effect, one significant change is that the WTO has a more substantial dispute-resolution mechanism than that which existed under the GATT.

Although all four 'GATT Rules' are going to affect our discussion of CARICOM-US trade relations, it is the second 'GATT Rule' that is of particular interest to us here. This non-discrimination clause addresses the Most Favoured Nation (MFN) status of a country, which has typically been granted in a bilateral way: a country with MFN status faces lower tariffs on its imports into the destination country than other importing countries without MFN status. Such differences in treatment are anathema to the WTO, and it sought to eliminate this discrimination by ensuring that once it was granted to a single member,

MFN status applied to all members. In fact, MFN status, alongside National Treatment (see footnote ii) is the cornerstone of all WTO trade agreements.[35]

Because of its focus on non-discrimination, since its creation, the WTO has always had some difficulty with Regional Integration Agreements (RIAs). A Regional Integration Agreement is taken to mean any bilateral (i.e., between 2 countries) or plurilateral, (b/w a group consisting of more than 2 countries) trade agreement which is agreed outside of the multilateral WTO rounds.[36] It could take the form of a Partial Scope Agreement between countries, which essentially grants MFN status to a country or group of countries for at least some goods. It could be a Free Trade Area, whereby all barriers to trade are lowered and eventually eliminated among a group of countries. Or, it could be a Customs Union, where the member countries meet the requirements for a Free Trade Area and also introduce a common external tariff to non-members. This definition of a RIA encapsulates every trade agreement that CARICOM is engaged in, including CARICOM itself.

This wide-ranging definition is useful, because by their nature all of these RIAs have something in common: each introduces preferential treatment for members, as opposed to non-members, which breaks GATT Rule 2: Non-Discrimination. As a result, even the simplest form of RIA is likely to create 'trade diversion' by reducing access (or even potential access) of a non-member to what had been (could be) an important export market. This is all challengeable by non-members of the RIA via the WTO's trade dispute mechanism.

But a Regional Integration Agreement also **lowers** trade barriers and promotes international trade, at least between members-i.e., the result of an RIA is also 'trade creation', which **is** consistent with the goals of the WTO. The trade diversion vs. trade creation debate has raged in economic theory for decades, and we will examine the rationale on both sides below. It has also created the uneasy relationship between the WTO and RIAs-should the WTO assume that they are a barrier to free trade, and take a hard line—the most draconian solution is prohibition,[37] or should the WTO see these regional agreements as potential stepping stones to greater multilateral integration, and seek to ensure that they do lead to this. The second related question to this is: if so, does the WTO have the mechanisms to ensure that RIAs behave in this manner?

This has been an increasingly important debate in the WTO due to two simultaneous developments over time: Firstly, since its beginnings the WTO has vastly grown in terms of membership-from the 23 original GATT signatories in 1948, there are currently (as of July 28, 2008) 153 WTO Members, as well as 30 'observer governments[38]'—i.e., the number of countries which have either pledged to adhere to 'GATT Rules' or will do so in the near future has grown

nearly eightfold. Paradoxically, there has also been a huge increase in the number of Regional Integration Agreements at the same time—as Schiff and Winters (2003) note: 'virtually every country belongs to (a RIA) and many belong to more than one . . . over a third of world trade takes place within such agreements.'[39]

## 2.1 The Pros and Cons of Regional Integration Agreements

There is a huge body of literature that seeks to answer the question of whether Regional Integration Agreements (RIAs) increase or decrease the likelihood of global free trade.[40]

On the negative side, as stated above, by its nature, a Regional Integration Agreement would break GATT Rule 2 (non-discrimination), as it would treat RIA members differently from non-members. As such, any RIA would be contrary to the goals of the WTO and it is argued by some that they undermine the effectiveness of the WTO and thus lead to worse economic outcomes for all countries.[41]

The second consequence of Regional Integration Agreements is that they tend to grow in size as it becomes costlier for non-members to be outside one—a concept known as 'Domino Regionalism', which Baldwin (1995)[42] uses to explain the growth of the European Union and the development of NAFTA from a US-Canadian free trade agreement.[43] There is nothing inherently bad in this,[44] but Krugman (1991)[45] posits the 'doomsday scenario' of this view of RIAs-the world coalescing into a small number of large trade blocs (Krugman's 'magic number' is three) which have prohibitively high trade barriers between them. Since the anti-RIA view sees global free trade as the best solution, such a conclusion would at best lock the globe into a permanent 'second best' outcome. Krugman's paper has been criticised for oversimplifying the issues—he only considered customs unions, for example, and not other types of RIAs[46]—but the overall gist of his argument, that RIAs could themselves have an incentive to block a full move towards global free trade, has become more widely accepted.[47] All in all, this view sees the trade diversion effect of RIAs dominating any trade creation effect.

On the other hand, as noted above, a Regional Integration Agreement **does** reduce trade barriers, at least between member nations. As viewed by Baldwin (1995) and in Mansfield (1998) (see footnote ix), RIAs might indeed be a 'second best' solution, but it is a transitory one, forced by the slow and uncertain pace of multilateral negotiations. They serve as a form of insurance, making permanent access to at least some markets while multilateral negotiations stop and start.

Secondly, it can be argued that RIAs are a useful 'staging area' for global free trade, because they are easier to negotiate and seen as less overwhelming to local interests than a quick move to global free trade would be.[48] Members can then learn how to negotiate and operate in a regional free trade environment before starting to fully participate in global free trade—what Bergsten (1997) calls the 'demonstrative effects' of an RIA,[49] which Bergsten notes can be particularly useful for Developing Countries. This is worth emphasising, as another huge change within the WTO over time has been its composition of membership—currently roughly 2/3 of WTO members are Developing Countries, and that number will grow as all of the 'observer governments' are also Developing Countries. As a way of dealing with this transformation, since 1979, the Enabling Clause[50] has provided separate rules for RIAs that only include Developing Countries.

And finally, RIAs might also be a useful way for smaller countries to pool resources and ensure that their collective voice is heard during multilateral (and bilateral) negotiations.[51] This effective method acts as another form of insurance, and increases the likelihood that these countries will engage in multilateral negotiations. For all of these reasons, this view sees RIAs as useful stepping stones to future global integration. For this view, the trade creation effect dominates.

## *2.2 RIAs and the WTO in Practice: Muddling Through, Sort of . . .*

Truthfully, the WTO has never been blind to the pros and cons of Regional Integration Agreements,' and has sought to ensure that any RIA was WTO-compliant and also a route to later global integration. Besides the specific rules for Developing Countries noted above, GATT Article XXIV is titled 'Territorial Application—Frontier Traffic—Customs Unions and Free-trade Areas' and outlines the conditions by which a RIA can violate the Most Favored Nation (MFN) clause. For example, in Article XXIV section 4: "(the members of the RIA should) recognise that the purpose of a customs union or of a free-trade area should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties with such territories".[52] Having provided some guidelines for the exclusion of GATT Rule 2 (Non-discrimination), Article XXIV seeks to preserve GATT Rule 3 (Permanence)—applying specifically to RIAs, it states that preexisting trade concessions with non-members cannot be rescinded nor can new barriers be erected as a result of the RIA: "on the whole" non-members should not face higher barriers to trade than they did pre-RIA.

The value of a WTO-compliant Regional Integration Agreement to its members is one of omission—it can still lower barriers to trade between members without raising barriers to non-members. In fact, the Article goes further: Section 8 states that a WTO-compliant Regional Integration Agreement would eliminate "the duties and other restrictive regulations of commerce . . .on substantially all the trade between members".[53] Having started, Regional Integration Agreements seem to have an obligation to continue until they completely eliminate barriers to trade between members.

It would be nice to think that with all of that, in practice, the WTO had made its peace with the concept of RIAs and, while no doubt still attempting to advance its overall agenda, it comforts itself with the idea that, 'in the long run', such regional arrangements would be increasingly integrated in a global economy. Sadly, that is not the case. Part of the problem is with the language used in Article XXIV, as Schiff and Winters (2003) (Op. Cit.), pp. 247-48 note: the meaning of phrases such as 'on the whole', 'other restrictive regulations of commerce' and 'substantially all trade' are open to interpretation and not good measurements of compliance.[54]

As a result, in order to decide if a RIA were WTO-compliant, for most of its existence the GATT/WTO appointed special *ad hoc* working groups to investigate and (due to the consensual nature of WTO operations) reach unanimous decisions. As Baldwin and Venables (1995)[55] note, after 30 years, no RIA had ever been deemed to be non-compliant, because unanimity was never reached on this issue. Schiff and Winters (2003) (Op. Cit.) also note that only 6 RIAs were ever found to be WTO-compliant-CARICOM being one of them.

To get out of this deadlock, in 1996, the WTO established the Committee on Regional Trading Agreements (CRTA) in order to make decisions regarding RIAs more consistent and transparent—and probably with the hope of actually reaching some decisions. But, as of 2009, the WTO website notes regarding the work of the CRTA: 'no examination report has been finalised since 1995 because of lack of consensus,'[56] even though the Committee had completed its factual analysis of 62 of the 85 RIAs that it was investigating.[57]

The CRTA has yet to effectively answer how to ensure that Regional Integration Agreements are a step toward further integration. Due to this, in terms of how the WTO should deal with RIAs, the choices remain the same, ranging from the most draconian—prohibition, to the oldest—open access, where a RIA would guarantee access to any country willing to follow its rules,[58] to establishing time limits whereby a RIA's unequal treatment of members and non-members would be extinguished.[59]

Of the three options, the first is easily dismissed as impractical—with over 800 RIAs either currently or soon to be in existence, wishing them away is not an option. The oldest solution-immediate open access—is also impractical, as it ignores the geographical and other restrictions on membership that are, explicitly or implicitly, part of a RIA's rationale. However, the idea of time limits could be seen as favourable by the WTO—consistent with the desire to see RIAs as a 'staging area' for further integration, as noted above, and probably most importantly, consistent with the WTO's current practice of granting waivers on a case-by-case basis in order to allow a country to temporarily implement otherwise inadmissible policies, as found in GATT Article XXIV Section 10 and GATT Article XXV.

## 3. Open Regionalism As a Solution?

The term 'Open Regionalism' was first introduced as a founding principle during the Asia Pacific Economic Cooperation (APEC) Forum, and since then this has been an important part of the discussion of Regional Integration Agreements. However, APEC did this without precisely specifying what 'Open Regionalism' means in an operational context. As a result, this term has been used and abused ever since—for example, it has been argued that both MERCOSUR and the EU are examples of 'Open Regionalism' simply because they have both expanded membership and cut tariffs over time. Likewise, the U.S. Council of Economic Advisors[60] defines 'open regionalism' as 'plurilateral agreements that are nonexclusive and open to new members to join. (and which do) not constrain existing members from pursuing additional liberalisation with non-members'—which sounds suspiciously, like the CEA dressing up the U.S. practice of pursuing a multitude of simultaneous bilateral trade agreements outside of WTO meetings as something which is WTO-compatible. All of this has led Schiff and Winters (2003) (Op. Cit.) to call Open Regionalism 'nothing more than a slogan.'

This chapter strongly disagrees that any RIA should ignore the concept, for a very practical reason—it might be a slogan, but it is one which has caught the imagination of the WTO. And there is a definition of Open Regionalism which is consistent with the WTO's overall goals. As stated by the then WTO Director Renato Ruggiero in 1996, 'the elimination of barriers within a (RIA) will be implemented at more or less the same rate as the lowering of barriers to non-members'.[61] In these speeches and elsewhere, Ruggiero underlines the need to move beyond the idea that 'Open Regionalism' simply makes WTO

waivers permanent for RIAs and the need for a practice, as he outlines above, that would require eventual convergence between RIAs and multilateral agreements.[62] Tewarie and Howard (2007) state that although Open Regionalism still 'embraces a preferential element that favours included (i.e., member) countries'[63] it is also less likely to fall afoul of WTO regulations than other forms of regional trade blocs. It is easy to see how 'Open Regionalism' would be seen favourably by the WTO. A RIA that is practicing open regionalism, i.e. reducing trade barriers to all countries (albeit probably reducing barriers faster and/or more completely between RIA members) should be something that the WTO can accept. Since Ruggiero's statements, Open Regionalism occasionally makes an appearance in WTO documents as a recommendation for what Regional Integration Agreements (RIAs) should be doing-for example, a recent (2007) joint study by the United Nations Economic Commission for Africa, the African Development Bank, and the WTIO[64] recommends it as a key component for African development.

However, as Fiorentino, et al. (2006)[65] notes few RIAs have extended their preferential access to non-members outside of the WTO rounds of negotiations. This chapter also provides a virtually unreadable map (due to its complexity) of 'Cross-regional (Trade Agreements)' (Map E, p. 34) which, if nothing else, shows that Krugman's nightmare scenario is increasingly unlikely. The chapter uses this increasingly tangled web of Trade Agreements to stress the need for a comprehensive WTO strategy—ultimately rethinking the wording of Article XXIV and re-creating CRTA as a functioning force. Given the glacial pace at which the WTO has moved on this issue in the past, there is no guarantee when this will happen. However, from WTO documents[66] it looks like a 'time limits' version of Open Regionalism is what the WTO is already following in its decisions, particularly since one of the key worries about RIAs from the WTO standpoint is how they affect third parties. How this has already affected CARICOM is the focus of the next section. What this means for CARICOM-US trade relations in the future is the focus of the final section.

## 4. Open Regionalism and CARICOM: The Lomé/Cotonou Agreements, the USA, and Much Ado about Bananas

The success of the USA et.al, in the battle in the WTO regarding the Lomé and Cotonou Agreements[67] can be seen as an example of this approach. The Cotonou Agreement (2000-2008), and the Lomé Convention (1975-2000) that it replaced, were designed as development co-operation agreements between African, Caribbean and Pacific (ACP countries) and the European Union.[68]

What both agreements are best known for is simpler: they gave preferential access to banana exports from ACP countries into the EU, exempting them from a 20% common external tariff that was in place, from 1993. This agreement came under attack almost immediately, with the first GATT complaint by non-ACP countries coming in February 1993.[69] This led to a pattern of reforms followed by GATT complaints, reforms, etc., from 1994-1998.[70] This quickened the demise of the Cotonou Agreement, which was supposed to have a lifespan of 20 years. In any case, the initial WTO waiver granted to enable the Cotonou Agreement was itself conditional on the EU reducing preferential access for ACP products.[71] Starting in 2008, the Cotonou Agreement was replaced by a series of Economic Partnership Agreements[72] with the ACP countries—which itself is subject to WTO waivers.[73]

The overall move towards 'Open Regionalism' in WTO rulings amounts to a new interpretation of the concept of 'non-reciprocity' of market access between developed and developing countries.[74] This has potentially large consequences for CARICOM's current and future agreements with the USA, as well as other agreements such as the new CARIBCAN agreement that it is currently negotiating with Canada. This provides an important context in the remaining discussion of the way forward.

## 5. Which Way Forward?

The WTO waiver allowing the CBI expired in 2005; it was not until March 24, 2009 that another WTO waiver was granted to allow the CBI to continue. The 4-year delay in getting a new waiver was caused by Paraguay. The 'cost' of Paraguay ending its hold-out is assurances from the USA that it will be bound by an offer that the USA has made in the current WTO round of negotiations (the Doha Round) to reduce and move towards eliminating its tariffs on goods from all developing countries,[76] which will greatly erode the advantage that the CBI provides. Additionally, the current WTO waiver that allows CBI to continue has a relatively short time limit—5 years.

### *5.1 Stop Assuming that Trade Preferences Last Forever*

This leads us to our first conclusion. Although CARICOM has always taken the stance that its preferential access to markets should be maintained in the context of multilateral agreements, that looks increasingly unlikely. The first thing that CARICOM needs to do is adjust its strategy—start planning for

the likelihood that these preferences will not be offered in the future and are already eroding quite quickly. There is a large and growing number of developing countries within the WTO and they are all fighting for the same access to Developed Country markets—this makes getting a WTO waiver increasingly difficult, and the compromises reached in order to get the waiver themselves erode the preferential treatment. The Enabling Clause of the GATT allows for preferential access for Developing Countries as a group; it does not easily allow for preferential access for some Developing Countries but not others. Secondly, as part of the push to make Regional Integration Agreements (RIAs) fully WTO-compatible, there is growing momentum within the WTO to treat the waivers' time limits as a hard constraint—both of these make a time limit version of 'Open Regionalism' an increasing reality.

## 5.2 Needed-A Development Vision

The second argument against the status quo is that the CBI has itself had, at best, only limited success in encouraging development in CARICOM. The pitfalls of the existing CBI were covered in section 4. Two broad reasons for this lack of development are also stated in Tewarie and Hosein (2007) (Op. Cit.), p. 80:

- (There are a) limited number of products covered by the CBI arrangement.
- (CBI promotes) a concentration of the exports in CARICOM in narrow traditional products[77] rather than newer exports arising out of sunshine industries.

The argument put forward here is that the CBI, as currently conceived, is not sustainable, both due to the current environment within the WTO and due to its own limitations regarding CARICOM growth and development. CARICOM is, no doubt, better off having had the CBI, but it does not provide a broad enough base for continued cooperation between the USA and CARICOM. Something better must be found.

The US still sees its future blueprint as the Free Trade Area of the Americas FTAA). A possible stepping-point to this might be CARICOM joining a Free Trade Area with the USA. This would allow preferential treatment of CARICOM products in a way that the CBI will probably no longer be able to do. However, one area of concern is the fact that the USA has an established template for such agreements, which follows the framework of the Central American Free Trade

Area (CAFTA). As raised above, there are doubts that such a template would suit CARICOM. Another area of concern is the criticism that the USA does not provide enough developmental support in its free trade agreements, another reason why a CAFTA-like arrangement would not suit CARICOM.[78] One ray of hope, beyond the fact that there is a new administration in the US, is that there is a push in the US Congress to ensure that CAFTA and other trade agreements with developing countries have developmental goals—and achieve them.[79]

It may well suit CARICOM to negotiate a CARICOM-NAFTA free trade area instead. Canada is seen as being more open to providing developmental support and differential treatment, and Mexico may also be a sympathetic partner in this, particularly if the focus on development within NAFTA meant that support was also given to the more disadvantaged parts of Mexico as well.[80] It would also eliminate the need to apply for future WTO extensions for both CARIBCAN and the CBI. However, there is serious doubt over the extent to which CARICOM is ready for a free trade area with the USA or with NAFTA.[81] So, if a Free Trade Agreement is an option, it is best seen as something to move towards over time, and again, not as a starting point for CARICOM-US negotiations in the near future. Nonetheless, CARICOM needs to start planning for the prospect of this future integration.

That leaves the prospect of an extended CBI as a starting point. As stated above, the current CBI needs to be rethought if it is going to provide a basis for future CARICOM-US trade relations. This extended CBI needs to include more goods, as well as a greater focus on services and investment opportunities. It also needs to be flexible enough so that as new growth sectors are identified within CARICOM there is room to negotiate access rather than simply finding access to the US market blocked.[82]

However, in the push for new sectors that broaden CARICOM's exports beyond its traditional exports, it must be noted that care needs to be taken so as to not damage these traditional sectors. This insufficiency of care has derailed such broadening attempts in the past—a fact well covered in Development Economics texts.[83] Some of the innovation and specialty products that currently exist, or are being developed, are in traditional sectors—for example, not just the already established Blue Mountain Coffee, but a more recent move toward the marketing of specialty 'single plantation' coffees in Jamaica. These are precisely the niche markets that allow these companies to get around the diseconomies of scale, as compared to much larger coffee plantations elsewhere. It also allows for a premium price to be charged for these products. Innovations such as these in traditional exports must also be encouraged, alongside a widening base of CARICOM exports.

Regardless of what is accomplished regarding the next step in US-CARICOM trade relations, CARICOM and its Member States cannot allow themselves to see this as the end position. An enhanced CBI cannot be seen as a permanent solution, and CARICOM cannot allow itself to take a wholly defensive position regarding future developments. Rather, CARICOM needs to be much more proactive (adopting what Wint (2003)[84] p. 5 calls the 'attack response') and seek to position itself in such a way as to benefit from increasing global integration. This requires a lot of attention to institutions within CARICOM and its Member States. It also requires not just governmental action, but definitive action by the private sector with regard to developing their products and standards. A lot of the advice coming from the outside parties[85] stresses the need to develop better infrastructure (the state of roads and bridges looms large here) and more efficient administrative institutions within Member States, and for CARICOM as a whole. These include customs procedures,[86] the legal framework for businesses, and a need for a comprehensive competition policy, among other things. These are also reasons for why CARICOM countries typically score very low in the World Bank's annual 'Doing Business' Report.[87] These are all extremely important aspects to work on, as they continue to hold back CARICOM's ability to further develop.

Separately, CARICOM already has a mission plan outlined for future development[88]. It would address many of these issues. However, a lot of work is needed to begin to realise CARICOM's vision and external relations, including trade, are an important component. It is up to CARICOM to ensure that its trade relations with the USA, the EU, Canada and others are consistent with its own goals.

## Notes

1. The basis for this paper is a talk that the author gave at 'Seminar on Jamaica/CARICOM Future Trade Relationship with the USA' at UWI-Mona, Kingston, Jamaica, May 9-10, 2007. A first draft was presented at a UWI-Mona Department of Economics staff seminar, February 2008. Thanks to the participants of both events for comments and suggestions. The usual caveat applies to errors.
2. All figures taken from: Ramnarine, Devanand J. "The Philosophy and Developmental Prospects of the CBI" in Bakan, A., Cox, D., Leyes, C. (eds) *Imperial Power and Regional Trade: The Caribbean Basin Initiative.*

(Waterloo, Canada: Wilfred Laurier University Press,1993a), p. 80. All figures are in 1980 dollars.

3. Ibid., page 81.
4. Ibid., page 82.
5. Dypski, M. 'The Caribbean Basin Initiative: An Examination of Structural Dependency, Good Neighbour Relations, and American Investment', *Journal of Transnational Law & Policy,* Vol. 12. No. 1, (2002) page 101.
6. Dypski is right in more than one way in relating the CBI to the Marshall Plan that the U.S. had used to reconstruct Western Europe after World War Two. As he notes, both initiatives had regional development as a stated aim. But as a catalyst for US involvement in the first place, both had a strong anti-communist agenda to them as well—The Marshall Plan as a way of halting the advances of the Soviet Union and its allies in Europe (for example, see Gaddis, J.L. *The Cold War.* (New York: Penguin, 2005), the CBI as a means to thwart what President Reagan identified as a growing Cuban-Nicaraguan (and by extension, Soviet) axis that threatened regional and US security (see Ramnarine, Devanand J. (1993b) 'The Political Logic of CBI' in Bakan, A., Cox, D., Leyes, C. (eds), Op. Cit.).
7. Ronald Reagan, quoted in Ram-narine, Devanand J. (1993b). Op. Cit., p. 22.
8. Still in publication today as: Ricardo, D. *Principles of Political Economy and Taxation.* (New York: Prometheus Books, 1996).
9. The Reagan administration claimed that the CBI was conceived only after close consultation with potential beneficiary countries. The reality was rather different. Moore, F. (1993) 'The CBI and the Caribbean Community: The Implications of the CBI for the Regional Integration Movement' in Bakan, A., Cox, D., Leyes, C. (eds), Op. Cit. points out that any meetings between the USA and CARICOM took place **after** the draft legislation for CBERA had been submitted to the U.S. Congress for consideration.
10. The Caribbean Basin Economic Recovery Act, quoted in Dypski, M. (2002), Op. Cit., pp. 104-105. Section 201 (b) already prohibited the President from designating a country as a CBERA beneficiary if it had a Communist government (or 'appear(ed) to be controlled by international Communism'), had expropriated property owned by a U.S. citizen, or failed to recognise binding arbitral awards in favour of the U.S., among other things (Dypski, Op. Cit., p. 103)—all of which ruled out Cuba's participation.

11. Ibid., page 107.
12. Ibid., page 109.
13. Ibid., page 108. In contrast, US trade with CBI countries had changed from a trade deficit in 1983 to a trade surplus by 1986, a move that was contrary to the general trend for the United States, which posted large trade deficits in general and bilaterally with most developing countries, (Ramnarine, Devanand J. (1993a) "The Philosophy and Developmental Prospects of the CBI" in Bakan, A., Cox, D., Leyes, C. (eds).
14. Related to this is activity in the region by another U.S. government agency, the Overseas Private Investment Corporation (OPIC). In 2007-2008 alone, OPIC supported just under US$790 million of US private investment in the region (Latin America & The Caribbean). However, nearly all of this went to support specific projects in Latin American countries. See OPIC (2008) Annual Report, at: http://www.opic.gov/pubs/hand-books/index.asp.
15. Trade and Development Act of 2000, quoted in ibid., p. 112.
16. See Table 1.2, (pp. 1-6) in United States International Trade Commission (2008) Caribbean Region: Review of Economic Growth and Development. (May 2008) Washington, DC: USITC. Available at: http:// hotdocs.usitc.gov/docs/pubs/332/ pub4000.pdf.
17. M. Mortimore, "Apparel-based Industrialization in the Caribbean Basin: A Threadbare Garment?" CEPAL Review 67, (April 1999) pp. 119-36 for a review of the apparel sector in the region prior to the CTPA; Özden, Ç. & Sharma, G. 'Price Effects of Preferential Market Access: The Caribbean Basin Initiative and the Apparel Sector' World Bank Working Paper WPS 3244 (2004) for a discussion of the limited (and transitory) benefits to the region after CBTPA.
18. That is the stance taken in B. Tewarie and R. Hosein, *Trade Investment and Development in the Contemporary Caribbean.* (Kingston: Ian Randle Publishers, 2007) for example.
19. Not least of these problems that FTAA would pose for CARICOM is the lack of provisions for special treatment of small open economies as they liberalise (see K. Hall (ed), *Reinventing CARICOM: The Road to a New Integration,* 2nd edn. (Kingston: Ian Randle Publishers, 2003); A.G. Wint, *Competitiveness in Small Developing Economies: Insights from the Caribbean.* (Kingston: UWI Press, 2003). This would affect a number of countries within FTAA, but it can also be argued that small island economies are particularly vulnerable T. Josling, 'Trade Policy in Small Island Economies: Agricultural Trade Dilemmas for the OECS' (1998).

Available at: www.stanford.edu/~josling/grenada. pdf ; McKee, D. L. and C.A. Tisdell. *Developmental Issues in Small Island Economies.* (New York: Praeger,1990)

20. R. Read, "The Political Economy of International Integration: Small States in the Caribbean and the Free Trade Area of the Americas (FTAA)" in Karagiannis, G. and Witter, M. (eds) *The Caribbean Economies in an Era of Free Trade.* (Aldershot: Ashgate Publishers, 2004) pp. 47-70.
21. Actually a series of bilateral agreements between the beneficiary countries and the US, rather than a true Free Trade Area-the CBI was negotiated in the same manner (see Moore, F. (1993), Op. Cit.
22. There is little reciprocation needed by the US, since most exports from CAFTA-DR already entered the US duty-free. And as in the CBI, sugar imports to the US are not part of the deal.
    See The Washington Office on Latin America 2007) 'What is DR-CAFTA?' available at: http://www.wola.org/index. php?option=com_ content&task=vie wp&id=371&Itemid=6.
23. The World Bank (2005) A Time to Choose: Caribbean Development in the 21st Century. Washington, D.C.: The World Bank. Available at: http:// go.worldbank.org/Q6CLMHE8G1. 29.
24. Op. Cit., page 263. Only Trinidad and Tobago—who also has the lowest Import Duties to Total Tax Revenue 30. ratio—gets remotely close to the Latin American average Tariff Duties are 1.51% of GDP, as compared to less than 1% for Latin America.
25. Op. Cit., page 236. The average is 31. driven up by The Bahamas (43.33% of tax revenue, 7.21% of GDP) but most countries would still lose between 3-5% of their tax revenue and 32. over 1% of their GDP. These figures are just for removing duties on US trade-moving to a Free Trade Area of the Americas would further increase the pressure on CARICOM member budgets.
26. See table 3.1, page 55 in CARICOM (2008). CARICOM's Trade: A Quick Reference to Some Summary Data, 2001-2006. Available at: http://www. CARICOMstats.org/. 33.
27. This statistic was further helped by the exports to the US fall. See CARI-COM (2008) (Op. Cit.) Figures 3.14 and 3.15, page 61.
28. In particular, domestic consumers lose out due to higher prices and less choice. While domestic producers in the protected industry gain, this also in theory creates a less efficient mix of domestic production than would occur sans tariff. See Chapter 19 'International Trade, Comparative

Advantage, and Protectionism' in Case, K., Fair, R. and Oster, S. (2009) *Principles of Macroeconomics.* New York: Prentice Hall, pages 353-75.

29. Lower prices, maybe-but no job and no income with which to purchase these goods.
30. Accelerating Trade Integration in the Caribbean: Policy Options for Sustained Growth, Job Creation, and Poverty Reduction. (Washington, D.C.: World Bank, 2008).
31. A. Amsden, *The Rise of 'The Rest': Challenges to the West from Late-Industrializing Economies.* (Oxford: Oxford University Press, 2001).
32. Leaving J. Cypher, and J. Dietz, *The Process of Economic Development,* 3rd edn. (New York: Routledge, 2009) to wonder 'when is enough enough?' (pp. 291-92). Even sympathetic authors (such as Cypher and Dietz) stress that unless these tariffs are designed and implemented as as a short-term solution they can become a barrier to development.
33. CARICOM (2008) Op. Cit., Table 3.8, page 64.
34. There were eight such rounds of negotiations between 1947 and 1993. The last completed round (Uruguay Round, completed in 1994) replaced GATT with the World Trade Organization (WTO), essentially formally fact that T&T's share of CARICOM 34. exports to the U.S. grew from just under 71% in 2001 to nearly 90% by 2006. This growth came at the expense of other CARICOM members, all of whom saw their share of total transforming the 'provisional' GATT treaty into a permanent organisation. 43.
35. There are two components of this non-discrimination clause. The first addresses trade, specifically, MFN status, which we address further above. The second is the principle of National Treatment: the assurance that 44. imported and locally-produced goods as well as foreign and domestic companies/nationals should be treated identically under the member country's domestic law.
36. See 'Principles of the Trading System' on the WTO website at: http:// www. wto.org/ english/thewto_e/whatis_e/ tif_e/fact2_e.htm.
37. This follows the format of M. Schiff, and Winters, L.A. (2003) *Regional Integration and Development.* (Washington, D.C.: The World Bank).
38. Favoured by J. Bhagwati, *The World Trading System at Risk.* (Princeton: Princeton University Press, 1991) and 45. Bagwell, K. and R. Staiger, (1998) (Op. Cit.).
39. This can be considered a waiting chamber for full membership—observer governments must apply for membership within 5 years of being granted

observer status—the only exception to this is the Holy See (i.e. the Vatican) which has permanent observer status.

40. M. Schiff, and L. A. Winters, (2003) (Op. Cit.), page 1.
41. As an example, see W. Michalak, and R. Gibb, 'Trading Blocs and Multi-46. lateralism in the World Economy'. *Annals of the Association of American Geographers.* Vol. 87, No. 2, pages 264-79.
42. K. Bagwell, and R. Staiger,'Will Preferential Trading Arrangements Undermine the Multilateral Trading System?', *Economic Journal* Vol. 108, No. 449, (1998) pp. 1,162-1,182.
43. R.E.Baldwin, "A Domino Theory of Regionalism" in R.E Baldwin, P.Haaparanta, and J.Kiander, (eds). *Expanding Membership of the European Union.* (Cambridge: Cambridge University Press, 1995).
44. Baldwin also notes that the pace of regional integration agreements tends to increase as multilateral agreements (i.e. the WTO rounds) slows down, so RIAs might be seen as a way of at least partially protecting existing access to markets in the face of uncertainty in WTO negotiations-this is the conclusion of Mansfield, R (1998) 'The Proliferation of Preferential Trade Arrangements' *Journal of Conflict Resolution.* Vol. 42, No. 5, 523-43. This contradicts the 'anti-RIA' message, and it might also explain why countries are often members of more than one RIA, as noted above.
45. It can even be argued that the initial development and later expansion of the European Economic Community (later the European Union) spurred on several GATT/WTO rounds of trade negotiations, and that the increased spread of regionalism forced the concessions needed to conclude the Uruguay Round in 1994 (see World Trade Organization (1995) Regionalism and the World Trading System. Geneva: WTO Secretariat. Schiff and Winters (2003) Op. Cit. provide some limitations to this view.
46. P. Krugman, 'Is Bilateralism Bad?' in E.Helpmann, and A.Razin, (eds) International Trade and Trade Policy. (Cambridge: MA: MIT Press 1991).
47. The WTO notes that of over 800 RIAs that are either currently in force or scheduled to be in force by 2010, only 10% are Customs Unions (http://www.wto.org/english/tratop_e/region_e/region_e.htm)
48. See for example C, J. and T.Sorenson, "Are Trade Blocs Conductive to Free Trade?", *Scandinavian Journal of Economics,* Vol. 98, No. 2, (1996) pp. 263-73, and Nordstrom, (1995) 'Customs Unions, Regional Trading Blocs and Welfare' in Baldwin, R. et al. (eds), Op. Cit., pages 54-78.

49. M. Kahler, *International Institutions and the Political Economy of Integration.* (Washington, D.C.: The Brookings Institution Press, 1995).
50. C.F. Bergsten, 'Open Regionalism' Peterson Institute for International Economics Working paper 97-3, (Washington D.C.: Peterson Institute for International Economics, 1997). (Available online at: http:// www.iie.com/publications/wp/ wp.cfm?researchid=152).
51. Available at: http://www.wto.org/english/docs_e/legal_e/enabling1979_e.htm.
52. This is one reason for the existence of CARICOM-it is also a major reason for the creation of the European Union (then European Economic Community) in 1957.
53. GATT Article XXIV available at: http://www.wto.org/english/res_e/booksp_e/analytic_index_e/ gatt1994_09_e.htm.
54. GATT Artilce XXIV, Op. Cit., emphasis added.
55. The rationale behind wording the clause in this way is discussed in Srinivasan, T.N. (1998) 'Regionalism and the WTO: Is Nondiscrinimation Passé?' in Kruger, A.O. (ed) *The WTO As An International Organization.* Chicago, University of Chicago Press, pp. 329-50.
56. R. Baldwin, and J. Venables, (1995) "Regional Economic Integration" in G. Grossman, and K. Rogoff, (eds) *Handbook of International Economics, Vol. 3.* Amsterdam: Elsevier, pp. 1,579-644.
57. http://www.wto.org/english/ tratop_e/region_e/regcom_e.htm.
58. As noted by Schiff and Winters (2003) Op. Cit. What the CRTA has accomplished is a slightly more transparent framework for investigating RIAs (on December 14, 2006); essentially it has established the rules that the CRTA will follow when it is investigating an RIA-a clearer arrangement than what could exist in the series of 'ad hoc' working groups the CRTA replaced, but one wonders why it took a decade to get this far. It has created a new database on RIAs (as of January 14, 2009)-useful for research purposes.
59. This is the recommendation of Viner's seminal piece: J. Viner, *The Customs Union Issue.* (New York: Carnegie Endowment for International Peace, 1950).
60. For example, all RIA concessions would be extended to all countries, not just RIA members, by the end of that time limit. This is the advice of T. N. Srinivasan, (1998) (Op. Cit.).
61. CEA. Council of Economic Advisors Annual Report, 1995. (Washinton, D.C.), page 220.

62. For example, Ruggiero, uses this definition in both 'Implications for Trade in a Bordlerless World' (24 April, 1996, p. 4, available at: http:// www. wto.org/ english/news_e/pres96_e/ pr046_e.htm) and 'Managing a World of Free Trade and Deep Interdependence' (September 10, 1996, page 3, available at: http://www.wto.org/english/news_e/pres96_e/ pr055_e.htm).
63. Ruggiero continues to make these points, and to berate the WTO, which he no longer heads, for its continued inaction. See Ruggiero, R. (2003) 'Regionalism vs. Globalism' available at: http://www.theglobalist. com/ StoryId.aspx?StoryId=3252.
64. B. Tewarie, B. and R. Hosein, *Trade Investment and Development in the Contemporary Caribbean.* (Jamaica: Ian Randle Publishers, 2007), page 100.
65. United Nations Economic Commission for Africa, African Development Bank, World Trade Organization (2007) Mobilizing Aid for Trade: Focus Africa, Report and Recommendations. Available at: www.wto.org/english/ tratop_e/devel_e/a4t_e/africa_e. pdf-2007-11-19.
66. R. Fiorentino, Verdeja, L., and To-queboeuf, C. (2007) The Changing Landscape of Regional Trade Agreements: 2006 Update. WTO Discussion Paper 12. Geneva, World Trade Organization. Available at: http://www. wto.org/english/res_e/ publications_e/disc_paper12_e.htm.
67. Beyond those noted above, the most recent is WTO (2009). *Multilateralizing Regionalism: Challenges for the Global Trading System.* Geneva: WTO.
68. P. Goodisman, P. Elago, and R. Gryn-berg, (eds) *The Cotonou Agreement: A User's Guide.* London, Commonwealth Secretariat for a reasonably user-friendly discussion of the agreement. (2005)
69. The basis was non-reciprocal access to the EU market for these countries (i.e. access was not conditional on ACP countries granting similar access to EU members), as allowed under the GATT Enabling Clause.
70. The complaint was made by a group of Latin American countries-supported by the USA, as the bulk of the banana production of US-based multinational corporations Chiquita, Dole and del Monte come from plantations in this region. Future complaints also came from countries in the region. By 2005 the US had taken the lead in the complaint-leading some to argue that Chiquita was the real plaintiff. See R. Read, "The Anatomy of the EU-US WTO Banana Trade Dispute", The Esty Centre *Journal of International Law and Trade Policy* No. 2, Vol. 2, (2001) pages 257-282.

71. The effect of all this effort in terms of access to the EU market for the US multinationals was negligible—in 1992 they collectively controlled at 47% of the EU market, and in 1998 they controlled 43-46% of the market. See Guyomard, H. and Mouël (2005) 'Tensions Around a Trade Regime: The GATT.WTO Banana Story' in *Integration and Trade Journal* No. 23 (July-December, 2005), pages 103-124. Available at: http://www.iadb.org/intal/detalle_tipo.asp?idiom a=eng&cid=234&tid=4.
72. Caribbean Regional Negotiating Machinery (2007) RMN Update 0706 (April 20, 2007) Available at: http://www.crnm.org/documents/updates_2007/rnmupdate0706.htm.
73. One important change from Cotonou to the EPA agreements is that they ended the non-reciprocal nature of the relationship between the EU and the ACP countries.
74. As is the most recent form of the Caribbean Basin Initiative and the CARIBCAN Agreement between CARICOM and Canada. All of these waivers require WTO member countries to agree to grant it. This is increasingly challenging, as we shall see below.
75. The Enabling Clause as written has no time limits, but any WTO waiver does.
76. The EPA agreements between the ACP countries and the European Union are also under scrutiny in the WTO, but thus far the EU has man-83 aged to delay any actual inquiries.
77. The lack of diversification is noted as an issue for Developing Countries in general and the Caribbean in particular in World Bank (2005) (Op, Cit.)—its recommendation is that RIAs should provide the greatest possible flexibility to Developing Countries. 84. This would be a very useful addition to the CBI.
78. Outside of the CBI there are other U.S. government organisations oper-85 ating in the region, such as the Overseas Private Investment Corporation which is active in Latin America. An 86 OPIC-sponsored investment conference would be useful for CARICOM. Two other organisations have or are supporting projects within CARI-COM, the U.S. Agency for International Development (USAID) in 87 Guyana, Jamaica, and Haiti and the U.S. Trade and Development Agency (USTDA) in Haiti. (USITC 2008).
79. See http://brown.senate.gov/ newsroom / press_releases/ release/?id=df1c860c-fb02-4c3a-84c2-583e8f88d7e9 88
80. However, it must also be said that if this becomes a race for funds, Mexico may see CARICOM countries as competitors instead.

81. Not least due to the large role played by import taxes as a share of fiscal revenue for CARICOM countries and the lost revenue if there was a USA/NAFTA-CARICOM free trade area.
82. This is crucial, because identifying so-called 'sunshine industries' is often a case of entrepreneurial trial-and-error and happy accident. See R. Hausmann, and D. Rodrik, "Economic Development as Self-Discovery". *Journal of Development Economics.* Vol 72, No. 2, (2003) pp. 603-33.
83. This is usually discussed as one of the failures of the Import Substitution policies followed by Latin American countries in the 1970s, but the lesson still applies here. See, for example, A.P.Thirwall, Growth and Development, 8th Edition. (Basingstoke: Palgrave, 2006).
84. A.G. Wint, *Competitiveness in Small Developing Economies: Insights from the Caribbean.* (Kingston: UWI Press, 2003).
85. See USITC (2008) Op. Cit., World Bank (2005) Op. Cit., and World Bank (2008) Op. Cit.
86. This is not just a matter for external trade. The reports state there are still barriers to intra-CARICOM trade, and this is still true: see http://jamai-ca-gleaner.com/gleaner/20090522/ cleisure/cleisure1.html.
87. Of particular interest is World Bank (2009). *Doing Business in Small Island Developing States.* Washington D.C.: World Bank-this, and the full 'Doing Business 2009' report, are available at: http://www.doingbusiness.org/.
88. Girvan, N. (2007) Towards a Single Development Vision and the Role of the Single Economy. Available at: http://www.CARICOM.org/.

# PART 4

## STRATEGIC ISSUES: CARIBBEAN IMPERATIVES

# 27

# 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 *defacto* "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 neighbours[5], 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 UNCLOS.[6] Given the close proximity of states bordering enclosed or semi-enclosed seas to one another and their consequent interdependence, 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 Venezuela[9] 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 themselves[13] or on a multilateral basis,[14] 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 preeminently maritime one.[19] The Caribbean Sea has provided a livelihood to generations of fishermen and a source of protein to generations of landsmen 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 1970s and early 1980s. 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 establishes[25] 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 Agreement[27] ("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 Initia-tive . . .[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;
b. the relationship with Western Europe, whose colonial and trade links make it the object of the Caribbean's earliest foreign policy attention;

c. the international trading system, whose post-cold war liberalisation has threatened the advantages Caribbean countries had obtained from its traditional trading partners;
d. 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 policymakers, 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 for[50] 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.

## Notes

1. There is a considerable and varied literature on this topic, ranging from the literary to the scientific. An interesting interdisciplinary 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), 423-33.
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 CARI-COM 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/Pre-sentation%20-%20Mr%20Chris%20 Carleton.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-fish-eries.com/website_content/publications/ documents/A_Common_Fisheries_Re-gime_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. Col-son and R.W Smith (eds), Brill, 2005, pp. 3,305-75.

6. Article 122 states:

    6.1.1 "*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."*

    6.1.2. 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*

    *b) to coordinate the implementation of their rights and duties with respect to the protection and preservation of the marine environment*

    *c) to coordinate their scientific research policies and undertake where appropriate joint programmes of scientific research in the area*

    *d) to invite, as appropriate, other interested States or international organisations 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", p. 1, Caribbean Regional Fisheries Mechanism, undated. Available at: http:// www. CARICOM-fisheries.com/website_content/publications/documents/

Delimitation_of_Maritime_Boundar-ies_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 Publishers, 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) 223-47.

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), p. 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/con-vention_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 UN-CLOS; 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 organisation" 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_agree-ment/ 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) pp. 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 CARI-COM 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-conven-tion/cartagena-convention/plonearti-cle.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/plonearti-cle.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.CAR-ICOM-fisheries.com/website_content/publications/documents/Discussion_pa-per_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.CARI-COMfisheries.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/Sum- mitIV/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) pp. 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/conven-tion.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: http://www. p ca-cp a. org/ showpage.asp?p ag_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-fisher-ies.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 Publishers, 2004), pages 8284.
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

"*. . .constituteda threat of the use of force in breach of the Convention, the UN Charter, and general international law"* Artbitral 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), pp. 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 organisations, 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 / eng-lish/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).

# 28

# A COMMON FISHERIES POLICY AND REGIME FOR CARICOM: A SINGLE ECONOMIC SPACE?

*Barton Scotland*

## Introduction

The decision of the Heads of Government of the Caribbean Community at their Fourteenth Inter-Sessional Meeting held in Trinidad and Tobago on February 14-15, 2003, at which they considered and endorsed a proposal from the Government of Barbados on the 'imperative of elaborating a common regime for fishing in the Caribbean Region', represents an advance in the cooperation and collaboration of CARICOM States in the use and protection of the marine resources of their Region.

## The Challenges

### *The Reality*

It is recognised that some of the species of these marine resources are interdependent. Improper harvesting or over-fishing of any of such species, or mistreatment of their habitat, or of the environment in which they thrive, can cause long-term damage to the species and consequential loss to the coastal states and fishing communities which rely on such species for food and livelihood. Invariably, those coastal states and fishing communities which thereby suffer loss are innocent of any mistreatment of the species or of their habitats.

In addition to that reality, certain living marine resources which are relied upon for food and livelihood are highly migratory, straddle national boundaries,

and are also harvested by fishers other than fishers of the CARICOM Region, without any benefit flowing to States of the Caribbean or to the Region as a whole.

## The Necessity

This reality obliges the beneficiaries of the living marine and aquatic resources of the Caribbean Region, the coastal States, to band together—to pool their abilities and resources, to together more efficiently and effectively develop, manage, and conserve the living marine and aquatic resources of the Caribbean Region. The endorsement by the Heads of Government of the call for a Common Fisheries Policy and Regime for the Caribbean Region is an acknowledgment by them of the obligations assumed by Member States under the Revised Treaty of Chaguaramas as regards the fisheries resources of the Caribbean Region. It represents also, the response of the governments of the Region to the requirements for ensuring continuing full use and enjoyment of those resources for the benefit of their peoples.

The primary necessity is acknowledged to be that of ensuring, on a sustainable basis, the development, management and conservation of the fisheries resources in and among Member States of the Region, to the optimum benefit of the states and their peoples. Such an objective is best achieved, given the nature of the resources, through concerted action by the States of the Region, both by way of research and development, and through agreed arrangements for harvesting, management and conservation of the resources.

## Necessity and Reality Juxtaposed

But this primary necessity is confronted by the overarching reality that under the Montego Bay Convention (United Nations Convention on the Law of the Sea Treaty 1982), all coastal states have sovereign rights for the purpose of exploring and exploiting, conserving and managing the natural resources, whether living or non-living, of the waters superjacent to the seabed and of the seabed and its sub-soil up to a distance of200 nautical miles from the baselines from which the territorial sea is measured. Thus, Caribbean States rightly see themselves as being individually, legally entitled to harvest all the resources, whether living or non-living, in their respective exclusive economic zones. Being thus positioned through International Treaty, Caribbean States would regard as unacceptable, any

arrangement under which they should share those living resources with other States unless they alone determined the terms of such arrangements.

The truth is, however, that the fact of geography allows very few of the States of the Caribbean Region to claim rights to the full spatial extent of their exclusive economic zones or fishing zones, without being required to consider a competing claim from another state. Opposite or adjacent states of the Caribbean all have legal and compelling claims to their respective resource zones. Such claims invariably intersect with the equally legal and compelling claims of other Caribbean States.

The effect of such meeting of claims is that none of the States with exclusive economic zones which intersect with those of other States is entitled to the exclusive use and enjoyment of the resources to be found in those zones. This limitation on the exclusive nature of the rights to living resources exercisable by coastal states in their respective exclusive economic zones is further emphasised by the reality that several species of living resources are shared by adjacent or opposite coastal states, and several other species are highly migratory and traverse the maritime zones of several States. The most recent noted example of such highly migratory species is the flying fish. Historically, this species is regarded as a 'Barbados Fish" but it is also known to be populating the waters of Tobago in the Republic of Trinidad and Tobago in sufficiently substantial stocks to be part of the concern at an International Arbitration.[1] Given, therefore, the interrelationship of species and the fact that the waters of several states contribute to the growth and development of particular species, it would appear that all those States, together with other States whose nationals harvest those particular species, would have an interest in their growth and development and as a consequence, the benefits to be derived there from.

## *The CARICOM Approach*

This truth is readily acknowledged by the Heads of Government of CARICOM and is provided for in the Revised Treaty. The Community is called upon to collaborate with Member States in the management of straddling stocks and highly migratory species and establish mechanisms to provide assistance in the development, management and conservation of the fisheries resources and the discharge by Member States of obligations relating to fisheries resources arising under Articles 62, 63 and 64 of the United Nations Convention on the Law of the Sea (1982). Article 60 paragraph 1 of the Revised Treaty provides as follows:

> "The Community, in collaboration with competent national, regional "and international agencies and organisations, shall promote the "development, management and conservation of the fisheries "resources in and among the Member States on a sustainable "basis."

To achieve this end, Article 60 paragraph 4 of the Revised Treaty requires the Community to:

> "promote the establishment of a regime for the effective "management, conservation and utilszation of the living resources "of the exclusive economic zones of the Member States".

The Governments of CARICOM, in becoming Parties to the Revised Treaty without entering any reservation to this provision, committed themselves to the establishment of a regime for the effective management, conservation and utilisation of the living marine resources of Member States.

## *Action by Heads of Government*

The Heads of Government of the Caribbean Community at their Fourteenth Inter-Sessional Meeting held in Trinidad and Tobago, February 14 and 15, 2003, considered and endorsed a proposal from the Government of Barbados on the "imperative of elaborating a Common Fisheries Regime" and mandated the CARICOM Secretariat to undertake the necessary consultations and propose a framework for consideration. At their Fifteenth Inter-Sessional Meeting in St Kitts and Nevis, the Heads of Government, in March 2004, decided that the elaboration of the Common Fisheries Policy and Regime would be independent and separate from, and without prejudice to, the settlement of maritime boundary disputes between and among Member States and Third States. By this decision, the Heads of Government removed an apparent barrier to cooperative arrangements among CARICOM States in the exploitation, conservation and management of the living Resources of the Caribbean Region.

It is true, however, that even without definitive maritime boundaries, coastal states can agree on arrangements for management and conservation of living marine resources.

Indeed, even with such definitive boundaries, coastal states are still under a duty to agree on arrangements for the use, management and conservation of

living resources. The Arbitral Tribunal in the Barbados and Trinidad and Tobago Dispute emphasized this at paragraph 385, p.115 of its Award.

> "Trinidad and Tobago and Barbados are under a duty to agree upon the "measures necessary to coordinate and ensure the conservation and "development of flying fish stocks, and to negotiate in good faith and "conclude an agreement that will accord fisher folk of Barbados access to "fisheries within the Exclusive Economic Zone of Trinidad and Tobago, "subject to the right and duty of Trinidad and Tobago to conserve and "manage the living resources of waters within its jurisdiction."

## Evolution of the CARICOM Common Fisheries Policy and Regime

### *Action by The Caribbean Regional Fisheries Mechanism (CRFM)*

In response to the decision by the Heads of Government and the consequential mandate entrusted to the CARICOM Secretariat, the Caribbean Fisheries Forum, an Organ of the Caribbean Regional Fisheries Mechanism established at their meeting in Belize on March 27, 2003, a Working Group to discharge the mandate and to report.

The Caribbean Fisheries Forum is one of the three organs of the CRFM, a body established by the Heads of Government in 2002, with a specialised mandate, the other two organs being the Ministerial Council and the Technical Unit.

(a) The three objectives of the Mechanism are:[2] the efficient management and sustainable development of marine and other aquatic resources within the jurisdictions of Member States;

b) the promotion and establishment of cooperative arrangements among interested States for the efficient management of shared, straddling or highly migratory marine and other aquatic resources; and

c) the provision of technical, advisory and consultative services to fisheries divisions of Member States in the development, management and conservation of their marine and other aquatic resources.

Given the Objectives of the Mechanism, it is well positioned to discharge the mandate given by the Heads of Government, through entrustment to one of its organs, the composition of which contemplates the full range of interests in the fisheries resources of the Caribbean Region.

## *The Caribbean Fisheries Forum*

### *Membership*[3]

The Caribbean Fisheries Forum is made up of representatives of each of the Members of the Mechanism, representatives of each of the Associate Members of the Mechanism, representatives of fisher folk organisations and private fishing companies within the Caribbean region, regional bodies and institutions and regional organisations whose work in the area of fisheries contribute to the work of the Mechanism, and NonGovernmental Organisations whose work also in the area of fisheries contributes to the work of the Mechanism.

### *Functions*[4]

Some of the functions of the Forum are to:

a. promote the protection and rehabilitation of fisheries habitats and the environment generally.
b. encourage the use of post-harvest practices in the fisheries sub-sector that maintain the nutritional value and quality of products.
2. See Article 9 of the Agreement establishing the Caribbean Regional Fisheries Mechanism.
c. encourage the establishment of effective mechanisms for monitoring control and surveillance of fisheries exploitation;
d. recommend for approval by the Ministerial Council arrangements for sustainable fisheries management and development in Member States based upon the best available technical or scientific data and information;
e. recommend for approval by the Ministerial Council co-operative and other arrangements relating to fisheries;
f. review the arrangements recommended by the Technical Unit for sustainable fisheries management and development in Member States;

g. examine and consider action taken by Member States and third States which may prejudice arrangements for sustainable fisheries management and development
h. receive reports on new arrangements made between Member States and third States with respect to the conservation and management of fisheries.

## *Toward a Draft Agreement establishing the Common Fisheries Policy and Regime*

Thus composed, and possessing the competences of which it disposes, the Caribbean Fisheries Forum established a Working Group which prepared a Plan of Action. Following approval of the Plan of Action, the Mechanism presented it to the Heads of Government who approved it at their Fifteenth Inter-Sessional Meeting in St Kitts and Nevis in March 2004, and reaffirmed the mandate to the CARICOM Secretariat to propose a framework for the exploitation and conservation of the regional fisheries resources.

The Working Group met in Guyana on June 9-10, 2004, and in St Vincent and the Grenadines on November 29-30, 2004, respectively.

Thereafter, a Regional Multidisciplinary Workshop held in St Kitts and Nevis, April 18-19, 2005, highlighted the need for consideration of the "legal, social, economic and linkage issues" on the Common Fisheries Policy and Regime. This led to the establishment of an *ad hoc* Legal Working Group and of a Socio-economic Linkage Issues Working Group to assist in further clarifying the issues and to facilitate informed discussions and development of the text of the Common Fisheries Policy and Regime.

The Socio-economic and Linkage Issues Working Group prepared certain documents and made recommendations to assist Member States in elaborating the Policy. The *ad hoc* Legal Working Group met on a number of occasions between July 31, 2006, and September 2007, during which time a draft Framework Agreement for the Common Fisheries Policy and Regime was established. It was reviewed by a special Meeting of the Caribbean Fisheries Forum in Guyana in October 2006, and after being refined by the *ad hoc* Legal Working Group in Barbados in September 2007, was subject to further review by the Forum on October 3-4, 2007, in Guyana.

# *The Draft Agreement Establishing the Common Fisheries Policy and Regime*

### *Introduction*

The Draft Agreement, which represents over four (4) years of work, contains twenty-seven Articles. It provides for the elaboration of Protocols. The Protocols which are to be prepared under the direction of the Participating States will provide the operational content for certain of the Articles. The Protocols shall be an integral part of the Agreement and any reference to the Agreement or any of its provisions shall, unless expressly provided otherwise, include the Protocols relating thereto.

The Draft also provides for Reservations to be entered to the Agreement. Participating States may, therefore, enter Reservations to any Article of the Agreement provided that such Reservation is not contrary to the letter and spirit of the Agreement.

### *Certain Conditions*

The Draft Agreement is influenced by the following considerations:

a. Coastal States' sovereign rights for the purpose of exploring, exploiting, conserving and managing the living and non-living resources of their exclusive economic zones and of their fishing zones;
b. Interdependence of the living marine and other aquatic resources;
c. Need to promote sustainable use of the living marine and other aquatic resources of the Caribbean Region;
d. The protection of fisher folk and fishing communities who rely upon the living resources for food and livelihood;
e. The living marine resources, some of which are of interest to the peoples of the Caribbean, are highly migratory, straddle national boundaries and are harvested by Third States (oft-times without any benefit being enjoyed by the coastal states or the Region as a whole);.
f. The consequential need for all the beneficiaries-coastal States of the Caribbean Region to band together to more effectively and efficiently, develop, manage and conserve the living marine and aquatic resources of the Caribbean Region.

In any discussion of the Draft Agreement, a number of issues arise for consideration. Among them are:

a. The Common Fisheries Zone;
b. Access (The Coastal State and Other States);
c. Management of the Zone (The Implementing Agency);
d. Scope of Authority; and
e. Treatment of Coastal Communities and Fisher Folk.

These issues are considered below

***(a) The Common Fisheries Zone***

This zone, as envisaged, is an area of sea, beyond the Territorial Sea of Member States up to the extent of their Exclusive Economic Zones. The definition of the zone makes it clear that the Territorial Sea is under the sovereignty and jurisdiction of the coastal state. But, while the Territorial Sea is unquestionably under the sovereignty of the coastal state, it is arguable whether in the exercise of its jurisdiction in matters relating to fisheries, the coastal state can act without regard to the welfare of neighbouring States.

Where certain species of living resources within the Territorial Sea are inter-dependent or inter-related to species outside the Territorial Sea and so within the projected Common Fisheries Zone, it would appear to be a reasonable course that measures relating to conservation and management of such species should be a responsibility shared between the coastal state and the Authority entrusted with the responsibility for management of the Zone. The analogy with the management arrangements concerning common stocks or straddling stocks as provided for in the Montego Bay Convention (1982) would appear quite appropriate in such instance.[5]

***(b) Access***

It is suggested that access under such a Regime should be defined, in the first instance, as access for the purpose of harvesting the living resources and in the second instance, as access for the purpose of conservation. Unquestionably, with regard to harvesting, the coastal state will determine the volume of fishing activity within its Territorial Sea but where the species being fished are inter-related to species fished in the Common Zone, the coastal state should feel itself obliged in matters of conservation of the species, to cooperate and collaborate with the Agency responsible for management of the Zone.

In addition, a distinction should be made between the waters of the Territorial Sea and the waters of the Common Fisheries Zone. In the waters of the Territorial Sea, the Coastal State has absolute authority to determine access to its resources, but must do so taking account of the applicable conservation practices established by competent, regional, sub-regional or international bodies. In the waters of the Common Fisheries Zone, the Implementing Agency, together with the States Parties to the Agreement, shall determine access and together, determine the conservation practices to be observed.

***(c) Management of the Zone (The Implementing Agency)***

Under the Revised Treaty, the Member States of CARICOM are enjoined to ensure sustainable utilisation of the living resources of the Caribbean Region.[6] It is questionable whether undirected individual action by Member States will achieve such an end. Given the nature of the resources, the interest in those resources both regional and extraregional, and the potential in the over-fishing of those resources or degradation of their habitat to cause far-reaching loss and damage to coastal states and fishing communities of the Caribbean Region, it would appear that concerted action by Member States towards a common end will prove effective and efficient, and offer the best assurance of consistency of action towards the desired end through a Body designed for that purpose. Such a Body should be entrusted with full authority by Member States to act in concert with them in all matters relating to fisheries resources in the Region, from access to waters, to harvesting, to post-harvest handling of catches, to encouraging value-added, and to determining, on behalf of Member States, the presence of Third States and the terms under which they will fish in the Common Zone.

That Body described in the Draft Agreement as the Implementing Agency will comprise representatives from all the States participating in the Agreement. Thus, the States Parties to the Agreement will together determine the conduct and the activities of the Regime. The Implementing Agency shall be the Caribbean Regional Fisheries Mechanism, subject to such amendments to its constituent instrument as its new responsibility will require. As described above, the Caribbean Regional Fisheries Mechanism comprises representatives of all fishing interests in the Caribbean. The states, private fishing interests, fisher folk and fishing communities, nongovernmental oganisations, regional research bodies and international organisations are all represented in one or other of the organs of the Mechanism. Members of the Regime will therefore be fully enabled to represent their several fishing interests.

***(d) Scope of the Policy and Regime***

The Policy and Regime is expected to extend to:

i. Access to the Fisheries within the Common Fisheries Zone;
ii. Conserve, manage, develop and use of all living fisheries resources within the Common Fisheries Zone;
iii. The welfare of fishers. Specifically, one of the Objectives of the Policy and Regime is to improve the welfare and livelihood of fisher folk and fishing communities; and
iv. To produce, process, market and trade in fishery and aquaculture products.

In addition to its Scope, five of the Fundamental Principles of the Policy and Regime are:

i. the inclusion of stake holders in all aspects of fisheries management, planning and development;
ii. the promotion of good governance of fisheries through transparency and accountability;
iii. equitable allocation of access rights and other benefits to ensure fair treatment for all who are members of the Regime;
iv. collaboration and cooperation with national regional and international agencies on fisheries matters in the best interest of the Participating States; and
v. a clear definition of responsibilities at the national and regional levels.

The existence of these five Fundamental Principles, among others in the Draft Agreement, coupled with the fact that all Parties to the Agreement will be represented in the Implementing Agency charged with operational responsibility for the Agreement, offer assurances to States which contemplate membership that their national concerns will not be overlooked.

***(e) Coastal Communities and Fisher-folk***

Coastal communities and fisher folk who depend for their food and livelihood on the living marine and aquatic resources of the Caribbean region are specifically provided for in the Draft Agreement. One of the objectives as stated in the Agreement is to "improve the welfare and livelihood of fishers and fishing communities." In addition, one of the fundamental principles which

would influence the operation of the Agreement is "consideration of the welfare and special needs of traditional, subsistence, artisan and small-scale fishers, in particular access to traditional fishing grounds".

## Conclusion

The draft Agreement Establishing the Common Fisheries Policy and Regime has benefited from extensive reviews and refinements and has moved closer to completion. It remains now for Member States to continue to see themselves as principal architects of the Agreement and to remain committed to the call of the Heads of Government for a unified Caribbean response to the need for a Regime to safeguard and develop our living marine and aquatic resources for the benefit of the Caribbean peoples.

## Notes

1. Barbados-Trinidad and Tobago International Arbitration 2006.
2. Article 4 of the Agreement establishing the Caribbean Regional Fisheries Mechanism.
3. Article 8 of the Agreement establishing the Caribbean Regional Fisheries Mechanism.
4. Article 9 of the Agreement establishing the Caribbean Regional Fisheries Mechanism.
5. Article 63 of the United Nations Convention on the law of the Sea (1982).
6. Article 60 paragraph 1 of the Revised Treaty of Chaguaramas.

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# THE CARIBBEAN AND THE CLIMATE CHANGE NEGOTIATIONS IN COPENHAGEN, DECEMBER 2009

*Ulric Trotz*

In 1994, the global community acceded to an international agreement, the United Nations Framework Convention on Climate Change (UNFCCC), which was designed to consider what can be done to reduce global warming and to cope with whatever temperature increases are inevitable. The Convention sets an ultimate objective of stabilising greenhouse gas concentrations **"at a level that would prevent dangerous anthropogenic (human induced) interference with the climate system."** It states that **"such a level should be achieved within a time-frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened, and to enable economic development to proceed in a sustainable manner."** At the time when the Convention came into force, there were still doubts being expressed by many skeptics about the need for such an agreement, and many questioned the veracity of the assertion by the scientific community that the significant accumulation of Green House Gases (GHGs) in the earth's atmosphere was the basis of the phenomenon of global warming.

Despite the skepticism in some quarters, at their meeting in Barbados in 1994, Small Island Developing States (SIDS), which included the low-lying coastal states in the Caribbean formulated the Barbados Plan Of Action (BPOA) which accorded the highest priority to climate change. The plan was devised in response to the many environmental challenges these countries were expected to face as they pursued the attainment of their sustainable development goals. Years later, at a meeting in Mauritius in 2005, the SIDS reiterated the importance and

urgency of addressing climate change risks, which had now evolved from the status of an environmental problem to that of a serious global developmental challenge.

After the Barbados meeting, CARICOM countries commenced a programme to address the climate change issue. At the onset, as small vulnerable developing countries, the focus of such a programme was on building capacity to adapt to climate change. There was an emerging consensus that as a result of the inertia in the global climate system, humanity was now living in a world committed to climate change. As a consequence, GHG emissions should have ceased completely—there was enough in the atmosphere to trigger continued global warming—hence, the need for vulnerable developing (and developed countries) to adapt, i.e., to increase the resilience of their humanly built, natural and socioeconomic systems to climate change risks.

Accordingly, the region successfully negotiated support from the Global Environmental Facility (GEF) for the implementation of the Caribbean Planning for Adaptation to Climate Change (CPACC 1997-2001) project. This was followed by the Canadian International Development Agency (CIDA)-supported Adaptation to Climate Change in the Caribbean (ACCC 20012004) and the GEF-supported Mainstreaming of Adaptation to Climate Change (MACC 2004-2009) projects. All these projects were geared to building capacity in the region to address adaptation to climate change risks and to generate the knowledge base necessary for prudent and effective decision-making by governments in the region as they respond to climate change.

These projects were geared at starting regional monitoring for climate change effects; understanding the scope of projected climate change in the region; the level of vulnerability of critical socioeconomic sectors to climate change impacts and the impacts of the latter on these systems, the level of responses required by the different stakeholders (government, private sector, civil society) and the cost/ benefit analyses of these; defining the region's position vis-à-vis the global Climate Change negotiations; and educating regional stakeholders on issues of climate change germane to their respective vulnerabilities. Several milestones were achieved under these projects. Notably, these were the establishment of a Climate Change Master's programme at the University of the West Indies (UWI); the installation of a regional sea level monitoring network, finalisation of National Adaptation Policies and Implementation Plans in twelve CARICOM countries, development of a regional Public Education and Outreach strategy; establishment of a regional network for climate modelling; enhanced awareness of climate change issues among various Caribbean publics; completed vulnerability and impact studies on major sectors (water, tourism, agriculture); the establishment of

the Caribbean Community Climate Change Centre (CCCCC); the articulation of a Regional Strategy on Climate Change; and the coordination of regional participation in the UNFCCC negotiating process.

As a result of these efforts, the Caribbean is now in a position to recognize climate change as a major developmental threat. Our position is that, as a region, we are already vulnerable to the ravages of present-day climate variability-hurricanes, floods, landslides, drought, water and vector-borne diseases-and that climate change would exacerbate these vulnerabilities. Sea level rise, changing weather patterns, increased intensity of hurricanes, increased frequency of extreme events, increased average temperature (atmospheric and oceanic), some of which are already evident in the region, will all combine to wreak havoc on our natural (mangroves, reefs, wetlands, beaches, forests), built (infrastructure, human settlement) and socioeconomic systems (water, tourism, agriculture, health). As part of our response strategy, governments agreed to establish a regional centre, the Caribbean Community Climate Change Centre (CCCCC) with a mandate to coordinate and give leadership to the regional efforts to cope with climate change risks. Situated in Belize, the Centre has been operational since 2004, and reports to the Council of Ministers responsible for Trade and Environment (COTED) and to the Heads of Government meetings. Recently, the Centre was charged by Heads with coordinating the activities of a regional task force, to develop a Regional Climate Strategy and to provide the region with a consensual and coordinated approach to the forthcoming climate change negotiations in Copenhagen, in December, 2009.

Having built this capacity over the years, it was not surprising that the region was among the first to benefit from the GEF's pilot Adaptation Fund and was given support to implement a pilot adaptation project, the Special Pilot for Adaptation to Climate Change in the Caribbean (SPACCC) project (2007-2010) in Saint Lucia, Dominica and St Vincent and the Grenadines. Simultaneously, there is a regional effort through a United Kingdom Department for International Development (DFID) supported study, coordinated by the regional office of the Economic Commission for Latin America and the Caribbean (ECLAC) and the CCCCC to carry out a Stern-type review to ascertain the cost/benefit of adaptation and mitigation in the Caribbean and also to determine the cost of inaction. This latter effort is intended to provide a rational basis for decision-making in the Caribbean with respect to responding to climate change risks.

## Mitigation and the Caribbean

Although the UNFCCC was originally focused on GHG emissions reductions, there were no obligatory requirements for any of its signatories to cut back on their respective emissions. That changed with the negotiation and ratification of the Kyoto Protocol in 2005 and the stipulation that Annex 1 countries (developed countries) should reduce their individual emissions by 5.8% of their 1990 emissions between the years 2008-2012. Though welcome, developing countries have always regarded this as inadequate. During the early stages of the convention, scientists were calling for a 60% reduction below 1990 values and for this to be accomplished by 2000, if "dangerous climate change" were to be avoided. The modest response negotiated under the Kyoto Protocol, though welcome, was clearly not adequate and the global community now faces the reality of agreeing to "drastic cuts" in GHG emissions and making this central to a new global successor agreement to the Kyoto Protocol, when the latter expires in 2012. The international community is now engaged in serious negotiations aimed at finalising a successor agreement to the Kyoto Protocol at the forthcoming Conference of the Parties (COP15) in Copenhagen. Whatever is decided, it is hoped that the agreement will address the unfolding scientific evidence that humanity may be already past a threshold level of GHG concentrations in the atmosphere, and that unless there is drastic global action to significantly reverse this trend, the onset of "dangerous climate change" may be forthcoming, with dire consequences for everyone. What sort of drastic action is anticipated as necessary?

In a 2008 interview with Alun Anderson for the magazine *Prospect,* Sir Nicholas Stern outlined what he saw as five requirements for a successful global agreement in Copenhagen:

1. Cut total world emissions by 50% by 2050 compared to the 1990 levels, with rich countries committing at Copenhagen to cut by 80% by 2050. This, Stern suggests, will reduce the probability of temperature rising more than 5° Centigrade in the next century from 50% to 3%. He further points out that a 50% cut by 2050 would take per capita annual emissions down to 2 tons per capita annual emissions. Europe and Japan, with current per capita emissions at about 10-12 tons per capita, will achieve the 2 tons per capita target with an 80% cut in local emissions by 2050.
2. Poor countries which will have 8 billion out of a projected world population of 9 billion by 2050, have to be part of the solution. Stern

proposes that they plan for an eventual 2 tons per capita target with no commitments before 2020, which would provide time for them to:

a. Learn from the experience of rich countries in transforming to a low carbon economy.
b. Take advantage of substantial financial flows made available through carbon trading.
c. Ensure that terms of technology transfer are favourable.

In this respect, Stern suggests that there will be a reversal of the usual conditionality of aid in that poor countries will deliver on condition that rich countries meet their mitigation target.

3. Carbon trading is fully developed with private sector carbon trading flows of the order of US$100 billion/year, fifteen years from now to bring developing countries into the picture. In this respect, with the new thrust for clean energy with the new US administration, a hemispheric carbon trading scheme, not unlike that developed in the EU, might provide a mutually beneficial scenario for the USA and Canada, on the one hand, and the developing countries of the Americas, on the other.
4. Deforestation accounts for 20% of global emissions and reducing this by half will require US$15 billion/year of public money. Stern proposes that global action on deforestation must form part of the Copenhagen agreement.
5. Strong development and sharing of technology must be a critical element of any global agreement. Given that coal will for sometime be a major fuel for some countries, Stern calls for more major financial support for the carbon capture and storage technology so as to ensure early availability for coal-fired plants.

Stern's proposals were consistent with the agreement arrived at COP 13 in Bali, the Bali Road Map, which identified adaptation, mitigation, finance and technology as four of the essential building blocks for a successful agreement in Copenhagen. At the Bali meeting, agreement was also reached to consider inclusion of the issue of avoided deforestation in this agreement.

As recently as 2008, there seemed to be a growing consensus that a regime that resulted in a global emissions reduction of 20% of the 1990 levels by 2020 and 50% of 1990 levels by 2050 would suffice to stabilise the global climate regime and restrict the increment of global temperatures to about 2 C above

today's average temperature. In fact, the EU had even proposed targeting a 30% cut by 2020 and an 80% cut by 2050, if other countries agreed to the adoption of this more aggressive regime. This would require obligatory cuts by both developed and developing countries (especially large developing countries, e.g., China, India, Brazil, Mexico). However, this consensus was shattered by a publication late last year, of a scientific paper by the renowned climate scientist James Hansen. It claimed that even at present day concentrations of global emissions in the atmosphere are at 387 parts per million (ppm), and the "tipping" point for the onset of "dangerous climate change" has already passed therefore the world needs an agreement in Copenhagen, that would result in the reduction of its GHG budget to 350ppm!!! This has found resonance with many disadvantaged vulnerable groups globally, notably the AOSIS group within which CARICOM countries negotiate at the COP meetings. Our position within the group was, and remains that as a region, we are already suffering from the vagaries of present day climate change, so that we cannot imagine the havoc a world that is 2 degrees warmer would have on our developmental aspirations. This translates into a negotiating position for a post-Kyoto regime that would result in a 40% cut in the 1990 levels by 2020 and a 95% cut by 2050. Such a regime would see global temperature increases levelling off below 2 degrees centigrade. Indeed, AOSIS presented this proposal at the recent preparatory meeting of the Subsidiary Body for Science and Technology Assessment (SUBSTA) of the UNFCCC in Bonn.

## Copenhagen

Agreement on a global mitigation regime with mandatory cuts for all countries is not the only issue that is expected to be agreed when the global community meets in Copenhagen in December. At stake, too, are vital decisions on a compensatory regime for avoided deforestation in countries with substantial standing forests (Guyana, Belize, Suriname), new sources of funding above present ODA for adaptation in vulnerable countries, and favourable terms for technology transfer which would facilitate adaptation and mitigation. Whatever agreement is reached, it will have a significant impact on all aspects of life in the Caribbean, in that its peoples would have decided how much warmer a world they can cope with and would have started to put in place the measures that would transform their countries into more climate resilient communities, utilising the resources, both technology and finance, that the global community agrees to allocate for these purposes. To ensure that as a region, peculiar and particular needs are articulated and addressed while moving towards this new

global compact, political engagement at the highest level is needed. Climate change issues now pervade discussions in almost all international fora-trade, security, energy, agriculture, health, culture, human rights. With respect to the latter, it is now being posited as a major human rights issue by indigenous Inuit communities of the Arctic, who perceive that climate change poses serious threats to their enshrined human rights, in that it has the potential to deny them their inalienable rights of access to water, food, health etc. It is now evident that climate change cannot be viewed simply as an environmental problem, but that it poses serious developmental challenges to the Caribbean and the international community. It also offers some opportunities which must be grasped. One cannot help but notice the emphasis the new administration in the USA places on transformation of the energy sector and promotion of green technology as a foundation of their economic recovery programme. Here in the Caribbean, where a significant percentage of foreign exchange earnings are expended in feeding an inefficient and aging energy generating system with imported fossil fuel, where according to a recent IDB report the Caribbean is one of the most carbon intensive regions in the world (meaning very inefficient use of energy), and where the people are endowed with vast quantities of renewable energy (hydro, geothermal, solar, wind, biomass), there is an opportunity to put the region on a more sustainable low carbon development pathway, utilising new resources that are expected to become available through the process of the climate change negotiations.

But, the question needs to be asked whether or not the countries are tuned into this process and whether at every opportunity, when our political directorate interfaces with their developed country counterparts in the several political fora worldwide, the climate change problematique is insinuated into the discussion and attempts made to promote national/regional interests through this process of engagement. Unfortunately, despite the outstanding work that the region has accomplished in defining the problem and providing directions for future action to address it, climate change has not been mainstreamed into national/regional/international political discussions at the level described above. One notable exception is the recent commendable effort of President Jagdeo of Guyana, who took up the challenge of getting an agreement on an international reward system for avoided deforestation and, apart from initiating some frontier methodological work on the issue locally, presented the preliminary findings at the COP 14 meeting in Ponzan last December. The President has also assumed the role of a major interlocutor for the issue on the international stage. This has translated into what promises to be a flow of resources into Guyana, a more optimistic feeling that a satisfactory reward system would be agreed to in the

post-Kyoto regime, and with Guyana and Gabon being special invitees to a side event on forests at the recently concluded G20 meeting in London attended by US Secretary of State Hillary Clinton and President Sarkozy of France.

There can be no doubt in anyone's mind that the climate change issue is central to a new global order. In fact, recently, one journalist predicted that as a result of climate change, human beings are about to embark on an era of economic recovery and growth, led by the ET (Energy Technology) revolution, which will replace the recent IT (Information Technology)-based growth that the world has seen. Caribbean governments need to become engaged in the global discussions now proceeding apace and take every opportunity e.g. at the Summit of the Americas, at the Commonwealth Heads of Government Meeting (CHOGM) later this year in Trinidad and Tobago, and at every other political forum, inclusive of COP15 in Copenhagen, to articulate issues related to regional vulnerability to climate change and to support the emerging consensus among developing country partners for a just and effective agreement in Copenhagen, in December. It should be an agreement that guarantees an aggressive and binding mitigation regime for all countries, a global incentive scheme to arrest global deforestation, and the availability of financial resources for adaptation in developing countries, supported by favourable terms of technology transfer for adaptation and mitigation in these countries.

Nationally, Caribbean governments need to engage with the different publics on this issue and to build local consensus on national responses required to cope with climate change impacts, with particular emphasis on the disadvantaged and the poor. Climate change will affect almost every Caribbean life as we know it today and to ensure survival, the collective effort of every one of our citizens will be needed. There will also need to be political leadership that becomes engaged and ensures that the region's future sustainable development agenda is not further compromised as a result of inertia at the political level, and failure of political advocacy on global action, to address the Caribbean's peculiar vulnerability to the impacts of a problem that has not been of its making.

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# REGIONAL SECURITY VERSUS NATIONAL SECURITY

*Hilton A. McDavid*

## Introduction

The security environment in the Caribbean has been altered over time by many factors, among them developments in communications and transportation technology, globalisation, but more significantly in how politicians define risk and threat (Zackrison and McDavid, 2008).[1] High unemployment, marginalised citizens, terrorism, organised crime and human rights violations have been added to the list of issues that the security forces must contend with, which stresses budgets and resources.[2] Since the 1648 Treaty of Westphalia, states have been expected to operate within the parameters of their national laws as the only source of authority empowered to make and enforce law, to include the fair and just treatment of citizenry, the containment of violent non-state actors, and stop illicit acts which reduce law and order both domestically and in the international arena.[3]

How to confront this new expectation is increasingly critical for small developing states and a transnational problem requires a multilateral solution. Two good examples of this can be found in the Caribbean itself, in the cooperative venture organised to provide security for the recent successful Summit of the Americas, held in Trinidad and Tobago from April 17-19, 2009. Caribbean military and police forces from the remainder of CARICOM countries were deployed to the host country. This built upon the April-May 2007 Cricket World Cup tournament (CWC) During which nine host countries joined forces to develop a *Regional Security Programme* (RSP), bringing together forces and

institutions from ten regional states, three regional organisations, and over seven extraregional states.

The International Cricket Council (ICC) awarded the CWC 2007 to the West Indies Cricket Board (WICB), which represented teams from Antigua, Barbados, Grenada, Guyana, Jamaica, St Kitts and Nevis, Saint Lucia, St Vincent and Trinidad and Tobago.

The ICC and WICB agreed to a Master Security Plan, which evolved into the Regional Security Programme developed through CARICOM; its overall cost topped US$13 million. A Regional Intelligence Fusion Centre and an Implementation Agency for Crime and Security (IMPACS) were established; a Regional Law Enforcement Operation team of 400 military and police personnel moved among the venues, as needed.

The host countries, joined by Dominica, established a "Single Domestic Space" to last throughout the tournament, requiring a CARICOM Special Visa, so fans could move freely from venue to venue. Its cost-$100-and availability became problematic just before the event began.

According to Zackrison and McDavid (2008), strict security procedures imposed difficulties on the fans, as did the monopoly concessions for food, drink and merchandise, reducing attendance and profits.[4] One newspaper[5] characterized the event as "empty stands, expensive tickets, dull matches, a 'sterile' atmosphere and the unexplained death of a coach in his hotel room." The premise behind the high-risk security concern—terrorism from Islamic countries—dissolved when two of the cricket powerhouses, Pakistan and India, were eliminated early in the event.

The tournament began on 5th March, between teams from Australia, Bangladesh, Bermuda, Canada, England, Holland, India, Ireland, Kenya, New Zealand, Pakistan, Scotland, South Africa, Sri Lanka, the West Indies and Zimbabwe. The championship match took place on April 28, during which Australia (281-4) defeated Sri Lanka (215-8) by 53 runs [D/L method].

The preceding represent great examples of cooperation at the operational and tactical levels, but what is sadly lacking in CARICOM is a regional strategy to deal with regional threats to CARICOM's stability and overall regional security.

Undoubtedly, the end of the Cold War, compounded by the events of 9/11, has created a global system that has produced a more complex security environment with multiple threat axes, and these have led scholars and professionals to redefine the concept of national security with multiple dimensions. This, however, must be done within the context of an examination of the drivers of war and peace, conflict and compromise, and associated issues. The analysis of the cost

effectiveness and requirements related to protecting people, resources and basic values is indispensable to this process (McDavid, forthcoming).[6]

This chapter argues that CARICOM must develop a regional strategy and in so doing, national security dimensions must be defined in a Caribbean context. The author argues that there is no longer a zero-sum situation for issues relating to international and regional security and this has created new spaces which give the Caribbean, due to geopolitical linkages, the opportunity of creating a regional framework for the definition of national and regional interests and the capability of defending these interests. This approach is critical in the development of appropriate and pertinent national security policies, policy analysis and policy implementation.

The chapter argues that a well-structured mediation machinery, similar to the Caribbean Regional Negotiation Machinery, together with diplomacy and economic development, must be the main pillars of a new philosophy of regional security. CARICOM regional security is considered to be critical to guaranteeing national security in the region's current and predicted environments.

## The threat to CARICOM Stabiility

Manwarring (2004), opines that "probably the most insidious security problem facing the world and the nations in it today centres on the threats to a given nation-state's ability and willingness to do the following: (1) control the national territory and the people in it fairly and justly and (2) control internal factions or non-state actors seeking illegal violent change within the borders of the nation state".[7] This kind of instability enhanced and engendered by the human destabilisers who exploit it, leads to a final downward spiral into failing and failed state status. In that context, instability and the people who create and/or exploit it are tactical-operational level threats in their own right.[8]

## Erosion of State Power

Another important dimension that can have deleterious effects on the stability of the nation state is the significant size of the assets of the leadership of the criminal gangs in relation to Gross Domestic Product (GDP, which gives them the capability to create instability through armed insurrection, selective violence, currency speculation and corruption. Corruption is a rational act. It occurs in a situation where the public official finds policies that favour the act.

More specifically, it is a function of income provided by the State and the opportunity to increase total income by other public activities. Corruption will continue if the marginal benefit is greater than the cost expected from the act and unfortunately, because of the large assets of the criminal networks, the marginal benefits will continue to be much greater than costs.

A critical point raised by Stapley et al. (2006), relates to the erosion of the traditional nation-state. The domination of the classic "states centric system" is being challenged by significant non-state actors ranging from legitimate multinational corporations to transnational criminal/terrorist networks, which are diminishing traditional state primacy. In addition, multilateral and regional organisations, along with non-governmental organsations are playing much more important roles in the international community.[9]

Slaughter (2004), argues that even though international law still considers states to be the primary actors in the international system, it is but an amalgam of treaties, customs and traditions and as the world changes, so does international law.[10] The roles of the UN, WTO and International Criminal Court (ICC in our current environment, are critical factors in national security analysis. This chapter suggests that recent actions by the International Criminal Court (March 4, 2009) in issuing an arrest warrant for Omar al-Bashir, President of Sudan, based on the accusations that he orchestrated a campaign of rape and murder in Darfur, can be considered an example of a nation state voluntarily or involuntarily relinquishing powers that have been traditionally exercised solely by government.[11] It is important to mention here that the primary actors in these international bodies are nation states.

However, Stapley et al. (2006) point out, that based on the work that some NGOs are undertaking, they have increasingly demanded a voice in international policy creation and execution, and nation states have allowed this.[12] The UN Charter, Article 71, has given NGOs a consultative status on the Security Council through the Economic and Social Council (ECOSOC).

Other factors that contribute to the erosion of the nation state are "modern technology which has made the world smaller and society more global, the uneven and hard to predict processes resulting from globalisation with emphasis of a single domain, and finally, the substantial increase in the destructive capability of both state and non-state actors which are not concerned with public opinion in pursuit of fundamental goals" (Stapley et al. 2006).[13]

The exclusion of the bipolar variable from the international security model has served to highlight the interdependence of the countries in the global community. The threats of terrorism and transnational crime, among other things cannot be mitigated by any single country regardless of its military might.

In the new international security environment we are faced with intermeshing attributes that affect international and domestic security concomitantly and contiguously. These attributes provide threats that are inextricably linked to each other. For example, it is suggested that drugs are transhipped from Jamaica, whilst illegal arms are shipped to the island. A recent seizure in the country also suggests that cocaine is being transhipped from South America and the other Caribbean islands and marijuana is now being exported southwards in return. This increases the dependency of countries on each other, which is characteristic of the new international security environment. It is thus critical that we understand and define the concepts relative to this new situation.

## *Criminal Gangs and the Sovereignty of the State*

Lovelace, in analyzing the threat posed by Transnational Criminal Organizations (TCOs) and gangs argued that the ultimate destabilizing force of criminal gangs is not violence, instability, or state failure. Instead, it is the coerced criminal imposition of a radical restructuring of the state and its governance.[14] In his most recent works on gangs in Latin America and the Caribbean, Manwarring suggests that gang-generated instability amounts ultimately to a "clash of civilisations".

> Rather than trying to depose a government with a major stroke (golpe or coup) or in a prolonged revolutionary war, as some insurgents have done, gangs and their allies . . .more subtly take control of territory and people one street or neighborhood at a time (coup d' street) or one individual, business, or government office at a time. Thus, whether a gang is specifically a criminal or insurgent type organisation is irrelevant. Its putative objective is to neutralize, control, or depose governments to ensure self-determined (nondemocratic) ends.[15]

This objective defines insurgency, a serious political agenda, and a clash regarding the authoritative allocation of values in a society.

With specific reference to Jamaica, Manwarring argues that the behaviour and actions of the gangs in that country suggest not a "failed state" but a *failing state* in the process of reconfiguration. Thus, Jamaica appears to be slowly moving toward something like a "criminal state" or a "narco-state."[16]

Guyana has had an eruption of gang violence typified by ruthless and merciless killings and though not as organised and disciplined as the Jamaican

gangs, the Guyanese gangs can be considered a major threat to the stability of the state.

Major concerns to Trinidad and Tobago and indeed, the region, are the combination of criminal gangs, some of which specialise in kidnapping, along with the drug trade and human trafficking, and Muslim groups suspected of having international linkages such as the Jama'at al Muslimeen and Waajihatul Islaamiyyah.

The consequences of this are that the effective sovereignty of the state and the personal security of citizens are being challenged every day, and the gangs' commercial motives for controlling people and territory are, in fact, an implicit political agenda.[17] One has to accept that there is an intolerable level of enduring violence and criminal activities in Caribbean society, particularly in Guyana, Jamaica and Trinidad and Tobago. What has to be conceded is that the growth of criminal violence is weakening state authority as gangs and criminal syndicates exert control over certain communities, and arms and drug trafficking have become more prevalent. In Jamaica, this has reduced the State's ability to deliver political goods—security, education, health services, economic opportunity and fundamental infrastructural requirements. What is dangerous is that some Governments in the Caribbean are increasingly forfeiting their function as provider of political goods, particularly security, to criminal gang leaders and terrorist leaders who the society, but especially beneficiaries in relevant communities, glorifies and romanticises as "dons."[18] It is thus essential that this drift be reversed and the State restores control over the entire country.

Manwarring (2004) warns that for sovereignty to be relevant in today's environment the state and government institutions operating under the rule of law must have a monopoly on the enforcement of laws.[19] As has been seen in Guyana and Jamaica, the powers of the state, to some extent, have been abridged and negated by the violent, intimidating and corrupting activities of internal and transnational criminal elements and non-state actors.

## The Third Border Concept, Opportunities and New Spaces

### *Background*

The end of the Cold War has produced an international environment that has moved from basically a bipolar conflict and fairly identifiable threats to more complex situations with multiple threat axes. The "five wars" have now

created a security environment in which the United States, as the sole remaining superpower, and highly industrialized countries of NATO are heavily dependent (along with others) on developing countries in all hemispheres to maintain the integrity of their national security conditions.[20] **Lahera** (1998), points out that as a result, a viable unity of effort is required to coordinate the multilateral, multidimensional and multi-organisational effort necessary to play effectively in a given security environment.[21]

## *Geopolitical Linkages*

Strategically speaking, our major vulnerabilities and attractiveness to terrorism are its geopolitical linkages, particularly our geographical location, and strategic material (bauxite). During the period 1997-2000, Jamaica provided 26 percent of US total bauxite imports and 8 percent of alumina imports. In addition, 3 CARICOM countries led by Trinidad and Tobago (141,500bpd, 2004), Suriname (10,000bpd, 2004) and Barbados(1,271bpd, 2004) are oil producers, while Trinidad and Tobago supplies 78 per cent of the liquefied natural gas consumed in the USA.[22]

As the US "Southern Flank "or "Third Border", the Caribbean Basin provides physical space for TCOs and terrorists to attack US interest directly and indirectly, and in this physical space, 2 CARICOM countries, Antigua and Barbuda, and The Bahamas, facilitate US military infrastructure which can be critical to their space programme (Antigua and Barbuda). The Bahamas is home to the Atlantic Undersea Testing and Evaluation Center (AUTEC), which is responsible for the research and development of undersea warfare.

Another key determinant of US Homeland Security vital interests is the fact that vessels with critical supplies that transit the Panama Canal have to negotiate the Caribbean Sea to and from US East Coast destinations. The physical space combined with the global security situation has led to political space.

The Caribbean is now of particular importance to the USA in its fight against transnational organised crime and what they refer to as their "war against terror." The penetration of the US borders by drugs transhipped through the Caribbean and the use of the islands as an in-transit destination for human trafficking into the USA are well-documented.

## *New Spaces*

Tulchin (2003), suggests that these changes create space within the international community for the nations of Latin America and the Caribbean that did not exist during the Cold War.[23] This space is the freedom to act without suffering asymmetrical consequences. To be effective, the CARICOM region must establish a common definition of national security, and understand the relationships of this definition and the numerous international definitions of national security. It is also critical that the role of each member of the international community in the protection of national and international interests is appreciated.

The powerful linkages among the drivers and conditions that can enhance the benefits of the new space must be studied at both the national and global levels. Tulchin (2003) suggests that these linkages may also raise the risks involved in the global community, and with the end of the Cold War and the attendant zero sum game, there are multiple solutions as well as multiple actors who are defining the terms of the interchange or game and determining the value of the outcomes.[24]

The opportunity is now there for CARICOM, in developing national and regional strategies, to exploit these new spaces in creating the framework for the definitions of national and regional interests. But this rests on unity, cooperation and discipline in CARICOM's foreign policy approach.

## Development of National Security Policy

In developing a national security policy, it is essential that the dimensions of national security be prioritised based on challenges, vulnerabilities, likelihood and risk. This prioritisation should be derived from national interests and as Sarkesian et al. (2008) point out, national security policy must be formulated and implemented concomitant with priorities that distinguish survival or vital interests from others.[25] The listing of these priorities will have the benefit of providing a framework for the systematic assessment of national interests and national security, in addition to being a means for distinguishing among immediate, short range and long range issues. National interests are categorised as follows:

- First Order: vital interests;
- Second Order: critical interests;
- Third Order: serious interests.

Each country or region must establish and define these based on the situation. In the Caribbean context, vital interests may refer to the survival of the nation state, whether it be from external or internal aggression, or a pandemic, but should require the coordination of all government ministerial portfolios, especially that of the Ministry of National Security.

Second order, or critical interests, can be considered as those priorities that have the potential of becoming first order. The definition that Sarkesian et al. (2008) provide for the US for third order or serious interests are adequate: "these are issues that do not critically affect First and Second Order Interests yet cast shadows over such interests".[26] In the Caribbean, efforts should concentrate on creating the environment which would preclude the serious interests migrating upwards.

In the development of a national security policy, it is also imperative that we appreciate the differences between national interests and national security. The Caribbean as a region has to determine its regional interests and individual countries, their National Interests. National Interests must be derived from value systems but limited to a contextual framework. In discussing national interests and values we must not be overwhelmed by those of the developed countries and pay particular attention to relevance.

The small and micro nature of the economies of the Caribbean which have population sizes of sovereign states ranging from 39, 817 (St Kitts and Nevis) to 2,804,332 (Jamaica) and the total population of the sub-group of the Organisation of Eastern Caribbean States (OECS) of a mere 564,691 persons[27] result in a peculiar security dilemma which is deserving of treatment of regional security with a CARICOM relevance and context.

## The Nexus Between National Security and Regional Security

### *Regional Security in the 21st Century*

In analysing regional security in the current environment, All et al. (forthcoming) noted that there has been an upsurge in internal conflicts and in attention to conflict management in the broadest sense which distinguishes this system from the goal of advancing national security of the state against direct external threats. Global security appears to have now been defined in local, regional or functional terms; and the tasks undertaken to provide security

have been widened to protecting civilians from massacre by their state, as well as to assisting to stabilise weak states that are under threat of factional violence. Security is increasingly becoming divisible.[28] The recent indictment of Bashir is an example of these trends.

It can be argued that the current systems of multilateral cooperation and governance are suffering from a shortfall in legitimacy and accountability as the representation in the decision-making councils (e.g., UN and Bretton Woods) are void or limited in "third world" or developing country participations; and as a consequence there should be devolution of authority and responsibility to the regional level. All et al. suggest that there should be the strengthening and empowering of local actors so that they can better participate in managing their own economic and political affairs.[29]

It can now be concluded that regional security is to an extent, dependent on the national security of its Member States, but on the other hand, national security is also dependent on regional security. This is particularly so for small (or micro) developing states in their defence against external aggressors or to protect against internal subversion, whether it be from TCOs or political factions.

## CARICOM Interventions

It is important that we examine the concept of CARICOM regional security taking into consideration the lessons of the past and the current regional and global threats. We cannot also ignore the territorial disputes that exist within the community, particularly, Suriname's claim on Guyana's territory.[30] There are currently 21 land and maritime disputes involving CARICOM countries and other Caribbean and American territories, while there are 4 intra-regional disputes, which should not be forgotten.[31]

CARICOM has intervened with varying degrees of success using the tool of mediation in the internal affairs of Member States, most notably in Guyana, after the disputed 1996 elections, resulting in the brokering of the Herdmanston Accord signed in 1998. In St Vincent and the Grenadines, after civil and labour unrest to some extent agitated by the opposition, CARICOM intervention led to the Grand Beach Accord 2000. And there is an ongoing situation in St Kitts and Nevis fuelled by a desire of some in Nevis to secede from the federation.[32] Grant (2006), pointed out that the intervention in Grenada was the only occasion that a military option has been exercised in the region. However, CARICOM countries, at the invitation of the Government of Trinidad and Tobago did send

troops to assist the country's military after the attempted coup in 1990 (McDavid, forthcoming).[33]

In the aftermath of the Grenada coup in 1979 which brought Prime Minister Maurice Bishop to power, a constellation of 28 groups dislodged the government of Dominica. According to Grant (2006), the coalition of opposition elements paralysed the economy forcing the Prime Minister to capitulate, and ultimately caused elections to be held to legitimise the coup.[34] He also posits that the increased leftist activism in the Caribbean, combined with the closer ties between Grenada and Cuba heightened the security concerns of the Organisation of the Eastern Caribbean States (OECS) and was a major consideration in their formation of a Security and Defence Treaty in 1981 which included Barbados.[35]

This treaty has resulted in the formation of what is called the Regional Security System which is as much a misnomer as its security capability. However, the treaty has facilitated the US-led intervention in Grenada in 1983, and disaster responses driven by non-RSS CARICOM Countries such as Guyana and Trinidad and Tobago in the wake of the destruction of hurricane Ivan to Grenada in 2004. The RSS Member States have a total population of less than 850,000 out of a total CARICOM population of nearly 6,000,000 with Haiti excluded, and a comparison of the security strengths would be proportional. The population of Guyana is estimated at 770,800, Trinidad and Tobago at 1,231,323 and Jamaica, at 2,804,332.[36] The decline in the Guyanese population is somewhat reflected in the population growth of Antigua and Barbuda, Barbados, and Saint Lucia.

## *Demand for Regional Security*

Guyana's success in maintaining its territorial integrity was due, in the main, to *ad hoc* policies and regional security arrangements governed to some extent by the bipolar conflict situation. Thus in today's environment not only Guyana, but most of the countries in CARICOM are in need of structured regional security (McDavid, forthcoming).[37]

Regional security in the CARICOM context is here defined as a collective security system based on the credibility and stability of the nations. Like Wilsonian Collective Security, it can attend to security at all levels,[38] but this, particularly with international or systemic security, will only be possible with a degree of continued involvement with the USA.[39] Perhaps this is an opportunity for the countries to use the leverage that the "new spaces" have created with the conclusion of the "Cold War". The major offence will be the diplomatic front

where CARICOM is the largest voting bloc in the Organisation of American States, representing 14 of the 35 Member States.[40]

Unlike the United Nations, there is no special body like the Security Council and Article 64 of the Rules of Procedure give each delegation "the right to one vote". Article 65 stipulates that decisions are taken by the vote of a majority of the Member States, in both the plenary sessions and the General Committee meetings. The exception to this is rare and occurs only in those cases in which the Charter of the Organisation or the Rules of Procedure provide otherwise. In these circumstances it is generally by consensus or two-thirds majority.

In the Caribbean context, regional security should mean not only agreements and protocols for the settlement of border and maritime issues within the regional bloc and with external hemispheric partners, but must inculcate common values and systems that will support open societies and economies. The states must be willing to eliminate conditions that can lead to internal and external conflicts, and adopt regional policies that will deal with common problems in fisheries, forestry, agriculture and general economic development. A key aspect of CARICOM regional security would be the promotion of greater cooperation in research and in industry and commerce within the bloc. A critical component would be the proffering of joint ventures, partnering and strategic alliances of firms from different countries.

If we are to use the Guyana-Suriname disputes as points of departure, the establishment of joint venture companies to exploit the mineral resources of the coastal zones of both countries can lead to the production of oil and economic development, while emphasising the maritime issue will only yield a stalemate. The same can be said for the disputed New River Triangle which Suriname is claiming from Guyana where there is the possibility of the exploitation of bauxite and other minerals.[41]

Morgan (2006), points out that, developing habits of cooperation can achieve widespread benefits and common achievements would promote expectations of more, as the people grow prosperous or healthier or better educated together.[42]

However, the effectiveness of CARICOM in regional security should be governed with the use of skilful mediators and conciliators rather than depend on the current limited and narrow base of mediators, the Heads of Government, most of whom, as Griffin (2007) points out, have no formal training in mediation. He suggests the cultivation of a culture of mediation by increasing the number of trained mediators at all levels of society to expand and enhance governance throughout the region.

He rejects the current situation as reflective of the political culture of reliance on the interpersonal relationships of those Heads of Government.

For Griffin, mediation should operate within a system of exchange and social influence, "whose parameters include the actors, their communication, expectations, experience, resources, interests, and the situation in which they find themselves, is a tool which can be used to enhance conflict management within CARICOM".[43] It is not without significance that the most recent two territorial disputes, Barbados-Trinidad and Tobago, and Guyana-Suriname, were resolved by extra-regional bodies leaving "bones of contention".

## Summary and Conclusions

One of the critical arguments of this paper was identified by Sun Tzu (512BC) and refers to the fact that if every dimension is a matter of national security, the concept of national security becomes virtually meaningless.[44] The danger in using national security being synonymous with the dimensions of security or national interests is the proposition and tender that all dimensions and interests are first order/vital interests, which means that all issues are treated with equal importance and assigned the same priority. What is important for CARICOM is that we adopt the concept of regional security as discussed in this chapter, and be guided by the definitions and concepts relating to national security, risks, threats and challenges that were discussed.

The regional security model, by definition, must include a formal mechanism similar to the Regional Negotiating Machinery which deals (jointly) with all trade negotiations affecting CARICOM, but in this case, will have the authority and responsibility for internal and external challenges and threats to the stability of countries and the region. In addition, an integral part of the nature of CARICOM regional security must be economic development and the use of the tools of joint development and business partnerships rather than the expenditure of large sums on military assets and deployment that create strategic stalemates when there are border and maritime disputes within the regional bloc.

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# 31

# 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 nonstate 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, involve conflict prevention, peace enforcement/peacekeeping and peace-building activities.

Kirchner concludes that the 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 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 all have overseas territories in the Caribbean, are also integrally involved in cooperation on the maintenance of border security, narcotics and money laundering interdiction. The 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 extraregional 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 states[6]

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 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, 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 nonaggression, 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 subregion.

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 COFCOR, the Council on Foreign and Community Relations. 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 interrelated 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 (Communique 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 Governance[14]

## *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 memberstates 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 BelizeGuatemala 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 two latter disputes, the CARICOM role was first to emphasise the need for negotiated or juridical settlements. In the case of SurinameGuyana, 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) 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 Europe- an 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 5, 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 6, 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 7 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, 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 514-15, 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: SubCommittee 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 capac[it]y.
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.econo-mist.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", FUNG-LODE/Woodrow Wilson Centre Conference on G*obernabilidad de la Seguridad en el Caribe: Iniciativas de Reforma y Cooperacion,* 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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# 32

# BUILDING A CARICOM AIR TRANSPORT POLICY: SOME CONSIDERATIONS

*Natasha George*

## Introduction

Air Transport plays a vital role in Caribbean small economies as it has an effect on international trade, business, tourism, culture, and sports. In addition, air transport is crucial for linking people, countries and economies. However, according to David Jessop, for more than two decades the Caribbean region has been searching for a viable aviation policy and in the process, individual Caribbean governments have sought to limit routes, and control schedules and fares in an effort to develop national carriers.[1] The consequence of such practices, argues Jessop, has been that national self-interest has triumphed over regional integration and huge sums of money have been spent on subsidizing and restructuring national and regional carriers.

Yet air travel is important for CARICOM, largely because it provides one of the most vital sources of revenue and job creation in the tourism industry. Moreover, air transport and tourism are linked to each other in that the international competitiveness of the tourism industry in the CARICOM region is crucially affected by air transport. In creating a CARICOM Single Aviation Area and the Single CARICOM air space via a specific CARICOM agreement with a regional approach, market opportunities for the aviation industry would be created giving tourists better travel options. It would also facilitate other air travel links, creating opportunities for further growth for sustainable tourism and new investment opportunities. Additionally, the establishment of a single air transport market under the CARICOM Single Aviation Area (CSAA) and the Single CARICOM air space would generate substantial benefits for consumers

and create an atmosphere of competitiveness in the CARICOM air transport industry. Furthermore, having an agreement that creates the CSAA and the Single CARICOM air space will further concretize the economic and political integration that CARICOM Heads of Government are committed to operationalising under the CARICOM Single Market and Economy (CSME). Whichever model the CSAA or the Single CARICOM air space emulates, it is important to understand that the overall objective for CARICOM economies is to offer the best prospect of safe and secure air services that are cost effective, reliable, sustainable, and consistent with the long-term development strategies that are aimed at sustaining the tourism industry in the region. The establishment of this CARICOM Single Aviation Area and this Single CARICOM air space under the CSME will ensure the maximisation of inbound tourism travel and intra-tourism travel by having regulated air travel and a single liberalised air space, facilitating the free flow of goods within the region.

The purpose of this Chapter is to examine the possibility of creating an Agreement that establishes the CARICOM Single Aviation Area (CSAA) and the Single CARICOM air space, within the commitment of establishing the CARICOM Single Market and Economy (CSME). The chapter also explores whether the importation of elements from the European air transport model to the CARICOM structure is at all possible, given the marked structural and developmental differences of the economies of these different regional groups-the European Union and CARICOM. The remaining sections of the paper are as follows. Section II contains a discussion of the salient features of the regional airline industry in CARICOM and explores the challenges faced by Caribbean regional carriers in their quest to maintain operations in the Caribbean air transport market. Section III presents an overview of the mandate for air transportation in CARICOM under the Revised Treaty of Chaguaramas and describes the key elements of the CARICOM Multilateral Air Services Agreement (MASA) that provided the formal framework for the provision of air services between the States party to the Agreement by air carriers of those States. Section IV offers a brief introduction to the European Common Aviation Area (ECAA) and discusses the critical elements of the European Single Sky initiative, paying special attention to those elements that may be imported into the CARICOM Single Aviation Area and the Single CARICOM air space within the CSME. Section V provides conclusions aimed at structuring a reform agenda for the regional air transport industry in CARICOM.

## Overview of the Regional Air Transport Industry in CARICOM

At the outset, the sustainability of Caribbean trade, tourism, business and foreign direct investment requires reliable, efficient, easily accessible and affordable air transportation that facilitates both intraregional and external travel. The regional air transport industry is increasingly vulnerable to escalating operational costs associated with fuel and security requirements that regional carriers are to be out-fitted with, in order to provide safe air travel. Due to this situation, there is an urgent need for the restructuring of the regional air transport sector in order to improve air transport competitiveness and create sustainability of the air transport service. Hence, the CARICOM regional air transport industry is characterised by low growth, low yields, high operating costs, major operating losses, and under-capitalisation of the industry.

It should also be noted that some Caribbean islands have more than one airport. For example, St Vincent and the Grenadines has seven airports with a relatively small population. It is therefore unnecessary for such small countries, such as those in the OECS, to transform their small airports into international airports due to the high maintenance costs associated with such actions. Thus, a better strategy would be to optimise the existing financial resources with the minimum number of international airports within the OECS member states, rather than each OECS country having its own international airport.

Another salient feature of the CARICOM regional air transport industry is the lack of economies of scale and high losses sustained by current regional carriers. If these carriers are loss-making entities and are not self-sustaining, the industry will not be able to function as a critical air modal transport link for transporting tourists within and into the Caribbean region. Key examples of this poor financial performance and lack of economies of scale for regional carriers over the last 5 years, whether privately owned or not,[2] are as follows: Air Jamaica lost US$700 million during ten years of privatisation (1994-2004), US$136.0 million in 2005 and US$252.0 million in 2006. Caribbean Airlines (formerly BWIA), lost tens of millions; later receiving subsidies of another US$250 million after filing for bankruptcy and settling the payment of most of its external operational costs. Bahamas Air has lost over $220 million since 1990. Caribbean Star and LIAT absorbed major losses in suicidal route duplication and participated in many price wars before deciding to merge into one carrier in 2006. The combined losses of these two airlines operating separately were US$1.4 billion prior to the merger.

Given this outcome, it is important to examine the nature of the cost structure that is associated with managing a regional airline that the tourism industry depends upon. Owing to their small geographical and population size, both salient elements of Caribbean countries, these elements serve to limit the benefits of economies of scale, and escalate the cost of labour, energy, transactions, and the transshipment of goods via air transport. Since Caribbean countries are tourist destinations, the low economies of scale or lack of same, associated with regional air transport, result in making Caribbean countries more uncompetitive than other regions.

Another reason for the existence of high cost structures and low economies of scale, or lack thereof, in the regional air transport industry is the absence of uniformity in user charges or wide variations in aircraft landing, take-off, parking and navigation or communication fees, airport departure taxes, and airport handling charges. The 2006 Caribbean Tourism Organization study recommended that competitiveness be balanced with the revenue generation needs of the Caribbean region. In addition, the WTTC 2004 Report[3] recommended five Intelligent Tax principles that public policymakers or CARICOM Governments should use to guide their review of tax policy proposals and legislation in their respective countries: equity, efficiency, simplicity, fair revenue generation, and effective stimulus to growth. The WTTC 2004 Report maintained that many taxes on travel and tourism violate some or all of these Intelligent Tax principles. The practical reality of these principles provides that taxes can be imposed to generate revenue, increase competitiveness, or change consumptive behaviour. If taxes follow these five principles, the WTTC argues that they will result in both increased revenues for governments and strong competitive economies.

Thus, in order to respond to the uncompetitive regional air transport industry that has negative effects on the viability of the tourism sector in the Caribbean, it is worthwhile to examine the recent success story of the Single European Sky, a European Commission and European Commission Aviation Area (ECAA) initiative that have revolutionised the European air transport and tourism industries. This examination is presented in Section Four.

## Overview of the mandate for air transportation in CARICOM

Bryan and Bryan (1999) describe the history of Caribbean regional integration as cyclical, characterized by "surges of excitement and optimism, sobriety, a sense of failure, disenchantment, then renewed optimism". The Caribbean

Community and Common Market (CARICOM), established in 1973 by the Treaty of Chaguaramas and revised in 2001, represents one of the expressions of Caribbean integration with a membership of 14 countries. The Organisation of Eastern Caribbean States (OECS) exists as a smaller subgroup within CARICOM, and has been described as demonstrating more cohesiveness and resilience with respect to macroeconomic performance and functional cooperation than some of the larger CARCIOM countries. Functional cooperation within CARICOM as set out in Article 6 of the Revised Treaty of Chaguaramas includes:

(a) more efficient operation of common services and activities for the benefit of its peoples;
(b) accelerated promotion of greater understanding among its peoples and the advancement of their social, cultural and technological development; and
(c) intensified activities in areas such as health, education, transportation and telecommunications.

Meanwhile, Chapter Six of the Revised Treaty of Chaguaramas embodies the Community Transport Policy. It establishes the goal of the Policy and specifies the objectives for achieving that goal. It expands the scope of the original Treaty which provides for functional cooperation, and creates an enabling environment for the development of a comprehensive, safe and seamless transportation system within the Caribbean Community (CARICOM). Thus, the CARICOM Revised Treaty of Chaguaramas requires:

(a) the coordination of the national transport policies of Member States ;
(b) the implementation of uniformed regulations and procedures in areas such as transport operations, safety, licensing and certification;
(c) the development of institutional, legal, technical, financial and administrative support for the transport sector;
(d) the facilitation of investment in the transport sector involving joint ventures;
(e) the acquisition and transfer of technology; and
(f) the removal of obstacles to the provision of transport services by CARICOM nationals anywhere within the Community.

In addition, the Revised Treaty also makes general provisions for the conclusion of agreements among Member States designed to facilitate the provision of air transport services. There are also provisions for the adoption

of uniform standards and recommended practices, and the establishment of measures to ensure that the provision of international air transport services in the Community is undertaken by financially viable and technically qualified carriers and operators, and that the Community's interest in safety, security and economy of air travel is safeguarded.

In pursuit of these provisions of the Revised Treaty, programmes have been developed to assist Member States in the discharge of their obligations with respect to the removal of restrictions in the air transportation sector within an agreed time frame. These programmes have been approved and their implementation monitored by a Ministerial Council whose portfolio includes transportation. Also, within the scope of the Revised Treaty, the Directorates of Civil Aviation of Member States have formed an Association of Civil Aviation Authorities of the Caribbean (ACAAC) and the formal structure of a Regional Aviation Safety and Security Oversight System (RASSOS). The fundamental rationale for RASSOS is to ensure that CARICOM has in place a sustainable, cost effective and efficient regional mechanism for the delivery of the required quality of airworthiness and flight operations services to Member States. RASSOS should also complement national arrangements and enable participating States to comply fully with their international civil aviation safety oversight obligations.

Along with the Revised Treaty, which makes general provisions for the development of the transport sector of the CARICOM region, there is also the Multilateral Agreement Concerning the Operation of Air Services within the Caribbean Community (commonly referred to as the 'CARICOM Multilateral Air Services Agreement'-CARICOM MASA) which focuses on the exchange of route and traffic rights within CARICOM. The mandate for the preparation of the latter instrument was derived from decisions taken by the Conference of Heads of Government, the supreme Organ of the Caribbean Community, in March 1993. That mandate was given against the backdrop of initiatives to privatise national carriers of Member States, the possible multinational ownership of such carriers, and the absence of a formal multilateral framework for the regulation within the community, of the commercial operations of carriers registered in the Community.

In this regard, an examination of the aeronautical agreements filed and notified with the International Civil Aviation Organization (ICAO) had revealed that at the beginning of 1991, there were three bilateral air services agreements in force among the Member States of the Community. As national carriers moved towards privatisation and ownership, it was believed that they could not continue to operate or be competitive in an environment in which

their sustained operation was uncertain, due to an inadequate system of informal arrangements among the States for the conduct of air services. The formalisation of current arrangements among the States and the conclusion of new ones in the wider region were considered necessary for the development of regional air transportation, an important component of the CARICOM Single Market and Economy.

The CARICOM MASA promotes the objectives of CARICOM and provides the necessary regulatory framework within which a CARICOM air carrier is registered in a Member State, the majority of whose shares are owned by one or more Member State(s) and/or their nationals. It also promotes air transport services between the Member States which are parties to the Agreement. Hence, the main elements of the CARICOM MASA are as follows:

a) The Agreement concerns the operation only of CARICOM air carriers. It allows all types of air services to be performed within the Community by those carriers designated by contracting States;
b) More than one carrier can be designated by a Contracting State to exercise the traffic rights granted under the Agreement. However, account has to be taken of such factors as the characteristics of the market and the likely impact of new operators on the operation of existing carriers;
c) The traffic rights covered by the Agreement include the right to carry traffic between a Contracting State in which the carrier is registered and another Contracting State; and on a reciprocal basis, the right to carry traffic between another Contracting State and beyond;
d) There is no obligation for a Contracting State to grant cabotage traffic rights to the carrier of another party, neither is there a prohibition to grant such rights;
e) Tariffs in respect of scheduled air services are required to be submitted for approval and are deemed to be approved if neither of the two States concerned expresses its disapproval of the tariffs within a specified period. Certain guidelines which are designed to safeguard the interests of both the carrier and the consumer and to ensure some measure of market stability, have been established for the setting of those tariffs;
f) The Agreement provides for a fair and equal opportunity for all CARICOM air carriers to compete in the air transportation covered by the Agreement. Contracting parties are required to take account, among other factors, of the requirements of the public for transportation and any unfair competitive practices of carriers;

g) There is no provision for the direct control of capacity on any route. However, the undesirable practice of "dumping" excessive capacity in order to force a competitor out of business, can be addressed on the basis of the commitment of Contracting States to eliminate unfair competitive practices and to have as their primary objective, the provision, at a reasonable load factor, of capacity adequate to meet the current and reasonably anticipated traffic requirements;

h) Contracting States are committed to act in conformity with the provisions of the main Conventions and Annexes to the Chicago Convention which deal with aviation security and to cooperate generally in this regard; and

i) There is a facilitating role for the Secretary-General of the Community in matters of consultation and the settlement of disputes. The Agreement also makes specific provisions for the operation of air taxi services, having regard to the demands of the tourism sector of the Community.

Thus, from the main elements mentioned above, it is evident that the CARICOM MASA provides a role for niche operators on low density routes and greater flexibility than previously obtained in aircraft routing and flight scheduling by the established carriers. In spite of all this, the major shortcoming of the CARICOM MASA is that it does not embody a regional approach for air transport with a single air space for free movement of goods and services; MASA is merely a formal regional 'rubber stamp' agreement that facilitates air transport services among all CARICOM Member States. This is because there is still an overwhelming need for the creation of a viable air transportation system, to supplement the services provided by the external carriers and to guarantee sustainability of air transport services for the region. The regional carriers still need to work more closely together to provide point-to-point service from some external markets to the region; and to distribute that traffic to the smaller destinations, as well as to rationalise services with each other and external carriers in the context of new 'hub and spoke' arrangements.

Moreover, while regional airlines seem to prefer to focus on achieving revenue improvement through strategic alliances with extra-regional airlines, the two approaches are not incompatible. In addition, the 2004 Report of the World Travel & Tourism Council[4] articulated that the Caribbean region still needs to open up air transport markets and expand liberal aviation accords to attract new and scheduled services, and introduce new strategies and incentive schemes to encourage regional carriers.[5]

Although the CARICOM MASA is legally in effect, the agreement does at this time contain a number of restrictions and clauses that CARICOM Member States consider to be in need of revision, as they are inconsistent with the Revised Treaty of Chaguaramas. In addition, the current CARICOM MASA does not support trade and economic development in the Caribbean, since it does not create an open market for air services to encourage competition and expand opportunities for regional airlines. It does not improve services and reduce prices, and it constrains the adoption by CARICOM Member States of liberal air service agreements with external partners or even with Third countries. The intention is for CARICOM Member States to review Articles 4 and 6, together with Article 18 that specifies that the revised CARICOM MASA would require modification to Bilateral Air Service Agreements (BASAs e.g., signing open skies agreements) to be improved by CARICOM. It appears from the attitude and focus of CARICOM Heads of Government that there is no current intention to liberalise the competition and tariff articles of the CARICOM MASA. The CARICOM Secretariat is more concerned about the "destructive" competition and excessively low prices; and considers that CARICOM governments continue to need the ability to veto such tariffs. This would be inconsistent with air service liberalisation if this view were to be translated into a revised CARICOM MASA under competition law.

Above all, in constructing the CARICOM MASA, consideration was not given to the granting of concessions on specific routes where the market mechanism does not result in essential services being offered to some destinations in the Community, particularly those not served by jet airports. CARICOM needs to also consider the development of further safeguard measures to protect consumer interests in a liberalised environment and ensure that CARICOM air carriers continue to participate in regional transportation on the basis of equality of opportunity as contemplated by the Convention on International Civil Aviation to which CARICOM Member States are parties. Effective measures will need to be put in place to ensure that foreign carriers do not enjoy an unfair competitive advantage over CARICOM air carriers on intra-CARICOM routes. Given these limitations, it is argued here, that these issues can best be addressed in the creation of the Agreement establishing a CARICOM Single Aviation Area (CSAA) and the Single CARICOM air space, within the context of the CARICOM Single Market and Economy. One proposal that can be placed within the Agreement establishing the CSAA which is not in CARICOM MASA is that traffic originating in one CARICOM State and destined for another CARICOM State should be protected for CARICOM air carriers. This is the new concept of "Caribotage" which is being developed and promoted within CARICOM. The

protection of the intra-CARICOM traffic for CARICOM carriers will promote the viability of these carriers and offer them some measure of compensation for being unable to carry cabotage traffic in the vast domestic market of the foreign competitors.

## The Single European Sky and the European Commission Aviation Area (ECAA)

The Single European Sky is a European Commission initiative that dates back to 1999 and is intended to change the future structure of air traffic control across Europe. The initiative never sought to promote privatisation of air traffic control or to introduce competition in the sector. The aim is to use more efficient air traffic management that is more closely based on actual flight patterns or the operational nature of air traffic flows, rather than using the present arrangements, which are largely based on national boundaries. In October 2001, the European Commission adopted proposals for a Single European Sky to create a Community regulator for air traffic management with the EU, Norway and Switzerland. The Community regulator merges upper European airspace, currently divided into national regions. It organises this airspace uniformly, with air traffic control areas based on operational efficiency, not national borders. Also, it integrates civil and military air traffic management.

The rules governing the Single European Sky initiative are covered in four separate pieces of legislation, all passed on March 10, 2004. Firstly, Regulation 549/2004 lays down the framework for the creation of the Single Sky. The Regulation explicitly stipulates that neither national sovereignty of airspace nor obligations under the Chicago Convention are affected. Secondly, Regulation 550/2004 focuses on harmonizing the organisation of air navigation services in the Single Sky. This Regulation contains a non-exhaustive list of areas in which common requirements must be established, including human resources, insurance systems, and quality of service. Another major element is the introduction of common principles of certification for air traffic controllers, thus facilitating the obligation to recognise certificates originating from other EU Member States. Thirdly, Regulation 551/2004 governs the organisation and use of airspace in the Single Sky. Its objective is "to support the concept of a progressively more integrated operating airspace within the context of the common transport policy and to establish common procedures for design, planning and management ensuring efficient and safe performance of air traffic management". Fourthly, Regulation 552/2004 is intended to ensure the interoperability of the European

air traffic management network and introduce common requirements for the use of the various air traffic management systems.

Bilateral agreements between the EU and some external countries about this single market in aviation services were signed on May 5, 2006, in Salzburg, Austria. It would build upon the EU's Acquis Communautaire and the European Economic Area. Hence, the European Commission Aviation Area (ECAA), in effect, would liberalise the air transport industry by allowing any company from an ECAA Member State to fly between any airports in all ECAA Member States, including the possibility of foreign companies providing domestic flights. It is expected by the year 2010 that the market integration between EU and non-EU members would be completed. The negotiations for the ECAA agreement opened on March 31, 2005, with a multilateral highlevel meeting, at which all negotiating parties expressed support for reaching an ECAA agreement as quickly as possible.

In order to give the ECAA partners time to prepare for the full application of EC aviation law, the EU developed *a country-specific gradual approach*: Once ECAA partners have fully implemented EC aviation law, ECAA airlines will have open access to the EU market. The ECAA creates an *integrated aviation market* of 35 countries and more than 500 million people. Also, since air transport is crucial for linking people, countries and economies, the ECAA agreement provides an additional impetus to the economic and political integration of Europe.

On June 9, 2006, the ECAA agreement was signed by EU members, including the European Community, Norway, Iceland, Croatia, Macedonia, Albania, Bosnia and Herzegovina. The last four EU Member States to sign it were Slovakia, Latvia, Serbia and Montenegro in 2006, with ratification processes ongoing in these countries. The ECAA agreement commits all signatories to adopt the EU Acquis for the air transport sector and it includes:

- Legislation that liberalises market access, traffic rights and fares;
- Regulation on airport ground handling and slot allocation;
- Safety and security regulations;
- Rules on competition and state aid;
- The Acquis related to air traffic management and the Single European Sky;
- Environmental standards and consumer rights pertaining to aviation.

The ECAA agreement renders the notion of flag carriers obsolete for a number of reasons. Firstly, national ownership restrictions for airlines will be abolished. Second, strict competition and state aid rules will prohibit governments from

subsidising airlines. EU competition and state aid rules became applicable to the air transport sector in the early 1990s. In 1994, the Commission adopted more specific guidelines, requiring that subsidies be part of a restructuring programme, abide by the 'one time, last time' principle and include capacity reductions. Since 1991, seven EU airlines have received state aid; this is a sign of how strictly the EU abides by the 'one time, last time' principle. EU competition and state aid rules are cross-sectoral and thus addressed through the Stabilisation and Association process, instead of the ECAA. The third element of the ECAA agreement is that new private carriers will emerge, once a level playing field for competition has been established.

Overall, the ECAA agreement is the first comprehensive aviation agreement accomplished since the adoption by the EU Council in June 2005 aiming to develop the Union's external aviation policy. One fundamental aim of this policy is to create a wider Common Aviation Area with neighbouring countries by 2010. The harmonisation of standards, especially in the fields of aviation safety and security, will ensure that the public's growing demand for air services is met adequately, limiting incidents or delays. The three pillars of the external aviation agenda aim at:

- Ensuring legal certainty of existing bilateral air services agreements between EU Member States and third countries. This guarantees the necessary continuity of air services and creates a stable operating environment for the EU airline industry.
- Developing a Common Aviation Area with the EU's neighbouring countries by 2010.
- Negotiating comprehensive air transport agreements on EU level with certain third countries like the United States. Such agreements will go far beyond the scope of traditional air service agreements. The aim of such agreements is to create new economic opportunities for the European air transport industry and to ensure fair competition in a level playing field through a process of regulatory convergence.

To conclude Section IV of the paper, it is important to note the key benefits of the ECAA agreement:

- Creating new market opportunities to reach the combined population of the Balkan region of the order of 52 million people, creating a single market for aviation consisting of 35 countries and more than 500 million people. Air traffic between the EU and South-East Europe has

seen significant growth recently: 121% growth since 2001, and this trend would be accelerated through full integration in a common air transport market;
- Providing an opportunity for industry and consumers, especially as tourism is a major growth area in the coastal regions.
- Removing the remaining market access restrictions on flights between the EU and the Balkans, creating a level playing field between Community carriers;
- Removing existing blockages in the air traffic management system, left over from the war period, which resulted in closure of airspace;
- Creating investment opportunities and enabling capital flow from both sides as a result of easing ownership and control rules present in bilateral agreements.

Having examined the ECAA agreement and the European Single Sky initiative, it is now worth considering whether it is possible to import wholly or partially, specific elements of the ECAA framework and the European Single Sky initiative to create a CARICOM Single Aviation Area and a Single CARICOM air space that would operate within the CARICOM Single Market and Economy. Bearing in mind the elements of the Single European Sky initiative and the European Community Aviation Area mentioned in Section IV, it is suggested that there are aspects of the ECAA framework which CARICOM governments ought to consider in crafting the CARICOM Single Aviation Area and the Single CARICOM air space. This will facilitate free movement of goods and services while embodying a regional aviation policy. Also, the experiences of the European Union in establishing its single market in air transportation ought to be of particular interest to CARICOM as it seeks to develop its own arrangements within the context of the CARICOM Single Market and Economy. One reason for this is the fact that there are characteristics which are peculiar to the respective transport systems of these two economic groupings vis-à-vis, the system of CARICOM with respect to market size, the proximity of States, size of carriers, legislative arrangements, and supporting civil aviation infrastructure. There are also varying degrees of success in the implementation of the respective agreements of the economic groupings of the EU and CARICOM, but the common aim of their policies is liberalisation and the expansion of market opportunities for their carriers within their respective groupings.

Unfortunately, as mentioned earlier, it is not at all possible to create a single liberalised air space reflecting an exact replication of that of the European Union's—the European Common Aviation Area (ECAA) and the Single European

Sky initiative. This is because structurally, Caribbean countries are different and have different development issues from the European Union group of countries. In addition, the Caribbean air transport market is different from that of the European Union: the Caribbean air transport market is globally quite small, and the air transport market of the Caribbean region lacks scale economies and has high operational costs to manage a regional air carrier. As a result, the Caribbean air transport market lacks the necessary incentives to attract new air operators in order to provide more transport services. All these factors are necessary to consider as they distinguish the Caribbean air transport market from that of the European Union. Hence, it is apparent that it is easier to create an atmosphere of competition in the air transport sector of the European Union than in the Caribbean where, since the air transport market is structurally already small, whatever regional air carriers exist are there in the market mostly out of necessity of air travel between the Caribbean countries.

Despite this, there are very important features of the ECAA agreement and its Single European Sky initiative which Caribbean Governments can import into their own CARICOM Single Aviation Area Agreement and its Single CARICOM air space initiative. These are:

- 'The Community of Interest' Principle-This principle replaces nationality restrictions in designation articles with a Community designation clause. This principle allows actions to be taken in the interest of the EU and including this principle avoids EU Member States taking unilateral actions in the EU aviation market. This principle is already a cardinal principle of all CARICOM agreements, so the Agreement establishing the CARICOM Single Aviation Area (CSAA) and the Single CARICOM air space initiative ought to have this principle entrenched in the Agreement establishing the CSAA.
- EU rules on State Aid of regional air carriers or the 'one *time, last time'*principle for subsidies. EU subsidies for regional air carriers must be part of a restructuring programme, must abide by the 'one time, last time' principle and must include capacity reductions. Since 1991, seven EU airlines have received state aid; this is a sign of how strictly the EU abides by the 'one time, last time' principle. *EU state aid rules, which are part of the ECAA package, will put a lid on subsidies to loss-making flag carriers while a division of labour between regional airports would reduce infrastructure costs.* However, it is suggested that CARICOM Member States ought to adopt appropriate policies in relation to public service obligations that would underpin, for example, the award of subsidies

to airlines for selected routes and services on the basis of a competitive process-that is, to ensure "competition for the market" where "competition in the market" cannot be sustained. The policy should clearly establish: objectives; target beneficiary groups or communities; payment arrangements; and performance monitoring, and this policy ought to be included within the Agreement establishing the CARICOM Single Aviation Area (CSAA).

- Further to this, CARICOM Member States are advised to take the opportunity to generally review and selectively strengthen public sector capacity in order to assure effective monitoring of air transport services, to critically assess policy options in air transport and their impact on air transport sector performance, and to develop and sustain knowledge of air transport best practices. This feature ought to be entrenched within the Agreement establishing the CSAA.
- It is further advised that explicit subsidies via contracts with airlines would, in principle, be an appropriate mechanism to address remaining air service adequacy concerns, if CARICOM governments considered this to be the best use of tax revenue and, value for money could be achieved through competitively awarded tenders or auctions, for example. However, before such a policy is included in the Agreement establishing the CSAA, it ought to pass a cost-benefit analysis test in addition to ensuring that CARICOM regional Government funds are available. In this regard, the provision covering this policy and the mode by which it should be implemented would also have to address the following issues:

    - What are the objectives of the provision?
    - Who are the target beneficiary groups or communities?
    - What is subsidised and how is the level of subsidy determined?
    - What are the arrangements for managing payment of any subsidy and ensuring it is correctly used and targeted?
    - How is the air service provided, on a competitive basis, or through allocation?
    - How is the performance of the airline to be monitored and service contracts periodically renewed?

- Gradual opening of EU Member States' markets subject to implementation of EU legislation (3 phases). Transition phases are built into the ECAA agreement. In order to give the ECAA partners time to

prepare for the full application of EC aviation law, the EU developed *a country-specific gradual approach*: once ECAA partners have fully implemented EC aviation law, ECAA airlines will have open access to the EU market. Hence, the Agreement establishing the CSAA and the Single CARICOM air space ought to have built in transition phases for those CARICOM countries, particularly from the OECS group, which are more resource constrained and financially unable to fully implement all the provisions at the same pace and take on all the commitments associated with establishing the CSAA Agreement.

- Most importantly, all these economic benefits of the ECAA of the EU can be generated at little cost to government budgets. With the right policy framework and privatiation of state-owned airlines and airports, the private sector should be able to fund most of the investment needs for fleet renewal and infrastructure expansion. Thus, what is being proposed here is that the Agreement establishing the CSAA has some mechanism that fosters a private-public sector partnership for regular communication and dialogue in operationalising the Single CARICOM air space and the Agreement itself.
- An expansion of intra-Caribbean or international market opportunities for regional airlines would go some way towards opening up the possibility of providing more remunerative services. Such an approach would need to be underpinned, however, by efforts to sustain, and selectively improve, the quality of the tourism product in the Caribbean, including the development of multi-destination tourism. The adoption of open skies policies in general and the liberalisation of air transport within the CARICOM region specifically, which could eventually be expanded to encompass the whole of the Caribbean region, namely, CARIFORUM countries such as the Dominican Republic, would at least increase the range of options available to regional airlines. The Agreement establishing the CARICOM Single Aviation Area and the Single CARICOM air space ought to embrace this consideration. In addition, international experience on the benefit of a liberal, open skies approach is broadly positive and not just in the relatively advanced cases of the USA and the EU, but in a variety of developing country settings as well. For the open skies countries in the Caribbean-Aruba, Dominican Republic-the results have been largely positive. This means that the OECS countries of CARICOM, Barbados, and Trinidad and Tobago will be competing against destinations with the most liberal air services regimes that small countries can achieve in place. As a result,

what is also being proposed here is that the Agreement establishing the CARICOM Single Aviation Area and the Single CARICOM air space ought to adopt a liberal open skies approach or framework in it.

- In addition to safety considerations, more efficient, customer-focused management of, and appropriate investment in infrastructure are likely to improve the arrival and transit experience for passengers and increase tourism potential. Jamaica and the Dominican Republic are the only countries which have introduced private operation and financing of airports, using the instruments of a long-term concession of airport operation to a private provider. These efforts seem to be registering some success in improving efficiency, service quality and covering costs-the concession of Sangster Airport in Montego Bay, Jamaica, for example, should specifically help increase capacity for tourist arrivals, as witness the recent start-up of a new direct Virgin Atlantic service from London. In a number of other CARICOM countries, airport management is being turned over to state-owned statutory corporations in Saint Lucia, Trinidad and Tobago, Grenada and Guyana. Measures aimed at supplementing the prevalence of contracting out of airport services is one possibility for consideration. Barbados, which is the major hub for the Eastern Caribbean, and which undertook with public financing a major renovation and capacity expansion at Grantley Adams Airport in advance of the 2007 World Cup Cricket regional event, is another option. The success stories here ought to be considered by the drafters of the Agreement establishing the CSAA with respect to airport management and investment in airport infrastructure for the Caribbean region.
- Airport infrastructure is, generally speaking, not a binding physical constraint with regard to handling current and projected future demand, although there are some countries whose principal airport runways are still unable to accommodate wide body jet aircraft (Guyana, St Vincent and the Grenadines, and Dominica). There are other cases where further investment may shortly become necessary to improve service levels and aircraft turnaround time where, for example, at peak periods, there are significant numbers of large aircraft seeking to arrive and depart in countries such as Antigua and Barbuda. The Caribbean region has an abnormally high density of international airports in close proximity, with the consequence that the volume of services per station is low by international standards. The Inter Vistas Study[6] indicated that most Caribbean airports have lower traffic volumes than the smallest US

airports which are served by low cost carriers (LCC), and that none has a throughput of more than 1 million passengers per year. Hence, it is recommended that the Agreement establishing the CARICOM Single Aviation Area and the Single CARICOM air space ought to deal with some underexploited opportunities for the development of sub-regional "hubs" with higher capacity and service levels around which service "spokes" could be better deployed; air traffic in the Eastern Caribbean employs Barbados and Antigua and Barbuda as principal hubs, with Port of Spain, Trinidad and Tobago also providing a point through which intra-Caribbean travel can be facilitated. Future growth in traffic volumes is thus likely to be much higher in these "hubs" than in other airports in the OECS, so it makes no sense to have additional international airports constructed in smaller territories of the OECS grouping which are also CARICOM Member States.

- The Agreement establishing the CARICOM Single Aviation Area and the Single CARICOM air space ought to have a provision that makes it possible for designated foreign airlines to serve "in-between" and "beyond" markets, that is, so-called fifth freedom rights, which currently are restricted in the Caribbean region. Fifth freedom rights can be potentially important in thinner markets, such as a European carrier flying to Antigua and Barbuda and Grenada. This would generally need an explicit agreement to provide services, say between Miami and Antigua and Barbuda en route and between the two Caribbean nations. It is understood that there are significant "grandparented" rights for some international carriers such as British Airways in this respect. The use of such rights provides options for additional competition on, and service options for, intra-regional traffic in the Eastern Caribbean.

Considering the above proposals in mind for the Agreement establishing the CARICOM Single Aviation Area and the Single CARICOM air space within the context of the CARICOM Single Market and Economy, it is important to note that regional cooperation in air transportation predated the establishment of CARICOM. During the restructuring in 1961, of the British West Indian Airways, a subsidiary of British Overseas Airways Company (BOAC) at that time, there was an attempt to establish a West Indian carrier involving majority ownership by the Federal and Commonwealth Caribbean Governments and BOAC. This initiative was unsuccessful and the Trinidad and Tobago Government acquired the shareholding of the entire airline. Six years later, in 1967, the Fourth Meeting of the Heads of Government of Commonwealth Caribbean Countries,

held in Barbados, established a Working Party to consider the establishment of a Regional Air Carrier. In its Final Report submitted in 1969, the Working Party recommended formation of two multinational enterprises involving the assets of BWIA and LIAT, namely, a Corporation established by the Treaty to operate on extraregional routes; and a Company to operate on intra-regional routes. Commonwealth Caribbean Ministers, at a Meeting held in July 1969 in Trinidad and Tobago approved, in principle, the Report of the Working Party and agreed that a Ministerial Committee should be established to prepare a regional Plan of Action with a view to the early implementation of the recommendations of the Working Party. Evidence suggests, however, that this initiative was not successful. Further efforts in 1987 were made to address this issue. On this occasion, CARICOM Member Governments supported the conduct of an independent study of the feasibility of establishing a multinational air carrier involving private sector participation and the assets of BWIA, LIAT (1974) Ltd. Guyana Airways and CARICARGO, to serve the mid-Atlantic routes. The general conclusion was that the Final Report of the study provided a broad framework for further discussion and elaboration of specific elements of the proposed air carrier. Subsequently, in 1990, the Eleventh Meeting of the Conference decided that BWIA and LIAT (1974) Ltd. should be privatised either separately or jointly, with majority Caribbean interests, and the proposals in this regard should be prepared for consideration by the shareholders of the respective airlines. The proposals developed on the basis of a study, resulted in the successful privatisation of the airlines in 1995 and 1996, respectively, involving majority regional interests. In light of this history, it is now the opportune time to explore the issue of private versus public ownership of the regional airline industry and by extension, the arguments for and against Caribbean Governments having a regional air carrier. The public ownership argument is essentially a "public good" argument in terms of the good of society: public ownership has a two-pronged agenda in that firstly, Caribbean governments providing regional air transport serves as a virtual bridge; and secondly, it affords security and reliability of airlift. Meanwhile, the private ownership issue is tied to an "open market" argument and this has a market driven ideology, which also has a two-pronged agenda which primarily states that unnecessary or inefficient public expenditure can be avoided via a privatised regional airline industry and secondly, the general welfare effect to be gained from having the regional airline industry privately owned.

## Conclusions

The fundamental premise for regional cooperation in the Caribbean has been the promotion of economic development, particularly in the manufacturing and industrial sectors. Likewise, the opportunity exists for use of a regional approach to develop a strategic response for a regional air transport and creating a CARICOM Single Aviation Area with a Single CARICOM space to facilitate goods and services within the context of the CARICOM Single Market and Economy. To date, the regional approach to the aviation industry of the Caribbean has failed to provide consumers with the benefits and options available to them in other markets, and it has failed to ensure the ultimate survival of many of the national carriers that the restrictive Air Service Agreements (ASAs) of the past were meant to protect. Therefore, having a well functioning regional air transport market and industry stands to offer significant economic development benefits, such as increased trade and economic diversification. The attractiveness of the markets of CARICOM Member States for new business opportunities will depend critically on how effectively rising demand for air travel, both passenger and freight, can be satisfied. Thus, CARICOM Member States would be advised to adopt a fully unrestricted open skies approach towards air services in its CSAA agreement provided that both local airlines have a right to compete and that adequate arrangements are in place to ensure fair competition. Such a policy is likely to be consistent with increasing the availability of air services and with ensuring quality and demand responsiveness through the competitive process. This is likely to be a robust risk mitigation strategy, for it recognizes that individual CARICOM Member States may not always be prepared to adopt and implement open skies agreements. Nonetheless, these measures may be seen as enhancing the prospects for regionally based airlines to effectively compete for business in liberalised air transport markets.

As mentioned earlier in this paper, the key ongoing issues for the CARICOM Member States concern implementation and the management of specific risks in relation to service continuity and local state-owned airlines. National strategies and policy frameworks would need to address the risk of service provision shortfalls through subsidies and protection of the competitive processes aimed at ensuring that the benefits are passed to consumers. A related consideration will be the level of fares in a liberalised air transport services market. Strategies would need to be put in place to identify communities or groups that might be adversely affected and to propose whether and how they should be supported. Future regionally based airlines owned by CARICOM under the Agreement establishing the CARICOM Single Aviation Area and the Single CARICOM air space initiative will need to

adopt clear and appropriate policies to allow these airlines to either compete or go out of business. In order to design and implement these provisions under the CSAA and the Single CARICOM airspace initiative, CARICOM Governments will need to strengthen policy and regulatory capacity in the following areas: management of anti-competitive conduct such as predatory pricing; design and management of service continuity; and fare subsidy schemes.

CARICOM has achieved a great deal of success in regional integration, particularly with respect to functional cooperation. Consequently, it is possible to build on the successes in functional cooperation by developing a regional approach to handle air transport via an Agreement establishing the CARICOM Single Aviation Area and a Single CARICOM air space. Investigating these options within the context of the CARICOM Single Market and Economy should be further examined by CARICOM Governments.

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# 33

# JURIDICAL AND CONSTITUTIONAL IMPLICATIONS OF CARICOM TREATY PRACTICE

*Duke Pollard*

## Introduction

> "The centrality of treaties to the international legal system requires little emphasis. Not only is the treaty a source of law that the International Court of Justice *(ICJ) is bound to apply under Article 38(1) (a) of its statute when resolving international disputes but it is also the medium through which the vast preponderance of international legal intercourse is now conducted.*"

In one submission, treaties are an important means through which states deal with one another and a precise method of regulating relations between states.[1] Treaties regulate important areas of international law, like the law of the sea[2] and environmental law,[3] while they are of utmost importance in international economic relations,[4] international investments,[5] communications[6] and human rights.[7] Negotiation and conclusion of treaties by the executive normally engage the exercise of prerogative powers at the international plane in the extremely volatile and sensitive area of foreign relations which, incidentally, are not now adjudged to be amenable to judicial review.[8] Consequently, the injudicious employment of such powers may put the executive on a collision course with national assemblies, thereby resulting in complex and intractable constitutional problems. Treaties have become the generally acceptable mode in the unorganised international community of allocating both tangible and intangible economic assets and regulating access to communal resources in every spatial dimension-land, sea, air,

outer and inner space.[9] More importantly, within recent times, municipal courts in the Commonwealth have placed tendentious interpretations on treaties such as to accord them, unwittingly, misconceived juridical incidence at the municipal plane with probable negative constitutional implications for governance based on the rule of law.[10]

Following the termination of hostilities in the Second World War, multilateral treaties conceptualised, negotiated, deliberated and determined by the victorious allies, became the vehicles of choice for allocating the shared resources of the international community and regulating interstate conduct in economic activities.[11] Since that time, tectonic developments in science and technology have operated to intensify and complicate intercourse in the international community and to increase reliance by states entities on international legislation through the elaboration of treaties. Today, treaties appear to be the most efficacious means of addressing issues of international concern which impact importantly on national life. The emergence of globalisation and liberalisation, as exemplified in the treaty establishing the World Trade Organisation (WTO), has not only made international competitiveness the dominant imperative of national economic survival, but has also motivated CARICOM states to revise the constituent instrument of their regional economic integration initiative in order to advance the quality of plurilateral cooperation on the basis of an appropriate paradigm of economic development responsive to the new dispensation.[12]

Despite the growing importance and insidious intrusiveness of multilateral treaties in the domestic affairs of independent states, especially the small nation state, there is no verifiable occasion on which a CARICOM state has been summoned before an international tribunal to account for its breach of an international treaty obligation. This is due in large measure to the insignificance of CARICOM states as political or economic actors in the wider international community, their disposition to discharge international obligations towards third states, and a general reluctance to litigate disputes among themselves in competent international tribunals. This probably also explains the depressingly cavalier and lackadaisical approach of such states to the conclusion and implementation of treaties generally. The numerous claims on the exiguous financial resources of many CARICOM states likewise explain the lack of resources available for allocation on matters concerned with the negotiation, elaboration, adoption, signature, ratification and monitoring of treaties. In the result, the treaty practice of CARICOM States leaves much to be desired. Moreover, there appears to be an egregious lack of appreciation concerning the importance of multilateral treaties and their potential impact on the quality of governance in national jurisdictions.[13]

Consequently, this chapter will attempt to examine the treaty practice of CARICOM States as compared to that of advanced economies and to draw attention to some of the intransigent problems associated with multilateral treaties in terms of managing the entire process, including their elaboration, adoption, conclusion and implementation. It is proposed to adopt as the point of departure of this examination the treaty-practice of the United Kingdom which, as the dominant metropole of an earlier colonial era, would have been expected to guide the conduct of its CARICOM political progeny in this particular.

## II. CARICOM Treaty Practice

Given the historical role of the United Kingdom at the centre of many important activities in the international community, there can be no doubt that its treaty practice is likely to harbour many beneficial lessons for CARICOM States and will be employed as the point of departure for this chapter. The Secretary of State for Foreign and Commonwealth Affairs of the United Kingdom has primary responsibility for concluding treaties and for the policy aspects of treaties as well as issues of their form, procedure and international law implications. The legal advisers of the Foreign and Commonwealth Office (FCO), including those in the Treaty Section thereof, must be afforded an opportunity, therefore, to comment on all treaties and to evaluate their implications for domestic law and interested departments of government before a determination is made to sign or ratify them.[14] Very often, a determination has to be made whether the UK should participate in the negotiation and elaboration of some treaties in order to ensure, as far as practicable, protection of British interests in the proposed regimes. In some rare cases, the FCO has been known to participate in the deliberation, negotiation and elaboration of international instruments without considerable prior discussion with, or inputs from, other interested departments of Government. The European Convention on Human Rights is an excellent case in point.[15]

The various procedures employed by the UK in addressing deliberations on treaties accompanied by their adoption, signature and ratification will depend on the nature of the instrument as a bilateral or multilateral one, as well as the nationality of the other party or parties concerned, as the case may be. As a permanent member of the Security Council of the United Nations, Britain is entitled to a seat, by convention, on the International Law Commission (ILC) and on the United Nations Commission on International Trade Law (UNCITRAL) where important multilateral treaties sponsored by the United Nations have

their provenance. France, Russia, the People's Republic of China and the United States are similarly entitled. Further, Britain is normally represented in the Sixth Committee of the United Nations, where several multilateral treaties are elaborated or pass muster prior to their adoption by the General Assembly.[16] Signature of such international instruments normally follows their evaluation by the Treaty Section of the FCO and other departments of Government, as well as informed comments by organisations of civil society which may have expressed an interest in their subject matter.

Ratification of treaties frequently engages important commitments of the state at the international plane and these instruments are, consequently, carefully perused to determine the obligations, if any, which participation in the relevant treaty regime will impose on the state. Many treaties contain reporting requirements which small states, more often than not, consider onerous. Furthermore, since the ratification of treaties is an executive act involving the employment of prerogative powers at the international plane, the administration may wish to keep legislators informed of the policy implications of one or another international instrument and would lay the same in Parliament for three weeks (pursuant to the Ponsonby Rule), accompanied by an appropriate explanatory memorandum detailing important features of the instrument and the implications thereof, at the international or municipal plane, as the case may require. This is all the more advisable since the discharge of any treaty obligation requiring new legislation, or an amendment of existing legislation, or the vesting of additional powers in the Crown, or involving the acquisition of territory or expenditure from the consolidated fund, must have the prior approval of Parliament.[17]

However, it is important to note that there is no legal requirement for the executive to lay treaties in Parliament. The practice of laying treaties subject to ratification in Parliament is merely a convention whose breach cannot engage legal responsibility. All original treaty documents must be sent to the Treaty Section of the FCO which arranges for their publication as command papers and laying before Parliament pursuant to the Ponsonby Rule mentioned above. The Treaty Section is also responsible for the registration of treaties with the United Nations, pursuant to Article 102 of the Charter. All notifications about treaties to which the UK is party as well as objections, declarations and reservations intended to be entered to treaties must be notified to the Treaty Section. This section also monitors the implementation of treaties to determine whether the UK is complying with its obligations in terms of reporting requirements, the enactment or amendment of relevant legislation, as the case may require, and such like.[18]

In the United Kingdom and other developed countries the Foreign Office is usually responsible for registering treaties with the United Nations pursuant to Article 102 of the Charter,[19] for advising on national participation in prospective regimes and for monitoring the implementation of these instruments. Further, there is normally a lapse of two or three years between signature and ratification of treaties by developed states. Before ratification, departments of government interested in the subject matter will be given an opportunity to examine and react to these instruments in order to allow the administration adequate time to enter any reservations or make declarations which may be perceived to be required on ratification. Sometimes, reservations are entered or declarations made on signature. This period is also used to determine whether existing legislation needs to be amended or new legislation enacted or if the discharge of obligations arising under the treaty requires expenditure from the national consolidated fund. If this is the case, then the treaty must be formally incorporated by legislation. Where such incorporating legislation is not required, then it appears that treaties may be implemented by executive action. Consider in this context the concept of treaty-compliant executive conduct enunciated in a determination of the Caribbean Court of Justice.[20] It is only where all steps have been taken to ensure satisfaction of treaty obligations that an appropriate instrument of ratification should issue over the signature of the Minister of Foreign Affairs or other competent official[21] and dispatched to the depositary, as required.

In CARICOM, it appears that many ratified treaties remain unimplemented by legislation,[22] and the monitoring of such instruments to ensure compliance with relevant obligations is honoured more in the breach than in the observance. In this connexion, it appears that not all CARICOM States have established and maintained treaty registers.[23] In effect, the treaty practice of CARICOM states, generally, appears to be more a function of resource constraints than a natural disposition for deviant conduct. The unconventional treaty practice of CARICOM states was eminently demonstrated by the positive response by regional heads of government to an impromptu invitation of President Chavez of Venezuela to proceed to Puerto la Cruz to sign the PetroCaribe Treaty, without even being afforded an opportunity for adequate consultation with their national cabinet members.[24] Barbados was alone in determining that this process was politically unacceptable and declined to attend the signing ceremony. The absence of Trinidad and Tobago from the meeting appears to have been informed by other considerations of principle.

CARICOM states' treaty practice, to the extent that such a practice may be discerned to exist, is not uniform and appears to be a dysfunctional compendium of inherited history, diplomatic inexperience and administrative

resource constraints. Prior to independence, Britain from time to time applied the provisions of various multilateral treaties as an incident of imperial domestic policy to her colonies in the Caribbean and elsewhere. For instance, in 1953, the provisions of the European Convention on Human Rights were applied to the Caribbean pursuant to the Article 56 of that instrument.[25] Consequently, some Commonwealth Caribbean countries, on attaining independence, felt constrained to engage the services of leading international lawyers to advise on the treaties to which they should succeed.[26] Although the concept of automatic succession to treaties has been enunciated by leading treaty lawyers,[27] it is important to bear in mind that this concept does not appear to interface very comfortably with two fundamental principles of international law regarding sovereign equality and consent of states. Other experts also volunteered advice on the organisation of foreign offices in order to allow them to participate effectively and meaningfully in the treaty-making process following independence.

As a general rule, however, it does not appear that, due to resource constraints, the majority of CARICOM Governments accord a very high priority to participating in the elaboration of important multilateral treaties which are known to affect their national well-being.[28] An exception that proves the rule is probably the United Nations Convention on the Law of the Sea (UNCLOS). In point of fact, representatives of the larger CARICOM states played such an important role in the negotiation and elaboration of this Convention, especially as regards the conceptualisation and promotion of the exclusive economic zone,[29] that it was actually signed in Montego Bay, Jamaica, in 1982, partly in acknowledgement of CARICOM's contribution to the process. This also explains the siting of the headquarters of the Seabed Authority in Jamaica. Guyana, Jamaica, Barbados, and Trinidad and Tobago also actively participated in both sessions of the Vienna Conference on the Law of Treaties (1968-9) and Guyana played an important role in the acceptance of the provisions of article 62(2)(a) regarding the principle of *rebus sic stantibus* and its non-applicability to boundary treaties. Guyana's participation in the Vienna Conference was informed by the objective of confirming the legitimacy of the Arbitral Award in 1899, in relation to the outlandish Venezuelan claim to two-thirds of its territory. Similarly, for years Guyana participated in the work of the UN Committee on Defining Aggression in which it was perceived to have a special interest inspired by the allegedly aggressive conduct of Venezuela in illegally occupying Guyana's half of the border island of Ankoko. More importantly, however, small CARICOM states do not possess the resources, human and material, to play a more active role in the negotiation and elaboration of multilateral treaties likely to impact on their national interests. But, whenever important national interests are perceived to

be at stake, herculean efforts are normally made to participate in the elaboration of relevant international instruments. This attests to their growing awareness that, in the ultimate analysis, the security of small states relies on respect for the international legal order.[30]

Although the Minister responsible for Foreign Affairs is normally expected to play a visible role in the conclusion and ratification of important multilateral treaties to which CARICOM states are parties, treaty law advisers do not necessarily come from this office. In point of fact, there is no treaty section consisting of international lawyers in Ministries of Foreign Affairs. In several CARICOM countries, lawyers trained in international law are to be found in the offices of the Attorneys-General. This appears to be the position in Barbados, Jamaica and Saint Lucia.[31] In Trinidad and Tobago, there is one international lawyer in the Ministry of Foreign Affairs and another consultant trained in international law advises on international law matters. There does not appear to be anyone trained in international law in the Ministry of Foreign Affairs in Guyana. The situation does not appear to be different in Belize and the majority of OECS States of CARICOM. By way of indulging a measure of candour, it may be conjectured that CARICOM States may not be perceived as possessing the capabilities required to function effectively as independent states in the volatile international community. This appears to be the case in the area of treaties where the record of compliance by CARICOM states is depressingly in deficit.

## III Requirements of State Practice under the Vienna Convention

Given the definition of a treaty in the Vienna Convention on the Law of Treaties (VCLT), it is quite likely that many small states, including some CARICOM states, are unaware that there may be various treaty obligations with which they are required to comply, for reasons mentioned below. Article 2.1(1) of the VCLT defines a treaty as "an international agreement concluded between States in written form and governed by international law whether embodied in a single instrument or in two or more related instruments and whatever its particular designation." This definition in the characterisation of the International Law Commission (ILC) is not complete, omitting as it does any reference to other generally accepted subjects of international law like intergovernmental organisations and treaties of an oral nature.[32] Not all the Member States of CARICOM are parties to the VCLT,[33] thereby grounding the claim that breaches of its provisions may be visited by appropriate sanctions. The

foregoing, notwithstanding, many provisions of this instrument are generally regarded as constituting *lex lata* encapsulating norms of customary international law, or *de lege ferenda* being customary norms on the route to crystallisation.

However, there has been no definitive and comprehensive ruling by an authoritative international judical institution like the International Court of Justice (ICJ) regarding the status of various norms set out in the Convention. Some CARICOM States have also been active in seeking and gaining election to important law-making and treaty-making bodies of the United Nations and other organisations like the International Court of Justice (Guyana), the Inter-American Court of Human Rights (Barbados), the International Tribunal on the Law of the Sea (Trinidad and Tobago); the International Criminal Court (Trinidad and Tobago); the International Criminal Tribunal for the former Yugoslavia (Jamaica), the International Law Commission (Jamaica) and the Sixth Committee of the General Assembly (Guyana, Chairman). This attests to their awareness of the importance of treaties as a source of law in the international community.

Even more important is the *jus cogens* principle of *pacta sunt servanda* set out in Article 26 of the VCLT and which must be regarded as the *grundnorm* of treaty law requiring treaties to be observed in good faith.[34] The apparently casual approach of some CARICOM States in terms of respecting their treaty obligations does appear to support the inference that this primordial obligation of treaty law is little known and even much less respected, if known. In CARICOM, many a ratified treaty remains unimplemented and obligations assumed under treaties, including the constituent instrument of the Caribbean Community, remain largely ignored. This attitude towards the constituent instrument of CARICOM is informed by a general reluctance of Member States to hold one another to account by espousing the breaches of treaty obligations in competent international tribunals. In this connexion, it may be recalled that the original Treaty of Chaguaramas provided for arbitral machinery[35] but this was never used over the life of the agreement.[36] More damagingly, the Treaty of Chaguaramas (1973) which was the constituent instrument of the Caribbean Community and Common Market was not incorporated by several CARICOM states. Furthermore, although the Revised Treaty (2001) conferred on the Caribbean Court of Justice (CCJ) in the exercise of its original jurisdiction compulsory and exclusive jurisdiction to interpret and apply the instrument,[37] no contentious proceedings were ever initiated during the first three years of its establishment.

Equally important, but apparently not very well known in the present context, are the provisions of Article 27[38] of the Vienna Convention which, subject to Article 46,[39] prohibit states from invoking their internal law as a ground for not

carrying out the provisions of a treaty. In this connexion, an interesting case arose in a CARICOM Member State in relation to the Agreement Establishing the Council for Legal Education (CLE) where the Council of Legal Education pleaded the absence of an enacting provision in the Legal Profession Act as the ground for not observing the provisions of the Agreement. In this case, several law students of one Member State party to the Agreement were denied their entitlement to pursue professional studies in a school of law established for the purpose in another Member State because the second Member State had not implemented the relevant provision of the CLE Agreement.

No action was brought at the international plane by the state of the students aggrieved to vindicate their rights and the action brought by the students themselves at the municipal level did not and could not succeed.[40] The refusal of the Member State aggrieved to espouse the cause of its nationals was consistent with the culture of CARICOM States to resile from initiating litigation against one another. In this connexion it may be apposite to indicate that many treaty obligations are not normally enforced by CARICOM States despite the failure of offending states to incorporate the relevant instruments, and the states aggrieved are diffident in vindicating their rights in competent international tribunals. As a result, a laissez-faire attitude prevails in CARICOM concerning the implementation of treaties, so much so that the West Indian Commission, established to divine a new paradigm to take CARICOM into the new millennium, characterised implementation of treaty obligations, issuing from the constituent instrument of the Community, direct or indirect, as the "Achilles heel" of the regional economic integration movement.[41]

The apparently cavalier approach of some CARICOM states to the ratification and implementation of treaties and, in particular, the constituent instrument of CARICOM, has operated to call into question the credibility of some competent decision-makers in terms of their commitment to the regional economic integration movement. Some random examples of some CARICOM states' indifference to obligations assumed under the organisation's constituent instrument ought to suffice. One important pillar of the Caribbean Community established by the Revised Treaty is the coordination of foreign policy.[42] This pillar has been expressed to include coordination of foreign economic policy, in the absence of which there can be no meaningful integration of national economies of CARICOM. Although the Council for Foreign and Community Relations (COFCOR) is tasked with securing of this objective,[43] very little appears to have been achieved by this organ of the Community to coordinate some important foreign policy initiatives of Member States and to initiate proceedings to sanction intransigent deviants for breaches of the Revised Treaty in this particular.

Currently, several Member States of CARICOM recognise Taiwan[44] as the independent state of China, allegedly for economic reasons or, perhaps, for other reasons which might have much to do with a principled foreign policy. In this connection, substantial foreign aid is allegedly received by such states from Taiwan whose foreign reserves are known to be considerable. These states are Belize, Haiti, Saint Lucia, St Vincent and the Grenadines, and St Kitts and Nevis. Regional frustration and embarrassment generated by these apparent acts of deviant behaviour must have reached a high point when a recent change of government in a Member State is alleged to have resulted in the virtual "derecognition" of the People's Republic of China (PRC) and the "rerecognition" of Taiwan. In the result, a hospital allegedly being built in that state by the People's Republic of China remained incomplete!

Equally unfortunate is the failure of COFCOR to successfully coordinate the policies of the CARICOM States in relation to international whaling. Thus, while the MDCs (more developed countries of CARICOM) support the relevant decisions of the International Whaling Commission with regard to the banning of commercial whaling, several Member States of the Organization of Eastern Caribbean States (OECS) subgroup in CARICOM vote in favour of commercial whaling by the Japanese. It is not known to what extent, if any, the relevant determinations of the OECS countries concerned in relation to both the recognition of the PRC and international whaling are informed by considerations of principle. Be that as it may, whale watching is rapidly becoming an important tourist attraction in the OECS maritime jurisdictions and this activity is generally perceived as antithetical to commercial whaling. In the perception of the OECS states, however, sustainable exploitation of unendangered species of whales and whale watching as a tourist attraction were mutually inclusive desiderata.

Recently, the omission of some Member States to comply with commitments undertaken in the Revised Treaty reached new heights with the signing of the Bolivarian Alternative for the Peoples of our America (ALBA) Agreement by their representatives, allegedly, without previously consulting their prime ministerial colleagues. To the extent that ALBA has been touted to be the Bolivarian alternative to the FTAA and vigorously espoused by President Chavez of Venezuela, it would not be unreasonable to assume that trade preferences, concessions and similar economic and commercial arrangements are involved,[45] in which case, Article 80(4) of the Revised Treaty does appear to assume critical importance and any signing on to ALBA would require prior approval of the COTED. The conduct of the delinquent Member States was all the more disconcerting since Trinidad and Tobago is known to have been making a serious, credible bid to host the headquarters of the FTAA. But, it has been alleged that

Venezuela proposes to build an oil refinery in one delinquent Member State and has offered tangible benefits to the others. Similarly, other OECS Member States are allegedly contemplating signing on to ALBA without consulting their CARICOM colleagues or securing the required approval of the Council for Trade and Economic Development (COTED).

Compare, in this context, the partial scope agreement which Guyana concluded with Brazil and which was required to have been approved by the COTED before conclusion by Guyana. Similarly, Trinidad and Tobago was dissuaded from concluding a free trade Agreement with Costa Rica before the COTED determined that its provisions did not conflict with obligations assumed by Trinidad and Tobago under the Revised Treaty pursuant to Article 80(4). In the result, the Trinidad and Tobago initiative was subsequently transformed into a CARICOM/Costa Rica free trade agreement, and is allegedly the template for a CARICOM/ Central America agreement.

These instances of alleged breaches of commitments assumed under the Revised Treaty speak volumes about the unconventional treaty practice of some CARICOM States and, if established, do not augur well for a structured approach to the regional economic integration movement. Predictably, the conduct of the CARICOM States concerned has allegedly been rationalised on the ground that CARICOM, unlike the European Union, is an association of sovereign states[46] thereby entitling every state, in the ultimate analysis, to assert its sovereignty in the conduct of its foreign policy. In the present submission, however, this alleged statement of policy does not appear to accurately express the position in international law. Postulated in other terms, it is juridically misconceived! For, inasmuch as sovereignty in essence comprehends the faculty to compromise it, on joining an international regime requiring constraints on the exercise of sovereignty, sovereign states must be regarded as voluntarily accepting, as an attribute of sovereignty, limitations on their sovereignty to the extent provided for in the particular regime, although such limitations are not to be readily presumed.[47] In the premises, states found to be in breach of relevant treaty obligations set out in the regime may be called to account by engaging their international responsibilities. However, it must be emphasised that despite the alleged breaches mentioned above, CARICOM states have achieved a significant measure of foreign policy coordination in many areas, especially in respect of candidatures to various intergovernmental institutions and supporting the territorial integrity of Guyana and Belize.[48]

Equally perceived as counterproductive for the structured economic development of the CSME was the manner by which several CARICOM States, as mentioned above, took advantage of concessional arrangements offered by

Venezuela for the purchase of petroleum under the so-called PetroCaribe Agreement. Despite the fact that this arrangement might irretrievably compromise subsisting contractual arrangements by Trinidad and Tobago to supply petroleum products to several CARICOM states, no attempt was made by the receiving states to consider and discuss the commercial and economic implications for the supplying state of disrupting settled contractual arrangements for the supply of petroleum products and engaging the services of a new supplier, Venezuela, on concessional terms. Such cavalier conduct in respect of compromising or engaging important international commitments operate to compromise the integrity of the treaty-practice of CARICOM states. Similarly, Guyana was alleged to have unilaterally and without the required permission of COTED, suspended the common external tariff (CET) on cement, thereby allegedly prejudicing the interests of Trinidad Cement Limited (TCL). Uncharacteristically, this alleged breach of the Revised Treaty was brought before the CCJ and other aggrieved persons, legal and natural, were allegedly contemplating the institution of contentious proceedings in the original jurisdiction of the Court. The CCJ found Guyana to be in breach.

The diffidence generally displayed by CARICOM states in complying with some treaty obligations may be ascribed in large measure to an apparent naiveté about the onerous responsibilities of statehood and a palpable lack of both the economic and human resources required to discharge such responsibilities. More often than not, competent departments of government do not possess the required capabilities to evaluate and advise on the nature and implications of treaties, or to monitor their implementation so as to ensure that relevant obligations assumed at the international plane are discharged. For example, despite numerous allegations of breaches of the Revised Treaty, by one or another CARICOM state, it is only within recent times that one party aggrieved has approached the CCJ to complain of a breach of a treaty obligation. Put another way, many CARICOM States, not unlike other small states in the international community, are deficient in the required capabilities or even lack the will to discharge the responsibilities of sovereign states. Yet, there appears to be extreme intransigence by such states to pool their resources and to compromise some attributes of sovereignty to the extent necessary to exploit national synergies and optimise economies of scale and scope for the common weal. Contrast in this context, the attitude of the states of the European Union.

Following this cursory examination of alleged breaches of CARICOM's constituent instrument by one or another Member State, it does appear to be a matter of concern that no proceedings, contentious or advisory, have been instituted by parties aggrieved and entitled to initiate such proceedings.[49] Thus,

the question falling to be determined is the reason for such apparent diffidence. In the present submission, the answer may be found both in the prevailing culture of CARICOM, which traditionally resiles from litigating disputes in competent international tribunals. Further, the relevant provisions of the Revised Treaty do not accord the Caribbean Court of Justice (CCJ) an unqualified competence to hear and determine disputes exclusively and compulsorily. Thus, the exclusive and compulsory jurisdiction of the CCJ to determine disputes concerning the interpretation and application of the Revised Treaty set out in Article 211 is expressly made subject to the Treaty.

In order to appreciate the far-reaching implications of the qualification "subject to this Treaty" set out in Article 211 of the Revised Treaty, it is necessary to understand that this formulation, which appears to be the darling of legal draftspersons, is a convenient and potent tool for introducing dominant provisions, followed by subservient provisions of a legal instrument.[50] In the premises, given the relevant language of commitment, the jurisdiction of the CCJ may be activated only after disputants or potential litigants have opted not to rely on other relevant provisions of the Revised Treaty. In this connexion, reference may be made to the provisions of Article 12(8) of the Revised Treaty which empowers the Conference, the supreme organ of the Caribbean Community, to resolve disputes between Member States. Many such disputes are, in fact, resolved by the Conference, either in caucus or open forum, but more often than not in caucus, in the margins of meetings of organs of the Community out of the glare of the media and the public. Furthermore, Article 188(1) of the Revised Treaty identifies a broad range of dispute settlement modes which are available to states parties in resolving disputes. These modes include consultations which, according to Article 190(1), require any state requested to hold consultations to comply with such a request. In the premises, adjudication appears to be a dispute settlement mode to which recourse is made as a matter of last resort.

Before terminating discussion on the treaty practice of CARICOM States, two outstanding examples of the weaknesses inherent in the sub-regional approach to treaties may be cited. The first relates to the Treaty Establishing the World Trade Organisation (WTO) comprising an impressive compendium of multilateral and plurilateral agreements, declarations and understandings constituting a considerable body of law relating to international trade, finance, intellectual property, production and development. Conspicuously lacking in the capabilities required to examine and appreciate the legal, economic and other implications of those instruments and declining to engage relevant third party expertise for the purpose, Heads of Government of CARICOM did not miss the photo opportunity accorded them in Marrakech (1992) and uncritically

signed and subsequently ratified this seminally important instrument. Therefore, having hastily committed their states to complying with obligations set out in this instrument, CARICOM Governments are now leisurely beginning to suffer the consequences of their political insouciance.

The second example relates to the European Partnership Agreement (EPA) which was recently negotiated and initialled on behalf of the CARIFORUM States which consist of CARICOM and the Dominican Republic. In this extremely important area of international trade and development, CARICOM exhibited a depressing cacophony of responses, with Barbados and Jamaica extolling the positive attributes of the EPA, Guyana deploring its negative features and the majority of CARICOM States declining to express an opinion. In point of fact the elaboration of the CARIFORUM/European Union EPA provided an excellent example of the foibles of CARICOM treaty practice whereby the Regional Negotiating Machinery (RNM) by its very existence and remit confirmed the negotiating deficit of CARICOM countries. The RNM which negotiates multilateral trade agreements on behalf of the subgroup was allegedly authorised to initial the instrument before all CARICOM States were afforded an opportunity to peruse and address the implications of the EPA. In the result, several CARICOM States, together with the CARICOM Secretariat, are not *ad idem* with the rest of CARICOM on the positive aspects of the instrument whose signature has had to be postponed and its regional detractors are advocating its reappraisal and renegotiation prior to signature and ratification. In effect, the CARIFORUM/European Union EPA appears to provide another incontrovertible instance of unsuccessful coordination of national foreign economic policies in CARICOM.

Despite the above, it is not unreasonable to conjecture that the current attitude of CARICOM States towards treaty obligations will not be carried over into the Economic Partnership Agreement recently concluded with the countries of the European Union. This agreement sets out a decision-making mechanism and a disputes-avoidance and disputes-settlement regime which appear to be quite credible on the face and are accompanied by enforcement measures designed with such specificity as is required to ensure compliance with the determinations of competent decision-making authorities and relevant dispute settlement bodies. History will attest whether the CARIFORUM/European Union Economic Partnership Agreement heralds a new era in the treaty practice of CARICOM States.

## IV Legal Implications of Dualism for CARICOM States

Paul Reuter, leading authority on the law of treaties submitted, *"(c)learly, it is in the interest of all states that no question which might concern them should be settled without their participation and, if possible their consent; but conversely, the absence of a small or even middle-ranking state has seldom been regarded as an obstacle."*[51] This statement perceptively addressed the inescapable fact of power differentials in the elaboration of treaties by international actors as well as the inherent vulnerability of small sovereignties in transacting business in the international community. When it is recognised that various multilateral agreements elaborated today harbour potentially negative impacts for small states lacking in both the expertise and financial resources to participate effectively in their elaboration, the implications of third party intervention in domestic affairs of states assume considerable relevance. Where the executive in the exercise of prerogative powers signs on to such treaties, the requirement that they are incorporated before creating rights and obligations for private entities at the municipal plane operates to ensure respect for the democratic principle and the doctrine of separation of powers, both of which are indispensable for governance based on the rule of law. This is where dualism as a constitutional law concept may be seen to play a prophylactic role in the treaty implementation process of CARICOM states.[52]

Since the overriding majority of CARICOM states subscribe to dualism,[53] a status which may be inescapably inferred from the provisions of Article 240(1) of the Revised Treaty, the provisions of treaties are incapable of having direct effect in the municipal law jurisdictions of such states. Even in the United States where duly ratified treaties are expressed in its Constitution to have the force of law, the Supreme Court has determined that not all ratified treaties, especially human right treaties, have direct effect.[54] However, although ratified treaties cannot prevail over the US Constitution or subsequent inconsistent legislation they will supersede conflicting state law, subsequent or precedent.[55] A duly ratified treaty is only judicially enforceable if it is self executing (or operable without legislative intervention) or is enacted by domestic legislation: *Reed v Covert* 554 US 1 (1957). In this context, it is important to note that US courts have ruled that human rights provisions of the UN Charter are not self-executing: *Sei Fujii v California.*[56] But in *Filartiga v Peña Irala,*[57] the US Supreme Court determined that torture was prohibited under customary international law and that its prohibition may have even achieved the status of a *jus cogens* norm[58] and, as such, was automatically incorporated in the common law of the United States.

Statutory incorporation of treaties by states in their municipal law may be achieved either by direct or indirect enactment. Consequently, since the overriding

majority of CARICOM states subscribe to dualism, statutory incorporation is required in order to ensure that private entities benefit from relevant provisions of treaties. Consider in this context the provisions of Article 240(1) of the Revised Treaty which is a clear and unambiguous endorsement of the dualist principle. Contrast in this context also the position of the European Court of Justice (ECJ) enunciated in *van Gend en* Loos,[59] where it was determined that certain provisions of the Treaty of Rome 1957 had direct effect.

Rights and obligations arising in or under the Revised Treaty and which are to be deliberated and determined by the CCJ are conferred/imposed, in the first instance, on states parties to it as subjects of international law. Municipal courts of the countries of CARICOM subscribing to the dualist doctrine of international law, in effect, all such states except Suriname and Haiti which subscribe to the monist doctrine of international law, have no power to interpret and apply treaties.[60] They may look at them, however, in order to determine compliance by states with their international obligations assumed there under. In this context, CARICOM States subscribing to dualism and incorporating the Revised Treaty have all provided in their enactments that the provisions of the instrument shall have the force of law.[61] In effect, incorporation is by indirect enactment.

In *Littrell v USA (No. 2),* Lord Hoffmann, in addressing the peculiarity of dualism as a legal doctrine, cited with approval the *dictum* of Lord Kingdom in *Secretary of State in Council of India v Kamachee Boye Sahaba* (1859) 13 Moo PCC 22 at 75 where he asserted: "The transactions of independent states are governed by other laws than those which municipal courts administer: such courts have neither the means of deciding what is right, nor the power of enforcing any decision which they may make". In short, unincorporated treaties cannot create rights and obligations directly for citizens of CARICOM. In the absence of incorporation, treaties concluded by countries of CARICOM, like those of the United Kingdom, are not justiciable in the municipal courts of CARICOM countries.[62] Where treaties are incorporated by legislative enactment they lose their status as international law instruments and become, *ipso facto,* municipal law instruments subject to the ordinary rules of statutory interpretation.[63] This is not the position in monist jurisdictions.

Since unincorporated treaties are not self-executing in the dualist jurisdictions of CARICOM states, they have to be enacted into municipal law in order to have legal incidence for private entities.[64] Incorporation of a treaty as intimated above may be by direct or indirect enactment. Where indirect enactment is employed by the draftsman, the instrument in the *dictum* of Lord Diplock is *"couched in conventional*. . . legislative idiom, designed to be construed exclusively by. *judges*".[65] However, the process of indirect enactment yields no plausible guarantee of the

uniform application of a treaty which has many parties since drafting styles in different jurisdictions are vulnerable to the well-known aphorism *"quot hominess tot sententiae"* (there are as many opinions as there are men).

Direct enactment does not involve the draftsman in attempting to cast in more exacting legislative idiom, the looser provisions of a treaty. All the drafter is required to do is to expressly provide in the enacting instrument that one or another provision of the treaty, or for that matter, the entire treaty, shall have the force of law in the relevant jurisdiction. In the characterisation of Francis Bennion, *"(w) ith direct enactment, instead of the substantive legislation taking the well-known form of an Act of parliament, it has the form of a treaty. In other words, the form and language found suitable for embodying an international agreement become, at the stroke of a pen, also the form and language of a municipal legislative instrument.* "[66]

Where direct incorporation is employed, "*(i)t is not the treaty but the statute which forms part of English law. And English courts will not (unless the statute expressly so provides) be bound to give effect to the interpretations of the treaty by an international court, even though the United Kingdom is bound by international law to do so"*[67] This statement of the law applies, *mutatis mutandis,* to the CARICOM dualist jurisdictions; but incorporation of a treaty by direct enactment even though, *stricto juris,* this method subjects the instrument to the ordinary rules of statutory interpretation, also facilitates interpretation of its terms *"unconstrained by technical rules"* and by reference to *"broad principles of general acceptation.*[6] Such principles of general acceptation are, in the present submission, to be found in Articles 31-2 of the Vienna Convention on the Law of Treaties which address the interpretation of treaties.

## V Unincorporated Treaties and the Municipal Law of CARICOM States

The legal incidence of unincorporated treaties in the municipal law of CARICOM states must be seen as a function of the particular state's jurisdiction as dualist or monist, since CARICOM states fall into one or another of these defined categories and sometimes marginally, into both, as in the cases of Saint Lucia and Guyana. Where, however, the state concerned subscribes to dualism, the legal incidence of unincorporated treaties in such a jurisdiction is roughly similar to that of the United Kingdom except that common law CARICOM states do not subscribe to the doctrine of Parliamentary supremacy or sovereignty, since their constitutions are normally designated the supreme law. As a first

step in considering this issue, it may be useful to remember that many rules of customary international law have their origins in treaties or may be reflected in the provisions of one or another treaty. Where this is the case, such a rule of customary international law is automatically incorporated in the common law without legislative or judicial intervention.[69] Nevertheless, the courts may be required to pronounce on the status of such a norm in order to determine whether it is *lex lata* or *de lege ferenda.* Thus, the US Supreme Court ruled in *Filartiga v Peña Irala* that torture is a violation of customary international law.[70]

Other than occasionally encapsulating rules of customary international law which are incorporated automatically in municipal law, unincorporated treaties may also exert considerable indirect influence on municipal law through the applicable rules of statutory construction. In this context, it is useful to bear in mind that treaties may be employed by municipal courts as aids in the interpretation of legislation, since the legislature is presumed not to enact laws inconsistently with the state's treaty obligations.[71] It is not entirely clear, however, whether the relevant international instrument must precede the legislation or whether the legislation, if it precedes the international instrument, must have been enacted in anticipation of such an instrument. However, relevant *dicta* of Lord Diplock in *Garland v British Rail Engineering* Ltd.[72] do appear to suggest that the legislation must be subsequent to the signature or ratification of the instrument as the case may require. He maintained that it is a well established principle of construction "that the words of a statute ***passed after the Treaty has been signed*** *and dealing with the subject matter of the international obligation . . .are to be construed if they are reasonably capable of bearing such a meaning as intended to carry out the obligation and not to be inconsistent with it. "*Further, where a statute contains provisions which are clearly inconsistent with those of an earlier treaty, the court must apply the provisions of the statute in preference to the treaty, for in the ultimate analysis Parliament has the unfettered discretion to legislate in contravention of a treaty.[73]

In the United Kingdom, like other commonwealth countries, the status of unincorporated treaties has been definitively and conclusively determined by the courts.[74] Nevertheless, the Judicial Committee of the Privy Council (JCPC) in some recent decisions in the CARICOM states in fulfilment of their alleged doctrinal position on the ultimate sanction, have attempted to construe the applicable law in a manner that would have had the unwelcome effect of compromising, somewhat unwittingly, good governance in CARICOM based on the rule of law. Constitutional principle well supported by judical authority prescribed that an unenacted treaty was not part of English Law until such time as Parliament passed the necessary legislation.[75] As posited by Stark "if, however,

the provisions of a treaty made by the Crown were to become operative within Great Britain automatically and without any specific act of incorporation, this might lead to the result that the Crown could alter the British municipal law or otherwise take some important step without consulting Parliament or obtaining Parliament's approval."[76] This would do violence to the democratic principle and the separation of powers doctrine constituting the basis of good governance.[77]

There is considerable authority in the Commonwealth to support the proposition that unenacted treaties lack direct effect in dualistic common law jurisdictions.[78] In support of this position one only needs to refer to the important *dicta* of Lord Bridge in *Regina v Secretary of State for Home Department ex p. Brind:*

> ". . . like any other treaty obligations which have not been embodied in the law by statute, the Convention (for the Protection of Human Rights and Fundamental Freedoms) is not a part of the domestic law, that the courts accordingly have no power to enforce Convention rights directly and that, if domestic legislation conflicts with the Convention, the courts must nevertheless enforce it . . . ***When Parliament has been content for so long to leave those who complain that their Convention rights have been infringed to seek their remedy in Strasbourg, it would be surprising suddenly to find that the judiciary had, without Parliament's aid, the means to incorporate*** the Convention into such an important area of domestic law and I cannot escape the conclusion that this would be a judicial usurpation of the legislative function."[79]

## VI Constitutional Implications of Unincorporated Treaties

In the civil law jurisdictions of Haiti and Suriname which subscribe to the monist doctrine of international law, the principle of direct effect has application. In these jurisdictions, international law and municipal law constitute one continuum, unlike CARICOM jurisdictions subscribing to dualism where the discreteness of these regimes must be seen as axiomatic.[80] In civil law jurisdictions, international law occupies pride of place in the juridical structure and treaties are required to be approved by the legislature before ratification by the executive, thereby acknowledging the constitutional legitimacy of the democratic principle in the structure of governance.

As was seen in states subscribing to dualism, the executive concludes treaties in the exercise of its prerogative powers at the international plane with

no constitutional requirement to submit these instruments for prior legislative approval. It is for this reason that unincorporated ratified treaties are not recognised as having any legal incidence at the municipal plane, so much so that treaties are not justiciable in municipal courts and the exercise of prerogative powers at the international plane is not amenable to judicial review. In effect, dualism must be regarded as an important constitutional principle which may be deployed to ensure the separation of powers doctrine on which good governance based on the rule of law is perceived to be predicated.

Given the long line of authorities in the Commonwealth establishing that unincorporated treaties are incapable of having direct effect, it is not without considerable significance that the JCPC in *Thomas v Baptiste*[81] ruled that, in the characterization of Lord Hoffman in *Higgs & Mitchell v Minister of National Security,*[82] "the due process clause in Section 4(a) of the Trinidad and Tobago Constitution gives the Crown power to accept an international jurisdiction as part of the domestic criminal justice system". In my respectful opinion, however, Lord Hoffman's characterization of the ratio in *Thomas v Baptiste*[83] set out above appears to be deficient in an extremely important particular. The operative words of Lord Millet's *dicta* were "By ratifying a treaty which provides for individual access to an international body, the government made that process for the time being part of the domestic criminal justice system and thereby temporarily at least, extended the scope of the due process clause in the Constitution."

The language of commitment employed in Lord Millette's statement was clear, unambiguous and incontrovertible. It did not speak of a "power to accept an international jurisdiction as part of the domestic criminal justice system". It emphatically stated that by engaging in the international act of ratifying a treaty the executive "made that process (the international criminal justice system) part of the domestic criminal justice system" and thereby temporarily at least "extended the scope of the due process clause in the Constitution". Postulated in other terms, *the executive by virtue of a prerogative act at the international plane had amended provisions of the constitution.* In effect, what the executive in Lord Hoffman's perception had the power to do was to make a mockery of the constitutional principle of dualism, as well as the democratic principle and the separation of powers doctrine, viscerally perceived in CARICOM States as required for governance based on the rule of law. The CCJ, in its determination in **AG v Joseph & Boyce,** unequivocally enunciated the unacceptability of such a position!

In point fact, even though the decision of the JCPC in *Neville Lewis v AG of Jamaica* is generally regarded as following the ruling in *Thomas v Baptiste,*[8] on close examination it does appear that the decision in *Neville Lewis* was considerably

more juridically discerning than the latter. For what Lord Slynn did say in *Neville Lewis* was that the government, by ratifying the American Convention on Human Rights *and allowing petitioners to access human rights bodies* pursuant to obligations assumed at the international plane, was precluded by the protection of the law provision in the Jamaican Constitution from arbitrarily foreclosing that avenue of redress.

Applying the reasoning employed in *AG v Boyce & Joseph,* the action of the executive in *Neville Lewis* would be regarded as treaty-compliant conduct at the municipal plane, giving rise to a legitimate expectation that the condemned men would be allowed to access the international criminal justice system and require the Jamaica Privy Council to await the report of the relevant human rights body before making its determination on the issue of commutation or death. In this way no violence would have been done to the separation of powers doctrine. Consider in this context the decision of the Queen's Bench Divisional Court in *Regina v Secretary of State for Home Offices ex parte Weeks*,[85] which, interestingly enough, predated *Thomas v Baptiste*.[86]

In this case, the applicant applied to the European Commission of Human Rights alleging violations of Article 5 of the European Convention on Human Rights which was ratified by the United Kingdom government but not enacted in statute law. The European Court of Human Rights determined that Article 5 of the Convention had been violated. The applicant applied to the Home Secretary for compensation pursuant to Article 5 of the Convention, but this was refused on the ground that the Convention was not enacted and the applicant could not apply directly for compensation. The applicant, however, relied on a statement of the Home Secretary made in Parliament in which he undertook to pay compensation to persons where this was required by the United Kingdom's international obligations. The applicant's reliance on a legitimate expectation engendered by the statement of the Home Secretary was rejected by the court only because the facts of his case did not come within the parameters of the Home Secretary's statement.

The facts of this case clearly support the proposition that a legitimate expectation is created by the treaty-compliant executive conduct established at the municipal plane and not by the ratification at the international plane of an unincorporated treaty. This appears to be a correct statement of law since it respects the constitutional requirements of dualism, the separation of powers doctrine and the democratic principle, all of which are perceived to be indispensable for good governance based on the rule of law. In the premises, the judgments in *Teoh's Case*[87] and *Thomas v Baptiste*[88] which followed it cannot be regarded as good law, in threatening to jeopardise the aforementioned constitutional principles.

That the determination of the JCPC in *Thomas v Baptiste* was juridically misconceived is reinforced by its decision in *Independent Jamaican Council for Human Rights v Syringa Marshall & AG of Jamaica.* In this decision Lord Bingham made it quite clear what constituted an amendment of the constitution. In his characterisation, ". . . if it is different. the effect is to alter the regime".[89] Based on this premise it is clear that the *dicta* of Lord Millete must be construed as acknowledging an amendment of the constitutional regime *ipso facto* by ratification of a treaty. This calls to mind the statement of Lord Diplock about Westminster constitutions and the requirements for their modification. Such constitutions, said Diplock "include a chapter dealing with fundamental rights and freedoms. The provisions of this chapter form part of the substantive law of the state and ***until amended by whatever special procedure as laid down in the Constitution for this purpose,*** impose a fetter upon the exercise by the legislature, the executive and the judiciary of the plenitude of their respective powers".[90] In the premises, it is clear that ratification of a treaty *per se* is incapable, *ipso facto,* of having the effect Lord Millette ascribed to it and that the determination of the JCPC in *Thomas v Baptiste*[91] must be seen to have been juridically misconceived.

What in effect the offending *dicta* of Lord Millette was asseverating could have had serious and far-reaching negative constitutional implications for the independent states of the Commonwealth Caribbean. He was, in effect, asserting that executive acts undertaken at the international plane in the exercise of prerogative powers had direct effect on the supreme law, the constitution, thereby compromising, if not emasculating, the constitutional doctrine of dualism, the separation of powers doctrine and the democratic principle. The JCPC in *Neville Lewis,* although assimilating "due process of law" in Section 4(a) of the Constitution of Trinidad and Tobago to "protection of the law" in Section 13 of the Jamaica Constitution and proceeding from there to determine that the Jamaica Privy Council had to await the report of the competent human rights body, did not assert that the act of ratification by the executive *per se* had this effect. The Board was extremely careful to indicate that *"(i)n their Lordships' view when Jamaica acceded to the American Convention and to the International Covenant* ***and allowed individual petitions,*** *the petitioner became entitled under the protection of the law provision in Section 13 to complete the human rights petition procedure and to obtain reports of the human rights bodies for the Jamaican Privy Council to consider before it dealt with the application for mercy and to the staying of execution until these reports had been received and considered. "*[92]

The Caribbean Court of Justice, in its determination, restored constitutional legitimacy to the principle of dualism, and thereby the separation of powers doctrine, by finding that it was the treaty-compliant conduct of the executive at

the municipal plane, and not the mere ratification of a treaty at the international plane by the executive, which engendered a legitimate expectation of procedural fairness.[93] In this connexion, it must be recalled that a legitimate expectation is neither a legal rule nor a principle of law, and that treaty-compliant executive conduct at the municipal plane must be open to judicial review, as appropriate.

## Notes

- ♦ Davidson, Scott, *The Law of Treaties,* Ashgate Publishing Co. (2004), p. XI.
1. See generally J. Klabbers, & R. Lefeber, *Essays on the Law of Treaties,* (London: Nijhoff Publishers, 1998)
2. United Nations Convention on the Law of the Sea (UNCLOS) which was signed in Montego Bay, Jamaica in 1982.
3. United Nations Framework Convention on Climate Change, 2005.
4. Convention establishing the World Trade Organization (WTO) signed at Marrakech 1992.
5. International Convention for Settlement of Investment Disputes (IC-SID) 575 UNTS 159.
6. Convention on International Civil Aviation, 1944; the International Telecommunication Convention 1961 and the Geneva Convention 1948 establishing IMCO.
7. M. Fitzmaurice, *The Practical Working of the Law of Treaties, International Law,* 2003 ed. by M.D. Evans, OUP, 206 page 187; the European Convention on Human Rights and the American Convention on Human Rights; See also conventions at f.n. 13 on page 4.
8. H.W.R. Wade, & Forsyth, C. *Administrative Law,* 9th Ed. (Oxford University Press, 2004) pages 346-9.
9. See instruments identified at f.n. 10 infra.
10. *Minister of Immigration and Ethnic Affairs v Teoh* (1995) 193 CLR 273; *Thomas v Baptiste* (1999) 3 WLR 249. In the latter case it was asserted that ratification of treaties by the executive could directly amend municipal law in dualist jurisdictions.
11. For a brief description of the instruments establishing multilateral regimes in the post-war era, see Pollard, D.E.E. (1984) *Law and Policy of Producers' Associations,* (Oxford University Press, 1984) pages 17-19.

12. Revised Treaty of Chaguaramas Establishing the Caribbean Community ("CARICOM") including the CARI-COM Single Market and Economy (CSME) signed at Nassau, the Bahamas in 2001.
13. See the various human rights conventions like the Convention against Torture and other forms of Civil Inhuman Degrading Treatment or Punishment 78 UNTS, 227; Convention for the Suppression of the Traffic in Persons and other Exploitation or the Prostitution of Others 96 UNTS, 271; Convention on the Elimination of All Forms of Discrimination Against Women 249 UNTS; Convention on the Rights of the Child Un Doc. a/49/49 (1989); International Convention on the Elimination of all Forms of Racial Discrimination 660 UNTS, 195; International Convention on Suppression and Punishment of the Crime of Apartheid, Un Doc A47/49/1992; International Covenant on Civil & Political Rights 999 UNTS 171; International Covenant on Economic and Social Rights 993 UNTS. Several of these conventions have not been incorporated in CARI-COM States.
14. In this paper the term "ratify" and cognate expressions are employed to 23, include "accede", "adhere" and "approve".
15. A.W Brian Simpson, *Human Rights* 24, *and the End of Empire.* (Oxford University Press, 2001) pages 4-5.
16. For example, see United Nations 25 Convention on Contracts for the International Sale of Goods entered into force Jan. 1, 1988 s. Treaty Doc. No. 26, 98-9 (1983), 1489 UNTS 3 and the United Nations Convention on the Limitation Period on the International Sale of Goods, June 14, 1974, S. Treaty Doc. No. 103-10 (1980) 1151 UNTS 99. 27
17. I.A. Shearer, *Starke's International Law,* 11th ed. (London Butterworths, 1994), page 72.
18. For a brief description of British treaty practice, see *Treaties and MOUs: Guidance on Practice and Procedures,* 2nd ed. April, 2004, Treaty Section, 28 Information Management Department, Foreign and Commonwealth Office.
19. Treaties which are not registered with the United Nations may not be pleaded in its organs or in the International Court of Justice (ICJ).
20. The concept of treaty-compliant executive conduct was enunciated by Justice Pollard in *AG v Joseph & Boyce* (2006) 69 WIR pages 188-193.
20. See Article 7(2) of VCLT.
22. The position is not materially different in many advanced countries, soi-disant, particularly as it relates to human rights treaties. And in CARI-COM even where environmental treaties are enacted into law many

parent acts remain unimplemented by regulations. See Pollard, D.E.E. et al. (1992), Commonwealth Caribbean Environmental Legislation, Caribbean Law Institute, pages 21-40.

23. The CARICOM Secretariat does maintain a treaty register for the treaties concluded by the Community.
24. This treaty which offered CARICOM states petroleum on concessional terms was signed in June, 2005.
25. A.W. Brian Simpson, *Human Rights and the End of Empire.* (Oxford University Press, 2001) page 6.
26. Guyana, for example, employed the services of Professor O'Connel of Australia for the purpose. Jamaica, on the other hand, succeeded to all treaties signed on its behalf by the United Kingdom.
27. Shabtai Rosenne, "Automatic Treaty Succession" in *Essays on the Law of Treaties* edited by J. Klabbers, and R. Lefeber, (London: Martinus Nijhoff Publishers, 1998) page 97 ff. Jamaica decided to succeed to all treaties applied to it by the UK.
28. Jamaica participates in the elaboration of multilateral treaties perceived to affect their national interest.
29. See, for example, Pollard, D.E.E. April (1975) the Exclusive Economic Zone, Elusive Consensus, *San Diego Law Review* 19 Vol. 12, No. 13; The International Seabed Authority, Caribbean Yearbook of International Relations, Nighoff Publishers (1977);The Patrimonial Sea or Economic Zone of Exclusive Jurisdiction, Caribbean Study Project; International Ocean Institute, Royal University of Malta, (1973); Ocean Debate in the United Nations: Fate of the Oceans, Villanova University Press, (1972); An Ocean Regime: Perspective of a Developing Country; Proceedings: Pacem in Maribus Convocation, Royal University of Malta, (1972). Sometimes the CARICOM Secretariat sends a representative to take part in the elaboration of important multilateral treaties. The United Nations Convention Against Corruption is a case in point.
30. D.E.E. Pollard, "International Law and the Protection of Small States", CARICOM Perspective, ND66, (1966).
31. For a considerable period Jamaica's Solicitor General, the late Dr Kenneth Rattray, an international lawyer represented Jamaica in the elaboration of several multilateral treaties. He was 40. followed by Justice Patrick Robinson who now sits on the United Nations International Criminal Tribunal for 41. the Former Yugoslavia (ICTY).
32. Consider in this context the Eastern Greenland Case, PCIJ Reports, Series 42. A/B No. 53.

33. Belize, Dominica, St Kitts, Saint Lucia, and Trinidad and Tobago are not parties to the Convention.
34. Article 26 reads as follows: "Every treaty in force is binding upon the parties to it and must be performed by them in good faith."
35. Articles XI and XII of the original Treaty of Chaguaramas (1973).
36. Guyana at one time contemplated resort to the arbitration process to bring a complaint against Jamaica on the issue of electrodes but never initiated 45. arbitral proceedings.
37. Articles 211, 216 and 217 of the Revised Treaty.
38. Article 27 of the VCLT reads as follows: "A party may not invoke the provisions of its internal law as justification for its failure to perform a treaty. This rule is without prejudice to Article 46."
39. Article 46 of VCLT reads of follows:
    "1. A state may not invoke the fact that its consent to be bound by a treaty has been expressed in violation of a provision of its internal law regarding competence to conclude treaties as invalidating its consent unless that violation was manifest and concerned a rule of its internal law of fundamental importance.
    2. A violation is manifest if it would be objectively evident to any State conducting itself in the matter in accordance with normal practice and in good faith."
40. See *Ismay Holder et al. v Council of Legal Education,* H.C.A. No. 732 of 1997.
41. Time for Action: Report of the West Indian Commission, Black Rock, Barbados, 2001 at page 462.
42. Article 8(h) of the Revised Treaty. A fourth pillar, Security was added at the 18 th Intersessional Meeting of the Conference of Heads of Government held in St Vincent on February 12, 2007.
43. See Article 16 of the Revised Treaty (2001).
44. This entity formerly known as Formosa, was characterized by Chairman Mao Tse Tung as the "renegade province" in an earlier period of the PRC's history following the overthrow of emperor Chiang Kai Shek in 1949.
45. Dominica's accession to ALBA was announced in Caracas, Venezuela on January 10, 2008. Antigua and Barbuda and St Vincent and the Grenadines also signed on to ALBA but their signatures remain to be ratified.
46. In this context, it is interesting to note that the West Indian Commission designated the Caribbean Community a "community of sovereign states"; but contrast the position of Pollard, D.E. (2004) in *Caribbean Court of*

*Justice-Closing the Circle of Independence,* Kingston: The Caribbean Law Publishing Company, p. 186ff.

47. The Lotus, PCIJ Series A No. 10 (1927).
48. In this connexion the CARICOM states played a significant role in securing admission to the Organization of American States (OAS) in the teeth of opposition from Venezuela and Guatemala which have made claims to vast areas of the territory of these two states.
49. Exceptionally, on April 3, 2005 one aggrieved enterprise, Trinidad Cement Limited (TCL), initiated contentious proceedings in the Caribbean Court of Justice against the Government of Guyana.
50. See, for example, Driedgen, E.A. (1976) *The Composition of Legislation—Legislative Forms and Precedents,* 2nd ed. rev., Ottawa, pages 41-2 and page 139 and Thornton, G.C. (1996) *Legislative Drafting* 4th ed., London: Buterworths pages 102-2; Crabbe, V.C.R.A.C. (1993) *Legislative Drafting,* London: Cavendish, page 135; Russel, Sir Alison (1938) *Legislative Drafting* 4 ed., page 113.
51. Reuter, Paul (1995) *Introduction to the Law of Treaties,* Kegan Paul International, London, at page 7.
52. Lord Steyn in re *McKerr* [2004] 2 All ER 409.
53. Suriname and Haiti are civil law jurisdictions subscribing to monism.
54. *Foster v Neilson* 27 US 253 (1829); J Paust, Self-Executing Treaties (1988) 82 A.J. I.L. 760.
55. A. Cunningham, "The European Convention on Human Rights", Customary International Law and the Constitution, *ICLQ* Vol. 43 page 543.
56. 242 P2d 617 (SC California 1952).
57. 630 F, 2d876-2nd Cri. 1980.
58. Article 53 of the Vienna Convention on the Law of Treaties which reads as follows:

    "A treaty is void if, at the time of its conclusion, it conflicts with a peremptory norm of general international law. For the purposes of the present Convention, a peremptory norm of general international law is a norm accepted and recognized by the international community of States as a whole as a norm from which no derogation is permitted and which can be modified only by a subsequent norm of general international law having the same character." See Carmichael v United Technologies Corp. 835F 2d 109 5th ed. ) 1988.
59. Case 26/62 (1963) ECHI.
60. *Malone v Metropolitan Police Commissioner* (1979) 2 WLR 700.

61. Consider in this context section 3 of the Caribbean Community Act of Antigua and Barbuda-No. 9 of 2004 dated September 17, 2004; Section 3(1) of the Barbadian Caribbean Community 2003-8 dated April 24, 2003; Section 3(1) of the Caribbean Community Act of Belize 2004, No. 17 of 2007 dated 17th August, 2004; Section 3(1) of the Guyana Caribbean Community Act No. 8 dated March 29, 2006; Section 3(1) of the Jamaica Caribbean Community Act No. 15 dated March 25, 2004; Section 3(1) of Saint Lucia Caribbean Community Act No. 12 dated August 4, 2004; Section 3(1) of the St Vincent and the Grenadines Caribbean Community Act No. 5 dated March 16, 2005 and section 3(1) of the Caribbean Community Act dated February 17, 2005.
62. *Malone v Metropolitan Police Commissioner; J.H. Rayner (Mincing Lane) Ltd. V Department of Trade and Industry; Mattadeen v Pointu* (1999) 1 AC 98. *Isma Holder et al v Council of Legal Education,* H.C.A. No. 732 of 1997.
63. *Fothergill v Monarch Airlines* (1950) 2 WLR 209.
64. *Fothergill v Monarch Airlines Ltd.* (1981) 251 at 271; *Laker Airways v department of Trade* (1977) QB 643 at 674 and *Pan American World Airways v department of Trade* (1976) 1 Lloyd's Reports 257.
65. *Fothergill Monarch Airlines Ltd.* (1981) AC 251 at 281-7.
66. *Statutory Interpretation,* 4th edition, Butterworths, London, 2002 at pages 580-1.
67. Per Lord Hoffman in *Regina v Lyons and Others* (2003) 1 AC 976 at 992.
68. Per Lord Wilberforce in James *Buchanan & Co. Ltd. v Babco Forwarding and Shipping (UK) Ltd.* (1978) AC 14 at page 152.
69. A.J. Cunningham, op cit, f.n. 49 page 564.
70. 630 F. 2d876-2nd Cir. 1980.
71. "But in addition Jamaica ratified the American Convention on Human Rights 1969 on August 7, 1978 and it is now well established that domestic legislation should as far as possible be interpreted so as to conform to the state's obligations under such a treaty: *Mattadeen v Pointu* [1999] 1 AC 98 114g-h." Per Lord Slynn of Hadley, *Neville Lewis v AG of Jamaica* [2001] 2 AC 50 at 78. See also *Garland v British Rail Engineering Ltd.* [1993] 2 AC 751; *R v Secretary of State for Home Department ex. p. Brind* [1991] 1 AC 696 and *R v Secretary of State for the Home Department ex. p. Simms* [2000] 2 AC 115.
72. [1983] 2AC 756 at 771 see also *Regina v Secretary of State for the Home Department ex parte Brind and Others* [1991] 1 AC 696. A similar approach

to the interpretation of treaties appears to have been taken by Canadian Courts: See *Baker v Canada (Minister of Citizenship and Immigration* (1999) 2 SCR 817; *Pfizer Canada v Canada (Attorney General)* (2003) 224 DLR (4th) 178; Reference Re Public Service Employer Relations Act (Alberta) (1987) 1 SCR 513; *Canadian Foundation for Children, Youth and the Law v Canada (Attorney General)* (2004) SCC 4; and 114 957 *Canada Lté e (Spraytech Societé d' arrosage) et al v Town of Hudson* (2001) 2 SCR 241. Compare in this context also the dictum of Lord Hoffman who stated ". . . unincorporated treaties, may, however, have indirect effect upon the construction of statues as a result of the presumption that Parliament does not intend to pass legislation which would put the Crown in breach of its international obligations." This dictum appears to confirm that the international instrument must be pre-existing: See *Higgs v Minister of national Security* (1999) 55 WIR 10.

73. A. J. Cunningham, "The European Convention on Human Rights", Customary International Law and the Constitution, *ICLQ* Vol. 43, (1994) page 563.
74. See f.n. 57 supra; f.ns. 70 & 72 infra.
75. Parlement Belge (1878) 4 P.D. 129, 154-5, *AG for Canada v AG for Ontario* [1937] AC 326, 347-8, *Blackburn v AG* [1971] 1WLR 1037, 1039 (per Lord Denning MR).
76. I. A. Shearer, *Stark's International Law,* 11th ed. (Butterworths, 1994) page 71.
77. *R v SS for Home Department ex. p. Brind* [1991] 1 AC 696, *Fothergill v Monarch Airlines Ltd.* [1981] AC 251, *James Buchanan & Co. Ltd. v Dabco Forwarding & Shipping (UK) Ltd.* [1978] AC 141.
78. The Parlement Belge; *J.H. Rayner (Mincing Lane) Limited v Department of Trade and Industry; Fisher v Minister of Public Safety & Immigration (No. 2); Higgs v Minister of National Security; National Resources Conservation Authority v Seafood and Ting International Limited* (1999) 58 WIR 269; *Ismay Holder v Council of Legal Education.* H.C.A. No. 732 of 1997; *Thomas v Baptiste* (1999) 2 LRC and *Neville Lewis* (2000) WIR 275.
79. [1991] 1 AC 696 at p. 747.
80. See cases identified at f.n.75 supra.
81. (1999) 2 LRC.
82. (1999) 53 WIR 10 at p. 22.
83. (1999) 2 LRC.
84. Idem.
85. Times Reports, 1988, March 1988.

86. (1999) 2 LRC.
87. *Minister of Immigration and Ethnic Affairs v Teoh* (1995) 183 CLR 273.
88. (1999) 2 LRC.
89. (2005) 65 WIR 268.
90. *Moses Hinds v The Queen* (1975) 24 WIR 326 at 332.
91. (1999) 2 LRC.
92. *Neville Lewis v AG of Jamaica* [2001] 2 AC 50 at p. 85 per Lord Slynn of Hadley.
93. *Boy ce & Joseph v AG of Barbados* (2005) 69 WIR.

# 34

# REFLECTIONS: A VIEWPOINT FROM THE DIASPORA

*Kenrick Hunte*

While CARICOM countries can pride themselves on their strong democratic traditions since independence, it is clear that these countries have not delivered on important promises made over the last 36 years. Many CARICOM citizens have become less optimistic about CARICOM's future and its effectiveness. Success has been difficult to measure and quantify, and even more so, has been the lack of an effective communication system with CARICOM citizens, including those in the Diaspora.

One area of limited success, however, has been the decision-making mechanism at the level of Caribbean Heads of Government; but thereafter, only fragmentation and uneven implementation of those decisions have been observed across CARICOM. Opposition Members of Parliament, civic groups, academics and non-governmental organisations complain of being excluded from the process, while the promised benefits and welfare enhancing attributes of being a CARICOM citizen have been elusive. Likewise, unanimity in CARICOM appears to have been constrained by the fear of the loss of sovereignty. These and other constricting elements, when taken together, have stymied progress, encouraged cynicism and retarded the ability to build supranational institutions that are so necessary for an effective, accountable and a cohesive CARICOM.

Yet, in our fragmented environment, we have seen the workings of a few supranational institutions that have experience in collective governance and have accountability lessons that can be replicated across CARICOM, with appropriate modifications. These institutions include the OECS, CXC Education, the Caribbean Development Bank, West Indies Cricket, and religious organisations that train and educate, and provide member services. A detailed examination

of how these institutions function must be a priority task in 'the way forward' for CARICOM, as they provide the basic elements of what works in our geographically dispersed environment. Specifically, attention must be paid to ascertaining information on how these supranational institutions work in relation to specifying representation, transparency, decision-making and implementation, accountability, and how communication is organised. Completing a comparative analysis of these institutions may provide useful information on how CARICOM can proceed to improve its governance mechanisms and improve the efficiency in delivering services to the public, especially in relation to facilitating business transactions with government agencies.[1] Consequently, welfare-improving initiatives must begin with a cohesive and parliamentary-ratified CARICOM Foreign Policy that integrates the preferences of all Member States in a regional public good that brings tangible benefits to CARICOM citizens.[2]

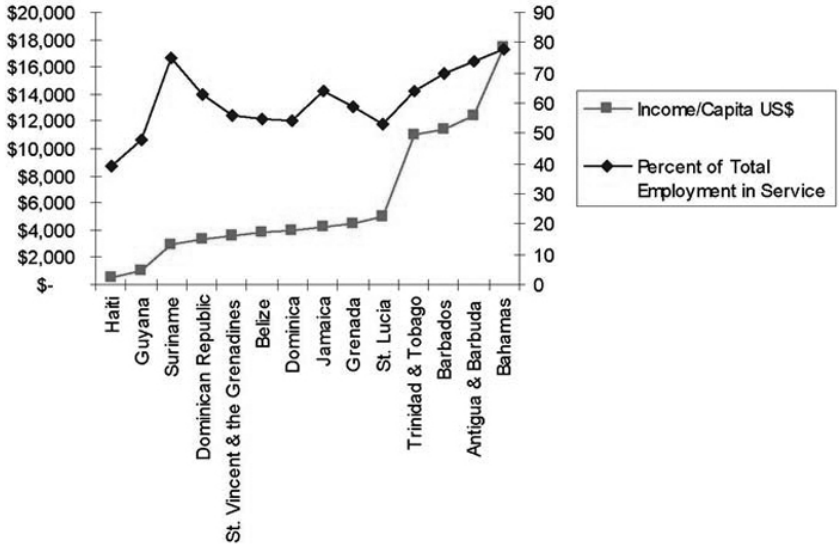
Globalisation and the general slow-down in economic growth worldwide have forever changed the way in which north-south trade and development aid are organised, especially in CARICOM. It has brought fundamental structural changes to the CARICOM economy at a time of a global recession, global financial mismanagement and a severe worldwide shortage of credit and development financing. In particular, the dismantling of preferential trade agreements, the reduction in development assistance, the graduation of some CARICOM countries from concessional lending, the negative impact of the recent oil crisis, the curtailing of off-shore banking activities, and an increasing external debt-service burden have squeezed economic growth in many CARICOM countries. This has forced some CARICOM countries to seek balance of payment support from the International Monetary Fund (IMF). Likewise, the termination of EU preferences and EU income subsidies for sugar, bananas and rice, have rendered CARICOM agriculture as an unprofitable economic activity, exposing the inability of CARICOM agriculture to compete in international markets. This is due, in part, to low labour productivity and relatively high per unit costs that are above world market prices. This outcome has accelerated the movement out of sugar, and generally, out of agriculture, and into the service sector, mainly tourism.

With the reduced expected profits from agriculture, there are not only less agricultural workers and declining agriculture output, but there is also the increasing CARICOM food import bill that has spiralled upwards as much as $4.0 billion per year. It is therefore not surprising that CARICOM countries in the near future will most likely become net importers of sugar and other agriculture commodities to meet domestic demand, as the likelihood of a regional food security system decreases. Yet, if there is the right mix of investments in agriculture

that is geared to satisfy the food demand by the tourism sector through backward linkages in some CARICOM countries, such as Guyana, Suriname, Jamaica and Belize, then intra-regional trade and income growth can expand, as has already been observed with intra-regional investments by the private sector. Significant employment opportunities could materialise, especially in food production, processing and marketing, if bankable projects can be profitably organised. Policymakers should therefore promote incentives for cross border investments, simplify investment procedures and improve the business climate in CARICOM, especially in relation to international trade.[3]

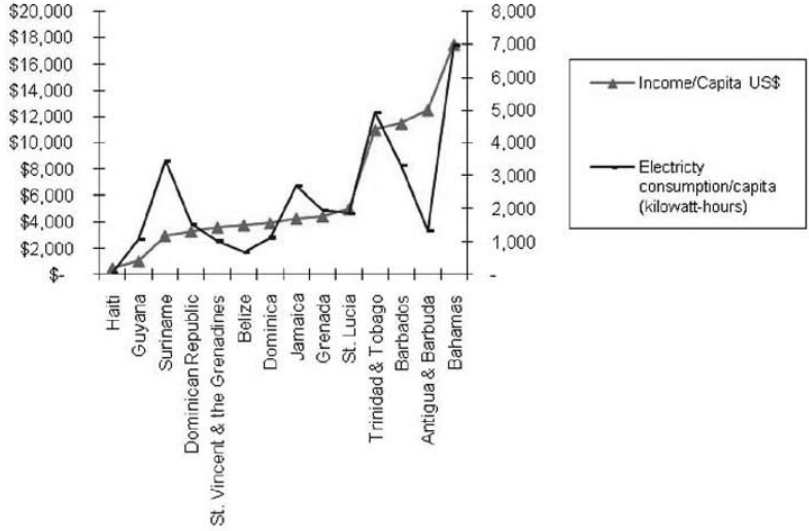
Meanwhile, the tourism industry, and especially the service sector, has been a major source of employment and income growth in many CARICOM countries, with the result that as the share of the labour force in agriculture declines while the share increases in the service sector, per capita income increases in those countries that specialise in the tourism industry service sector. Specifically, evidence suggests that the tourism industry is now the largest employer of labour and capital and the major source of income for many CARICOM countries, except Trinidad and Tobago, where the emphasis is in the production and export of oil and natural gas. Figure 1 below shows the wide dispersion of income per capita and the share of total employment in the service sector for CARICOM. Haiti and Guyana, which have the lowest share of their labour force in the tourism service sector, have the lowest per capita incomes; while the Bahamas and Antigua and Barbuda have the highest shares of labour in tourism and have the highest per capita incomes. The evidence also shows (Figure 32.2) that high per capita income is associated with high electricity consumption, largely because of the fact that the tourism industry, as part of the service sector, requires a working infrastructure with reliable communication facilities and other support personnel services that contribute to making the tourist industry attractive. In other words, it would be difficult to imagine CARICOM tourism without a reliable supply of electricity services. Likewise, financial services, electronic data entry and health care service firms, among others, require an uninterrupted supply of electricity. Recent hurricane disruptions provide examples of how fast the sector is disrupted when the electricity supply system is compromised. Concerns for climate change over the medium to long-term could also severely test this system.

**Figure 34.1: Income Per Capita and the Percentage share of Total Employment in the Service Sector**




*Source:* Derived from the United Nations Human Development Report 2007/2008

**Figure 32.2: Income Per Capita and Electricity per Capita (kilowatt-hours)**



Because of its relative importance, strengthening tourism and the service sector must receive greater intervention through research, education and marketing, for a larger share of foreign exchange can be earned from this sector if policymakers can raise its profile. This can be accomplished by creating a better interface between our diplomatic missions and the private sector, transforming a dormant relationship into a more proactive one.

Receiving development aid under donor-funded programmes has been one way CARICOM has gained development finance for several decades through diplomatic initiatives at the bilateral and multilateral levels. However, aid from these sources has been reduced, due to the fact that most CARICOM countries have graduated to the United Nations High or Medium Human Development categories, as compared with Sub-Saharan African countries, where per capita income is US$845.00. The only CARICOM country that is below this level is Haiti at US$500.00 per capita in 2005. It is not surprising, therefore, that donor funding for CARICOM has been reduced, as poverty is much higher in Sub-Saharan Africa, where the demand for development AID is greater. Yet CARICOM still has a demand for development aid and to offset this loss, CARICOM has initiated a CARICOM Development Fund to assist in this process. While a development fund is a useful first step, it is argued here that increasing public and private savings in CARICOM is by far the more effective way, using attractive saving instruments. Apart from the development fund and increased saving initiatives, the in-kind transfers and remittances that originate from the Diaspora are also important and beneficial for the region. Furthermore, building new levels of diplomatic contact in south-south cooperation may also provide new options for development.

In this regard, south-south cooperation brings with it a large number of small developing countries and a small number of large developing countries. With regard to the small developing countries, mainly in Sub-Saharan Africa, CARICOM trade and aid with them is insignificant. In fact, given the level of technology and income levels in these economies, trade and aid activities generally do not exist; and this outcome is not likely to change in the near future. Moreover, Sub-Saharan countries may be in direct competition with CARICOM for the same type of resources from developed countries, including preferential markets and development aid from the same donors. Hence, it may be in CARICOM's best interest to build in advance, a set of cooperating principles with these countries so as to minimise competition, while seeking to establish strong working relationships at the diplomatic level, especially through the African Union and United Nation Agencies, in order to form alliances for collective approaches at WTO negotiations or other multilateral arrangements. A

CARICOM diplomatic programme should be arranged to manage this approach, along with having permanent representation at the African Union.

In relation to the large developing countries (India, China, Indonesia, South Africa, and Brazil), along with Cuba and Venezuela, among others, south-south cooperation presents CARICOM with a wide spread of development choices, including alternative energy technology from Brazil, human capital development in education and health, especially from India, China and Cuba, and concessional finance from Venezuela. Other possibilities of a similar nature exis, with other large developing countries; and CARICOM needs to extend its south-south cooperation with an additional group of countries, based on geographic spread, cultural and religious diversity and democratic traditions. This will allow strategic coverage, cooperation and interface before any type of negotiation or collective action may be required. Ideally, this is a diplomatic approach that is geared for collective representation, even as it strengthens CARICOM interests in, and support for SVEs and small island coalitions, especially in WTO negotiations and follow-up work on the EPA.

Collective representation has been used by CARICOM in multilateral institutions such as the Inter-American Development Bank (IADB), International Monetary Fund (IMF) and the World Bank, and there is no reason why this path to representation should not be expanded as a strategic addition or as an alternative to individual country representation. The positive net benefit of such a programme will increase diplomatic coverage, strengthen outreach, and deepen CARICOM integration. Furthermore, such collective representation in CARICOM will reduce the pull of sovereignty and insularity; it will provide, in part, the foundation for supranational institutions; and it will enhance unanimity as unilateralism fades. Above all, it will actively demonstrate to CARICOM citizens and the Diaspora, as well as to others, the positive benefits of a collective foreign policy. Furthermore, because of limited skills and the need to have the best representation in all countries and in multilateral institutions, it is proposed that a rigorous training programme for diplomats and negotiators be offered by the University of the West Indies, with components covering the essentials of collective representation and the fundamentals of operating under supranational institutions.

The talent and the political reach of the Diaspora can no longer be relegated to the periphery, given that the Diaspora can positively influence CARICOM's cause, having already undertaken such work in the UK and the USA.[4]

Consequently, leveraging the Diaspora's political power should be supported, using the approved political procedures and civil institutional framework that already exist in these developed countries. Furthermore, linking donor

programmes with Diaspora talent and experience in CARICOM countries will add a new and positive dimension to donor-funded development projects. CARICOM countries should seek the support of the Diaspora in the upcoming negotiations for the new US-CARICOM and new Canada-CARICOM Trade Agreement and such work should begin immediately.

Equally important is the follow-up work on the EPA, where much has already been reported about its demerits and its disadvantages. Recognising, nevertheless, that the EPA is a signed CARICOM Heads of Government agreement, the path going forward must be to identify and isolate the specific clauses of contention in the EPA. Thereafter, the aim should be to minimise the potential hardship concerns in these clauses, while seeking changes that will be welfare-improving for CARICOM citizens through compromise and meaningful transformations that yield people-centred development within the framework of the CSME. Policymakers should, therefore, assemble a team of experts whose mandate should be to present alternatives to those clauses and at the same time, build a development programme that utilises the resources allocated under the EPA.

No single CARICOM country, working independently, can preserve and protect its marine resources as well as provide the optimal amount of security for the air transport system on its own. Similarly, the concern for climate change is another collective good that requires CARICOM's collective action. Consequently, preserving the marine resources in a sustainable way is a collective CARICOM endeavour, as several CARICOM countries share contiguous borders and fish species.

Moreover, many workers earn their livelihood from this resource either in the fresh fish market, or as workers in the marine tourist industry. Equally important for the region is the delivery of a reliable air transport system that must be financially viable and satisfy the security requirements of the CARICOM region. A detailed CARICOM study must be undertaken to ascertain under what conditions a financially viable air transport system would exist, as evidence of separately managed and owned airlines have proven the opposite case.

The protocol needed to implement decisions taken by Caribbean Heads of Government (HGC) is not effective and does not work. This claim was recently reiterated by the Secretary General of CARICOM, Dr Edwin Carrington as well as by Justice Duke Pollard who, in another context but in keeping with the concern for implementation, stated that:

> ". . . In CARICOM, it appears that many ratified treaties remain unimplemented by legislation, and the monitoring of such instruments to

ensure compliance with relevant obligations is honoured more in the breach than in the observance." [5]

What is perhaps required to solve the implementation problem is an operating procedure that fits within the existing governance and political structures, including the input of civil society and an approved parliamentary mandate. A parliamentary mandate will widen the political space as the parliamentary opposition, civil society and the Diaspora are given an opportunity to participate in keeping with the Liliendaal Statement of Principles. Upon receipt of this approval, the relevant government ministry will execute the protocol through the technical and administrative and accounting divisions of the relevant Ministry, with parliamentary oversight and feedback to Heads of Government through CARICOM. A metric can be devised to measure progress and net benefits; and this can be complemented with a communication component that can be used to disseminate information to CARICOM citizens. The lack of implementation can no longer be seen as a major impediment to CARICOM progress, for the time has indeed come for CARICOM citizens to benefit from a more integrated, more accessible and more responsive CARICOM.

## Notes

1. World Bank Report, December 2008, 'Caribbean: Accelerating Trade Integration', Table 1, page iv.
2. More specifically, it must include protocols that facilitate supranational institutions and imbue mechanisms that accelerate the pace of regional cooperation and integration, and the inter-connectedness of CARICOM citizens through the expansion of regional businesses, investments and employment opportunities, as well as the expansion of art, music and education. It must consider mechanisms that build capacity to engage in robust diplomatic initiatives in order to promote CARICOM's collective interests, while working collaboratively with the Diaspora and speaking with 'one-voice' on things that matter to CARICOM's development. It must provide timely, accurate and accessible information to CARICOM citizens both at home and in the Diaspora; support political, cultural, religious and democratic freedoms. It should emphasize peaceful cooperation, regional security and ensure environmental sustainability of its rich natural resources; accentuate the value of human rights, equity, fairness and good governance; widen the political space by including the

Parliamentary Opposition and civic society in formulating the CPRCFP in keeping with the Liliendaal Statement of Principles, July 2002; and eradicate fragmentation, insularity, inequity and injustice.

3. World Bank Report (December 2008), Caribbean: Accelerating Trade Integration" page iv.
4. David Jessop (July 26, 2009), "If Guided, the Caribbean Diaspora can cause British MPs to take Action", http://www.stabroeknews.com/2009/features/07/26/if-guided-the-carib-bean-diaspora-can-cause-british-mps-to-take-action/; C. K Hunte, "Integrating the Caribbean Diaspora in US-Caribbean Relations", in *The Caribbean Community in Transition* edited by Kenneth Hall & Myrtle Chuck-A-Sang, Kingston: Ian Randle Publishers. See Insanally and Harisse articles in this publication.
5. "Implementation must be the watchword, Carrington tells CARICOM institutions", *Stabroek news,* July 27, 2009 http://www.stabroeknews.com/2009/news/local/07/27/imple-mentation-must-be-the-watchword/. See Justice Duke Pollard's paper in this publication.

# Contributors

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## Ambassador Rashleigh Jackson

Rashleigh Esmond Jackson was educated at the University of Leicester in the United Kingdom and at Columbia University in the United States of America. He holds the degrees of Bachelor of Arts (General) and Bachelor of Arts (Hons) from London University as well as a Post-graduate Certificate in Education from the University of Leicester. Some of his publications include Guyana's Diplomacy-Reflections of a Former Foreign Minister (2003); Environmentalism, Development and Integration: The Caribbean Dimension (Co-authored with Dr Cedric H. Grant) (1997).

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Ambassador Patrick I. Gomes is currently Guyana's Ambassador to the EU and Chairman of the Consultative Group on Sugar. He holds a Masters degree in Social Institutions and Organisational Change and a Doctorate in Social Institutions and the Sociology of Development. Some of his publications include chapters in 'South-North Partnership in Strengthening Higher Education in Agriculture' and 'Agricultures Pasaynnes Development: Caraibe-Amerique Tropicale'.

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Rockfeler P. Herisse, PhD is President of Ganwa Offices and Development, Inc., a consulting firm which specializes in organisational transformation, leadership development, and Real Estate Advisory. During the 2008 Presidential campaign in the US, he facilitated House Meetings and trained volunteers on civic activism for President Barack Obama's Nations for Change grassroots movement. He now serves on several nonprofit boards and advises Hometown Associations and "Causes" benefiting vulnerable groups and underserved populations.

## Sir Courtney Blackman

Sir Courtney N. Blackman obtained his BA (Hons) in Modern History from the University College of the West Indies in 1956, and a PhD in 1969 at the Graduate School of Business of Columbia University, NYC. He served as founding Governor of the Central Bank of Barbados (1972-1987), and as Barbados Ambassador to the USA and the OAS. Sir Courtney has lectured at major universities in the UK, Canada and the USA, and has published several papers in learned journals and three books, the most recent of which is *The Practice of Economic Management: A Caribbean Perspective* (2006).

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## Ambassador Edwin Laurent

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## Tanisha Tingle-Smith

Tanisha Tingle-Smith is an independent policy analyst and advisor who has honed expertise in regional affairs, foreign policy issues and the mechanics of the global political economy. Her research focuses on the machinations of how economic, political, and cultural forces intersect in Latin America and the Caribbean, with a comparative view to other developing country regions. Ms Tingle-Smith holds an MA in International Affairs from the Columbia University School of International and Public Affairs, and a BA in Political Science from New York University.

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Paul Wander is program associate at the Inter-American Dialogue where he focuses on issues related to US policy in the Caribbean. His articles have appeared in *The Miami Herald, O Estado de Sâo Paulo, The Journal of Energy Security,* and *Cuba in Transition.* He graduated from the College of William and Mary with a BA in economics and history where he was a recipient of a Borgenicht Foundation grant which funded his study of indigenous language and socio-economic policy in Ecuador, Peru, and Bolivia.

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Professor Girvan is well known in the Caribbean region for his scholarship and public advocacy in a wide range of issues of Caribbean development and integration. He received his BSc degree in economics from the University College of the West Indies (London University) and the PhD in economics from the London School of Economics. He has been adviser to regional governments and consultant to several regional and international organisations. He is currently Professorial Research Fellow at the *Institute of International Relations, University of West Indies,* St Augustine, Trinidad.

## The Rt Hon. Owen Arthur

The Rt Hon. Owen Arthur, Former Prime Minister of Barbados has served in a number of strategic positions in his country, Barbados and in Jamaica. These include *Chief Economic Planner* and *Director of Economics,* Bauxite Institute (Jamaica). He represented Jamaica on UNCTAD's Inter-Governmental Group of Exports on the Transfer of Technology, was a member of the OAS Task Force on

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Professor Havelock Brewster is currently Alternate Executive Director for the Caribbean at the Inter-American Development Bank (IDB). Most of Professor Brewster's career has been in the service of international institutions and government. He has served as a consultant and advisor to a number of international organisations, governments and universities. He graduated in Economics from the University of Durham, England, and Dalhousie University, Canada. Mr Brewster's numerous publications are in the fields of trade and development, economic integration, and development finance.

## Professor Clive Thomas

Professor Clive Thomas is a Distinguished Professor of Economics and Director of the Institute of Development Studies at the University of Guyana. He has held Visiting Professorships in Africa, Canada, the United States of America, and the West Indies. He is the author/co-author of 15 books/research monographs and over 140 academic articles and contributions to book, and has presented invited papers to a similar number of academic conferences, symposia, and seminars.

## Gus Van Harten

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## Dr Omar Davies

Dr Davies is a Member of Parliament for South St Andrew. He has significant academic and financial experience, having attained the former as a senior lecturer in the Department of Economics at the University of the West Indies and the latter as Director General of the Planning Institute of Jamaica. A graduate of the University of the West Indies and Northwestern University in the United States, where he received a doctorate in Economics, Dr Davies has also worked as an Assistant Professor Stanford University in California.

## Dr Riyad Insanally

Dr Riyad Insanally is currently the Representative of the General Secretariat of the Organization of American States in Trinidad and Tobago. Dr Insanally studied Modern Languages and Latin American Studies, receiving the MA and MPhil degrees from the University of Cambridge, UK and his PhD from Harvard University, USA. He is a Guyanese diplomat with a record of almost 20 years of cumulative experience in multilateral diplomacy and international affairs.

## Dr Katharina Serrano

Dr Katharina Serrano is a Senior Lecturer in Law at the University of Central Lancashire. She holds a Doctorate in EU External Relations: Economic Partnership Agreements with South Pacific Countries from the University of Central Lancashire, an LLB/LLM European and International Law from the University of Groningen, and a LLM in International Commercial Law from the University of Leicester. Her current research focuses on European Union's external relations with Third Countries/ACP countries. Among works published by Dr Serrano include 'Economic Partnership Agreements: Machiavellian instruments of EU Trade Policy or Samaritan development tools?'

## Andrea Ewart

Andrea Ewart is a trade attorney who consults for businesses and governments in developing countries, particularly in the Caribbean including those of the Secretariat of the Organisation of Eastern Caribbean States (OECS) and the Jamaica Chamber of Commerce (JCC). Since 2003, Ms Ewart has been the

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## Ambassador Rudolph Collins

Rudolph Arlington Collins, retired Diplomat of the Foreign Service of the Republic of Guyana, is a Graduate with an Honours Degree in History from the University of the West Indies, Jamaica. Ambassador Collins also holds a Post Graduate Diploma in Public Administration from the Carleton University in Canada (1968). Ambassador Collins is currently a Consultant to the Ministry of Foreign Affairs, Guyana.

## Francois Jackman

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## Dr Barton Scotland

Dr Barton Scotland holds a Master's Degree and a Doctorate in International Law, both from the University of London. He has worked extensively in International law issues and is a Consultant and Adviser on Natural Resources and Investment Issues and on Maritime and Boundary Matters. Dr Scotland has served in senior positions in Government and has undertaken several negotiations relating to Fisheries. He has also been a Visiting Lecturer in International law at the University of Guyana. Dr Scotland is a barrister-at-law of the Inner Temple England and is currently an Attorney-at-Law in Private Practice in Guyana.

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## The Hon. Mr Justice Duke E.E. Pollard

The Honourable Mr Justice Duke E.E. Pollard of the Caribbean Court of Justice (CCJ), graduated from the University of London with LLB (Hons) degrees from the University of London, and from the Universities of McGill and New York with the Masters of Laws (LLM). He has established himself as an expert jurist in international law, specialising in international economic law, the Law of

the Sea, international institutional law, the Law of Treaties, general integration law and economic integration law. Mr Justice Pollard has written extensively on a multiplicity of aspects of international law and has participated in the drafting of many important CARICOM instruments.