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Institute for the Integration of Latin America  
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Inter-American Development Bank

# **The CSME: Status, Issues and Priorities**

## **Regional Seminar: 40 years since the creation of INTAL**

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**Conference Room, UWI Graduate Institute of International Relations  
UWI CAMPUS, St. Augustine – Trinidad & Tobago**

**The CARICOM Single Market and Economy  
A View on Status and Priorities**

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# The CSME – A work in progress

- Completed:
  - Revised Treaty of Chaguaramas
  - Organs of governance
  - Caribbean Court of Justice.
- Furthest advanced:
  - Single Market in 3 largest economies
  - Single Market in goods
- Less well advanced:
  - Single Market in smaller economies
  - Single Market in labour, capital, right of establishment and services
- Not yet initiated:
  - Single Economy in adoption of common policies
  - Single Economy in harmonization of company, labour, tax laws
  - No official time-table for completion – ‘indicative target’ of 2008

# The CSME – A work in progress

- On balance:
  - Sustained political commitment to CSME over 16 years
  - Steady growth of CSME awareness and support in private sector, media, civil society
  - CSME project responds to small states' sense of vulnerability and of marginalization in globalization
  - Preference erosion/external negotiations make adjustment and diversification more urgent CSME momentum must be maintained/accelerated



# The CSME – A work in progress

- Structure of governance complex, multilayered
- Promotes involvement by governmental stakeholders
- Allows inputs from non-governmental actors
- Decision-making and follow-up subject to delays and even confusing

# Implementation of Decisions

- CARICOM a Community of Sovereign States
- Decisions require actions by each member state – discretionary
- Problem of 'implementation gap'
- CARICOM Commission for implementation proposed in 1992, 2003 – no agreement
- CARICOM quasi-Cabinet
- CARICOM Bureau

# Monitoring of Implementation

- Reports of the Secretariat to various organs
- Meetings of organs review implementation
- Each member state has set up a *Monitoring Unit*
  - liaise with government ministries/agencies, business, labour - report to CSME Implementation Unit in CCS (Barbados)
- No enforcement machinery
- Personnel limited
- Improved information flow
- Gaps and needs identified

# Implementation Gap

- Discretionary implementation of decisions by member states
- Impact of economic differentiation
- Income gap between richest and poorest members – tension over free movement of labour
- Competition from manufactured goods from More Development Countries (MDCs)
- Shift to service economies by smaller members – reliance on import tariffs for fiscal revenues – losses from tariff elimination
- Differentiation becomes a disincentive to implementation where perceived costs exceed perceived benefits

# Implementation Costs

- Direct costs of the legislative, administrative and institutional measures
- Over 400 legal and administrative instruments need to be changed
- 678 separate actions needed
- Scarcity of technical personnel, e.g. legal draughtsmen, esp. in smaller members
- “CARICOM chose the most difficult method of implementation of the CSME” - Prime Minister Owen Arthur

# CARICOM Work Programme for CSME Implementation: *Status Analysis*

CATEGORY	# of action elements	Total required actions	# completed	% completed
A. Legal & Institutional Infrastructure	15	192	161	<u>83.9</u>
B. Single Market	29	336	207	<u>61.6</u>
C. Single Economy	37	246	12	<u>8.9</u>
<i>Total</i>	<i>81</i>	<i>774</i>	<i>390</i>	<i><u>50.4</u></i>

# Legal & Institutional Infrastructure

## *83.9% completed*

CATEGORY	# of action elements	Total required actions	# completed	% completed
<i>A. Legal &amp; Institutional Infrastructure</i>	15	192	161	<u>83.9</u>
1. Treaty Revision	5	60	57	95.0
2. National Administration	3	48	40	83.3
3. Enforcement, Regulation and Supporting Institutions	7	84	64	76.2

# Single Market

## *61.6% completed*

CATEGORY	# of action elements	Total required actions	# completed	% completed
<i>B. Single Market</i>	29	336	207	<u>61.6</u>
4. Free Movements of Goods	5	60	48	80.0
5. Free Movement of Services	2	24	19	79.2
6. Free Movement of Persons	14	156	88	56.4
7. Free Movement of Capital	6	72	40	55.6
8. Right of Establishment	2	24	12	50.0

# Single Economy

## *8.9% completed*

CATEGORY	# of action elements	Total required actions	# completed	% completed
<i>C. Single Economy</i>	37	246	12	<u>8.9</u>
9. Common External Policy	3	36	19	52.8
10. Harmonisation of Laws	16	192	2	1.0
11. Sectoral Programmes & Enabling Environment	6	6	0	0.0
12. Common Support Measures	12	12	1	8.3

# Financing of Institutions

- Up to 17 new institutions may be required for CSME
- Estimated cost of implementation over 2004-2010 put at \$72 million
- Financing still to be determined

# Possible CSME Institutions

1. Caribbean Court of Justice
2. Standards Organization
3. Competition Commission
4. Regional Property Rights Office
5. Phyto-Sanitary Organization
6. Regional Fisheries Organization
7. Regional Securities Commission
8. Conciliation Commission
9. Regional Development Fund
10. CARICOM Commission
11. Revenue Authority
12. Court of Auditors
13. Caribbean Assembly of Parliamentarians (Upgraded)
14. Caribbean Central Bank
15. Economic and Social Committee
16. Ombudsman Office
17. Regional Environmental Organization

# Sovereignty – Cause or Effect?

- Is reluctance to give up some sovereignty due to different perceptions of the costs and benefits of the CSME?
- Failure to resolve these issues could lead to loss of momentum

# Priorities and Sequencing

- Issues and initiatives that are
  - i. Most immediate;
  - ii. Highest pay-offs - potential benefits, or costs of inaction;
  - iii. Widest distribution of benefits among members;
  - iv. Little national/regional contradictions;
  - v. Avoid potentially divisive issues of national sovereignty;
  - vi. Relatively easily financed; and
  - vii. May become a platform for further initiatives.

# Suggested Priorities for *Phase 1*

1. Special and differential treatment for disadvantaged members
  2. Sugar
  3. Domestic agriculture
  4. Tourism and air transport
  5. Financial services and investment
  6. Services sector as a whole
- Why not a series of sector-specific agreements (Protocols?) in which interested and willing member states participate?

## *Phase 2*

- Phase 2
  - agreement on coordination of other sectoral policies and on macroeconomic, fiscal, monetary and exchange rate policies