



University of West Indies
Graduate Institute of
International Relations
St. Augustine – Trinidad & Tobago



Institute for the Integration of Latin America
and the Caribbean
Integration and Regional Programs Department
Inter-American Development Bank

The CSME: Status, Issues and Priorities Regional Seminar: 40 years since the creation of INTAL

24 November 2005

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

CARICOM Report

Anneke Jessen

Inter-American Development Bank - IDB

Objectives of Report

- Review the progress in CARICOM regional integration process
 - Economic integration
 - Foreign Policy Coordination
 - Functional Cooperation

Structure of the report

- Determinants of Integration
- CSME Implementation
 - Single Market
 - Single Economy
- Institutional Aspects of Integration
- The External Dimension of CARICOM
- Functional Cooperation

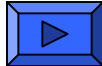
Determinants of Integration: What drives it and slows it down?

- Why Integrate?
 - The constraints of small size
 - A shared identity
 - External influence
 - Britain
 - European Union
 - Free Trade Area of the Americas (FTAA)

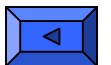
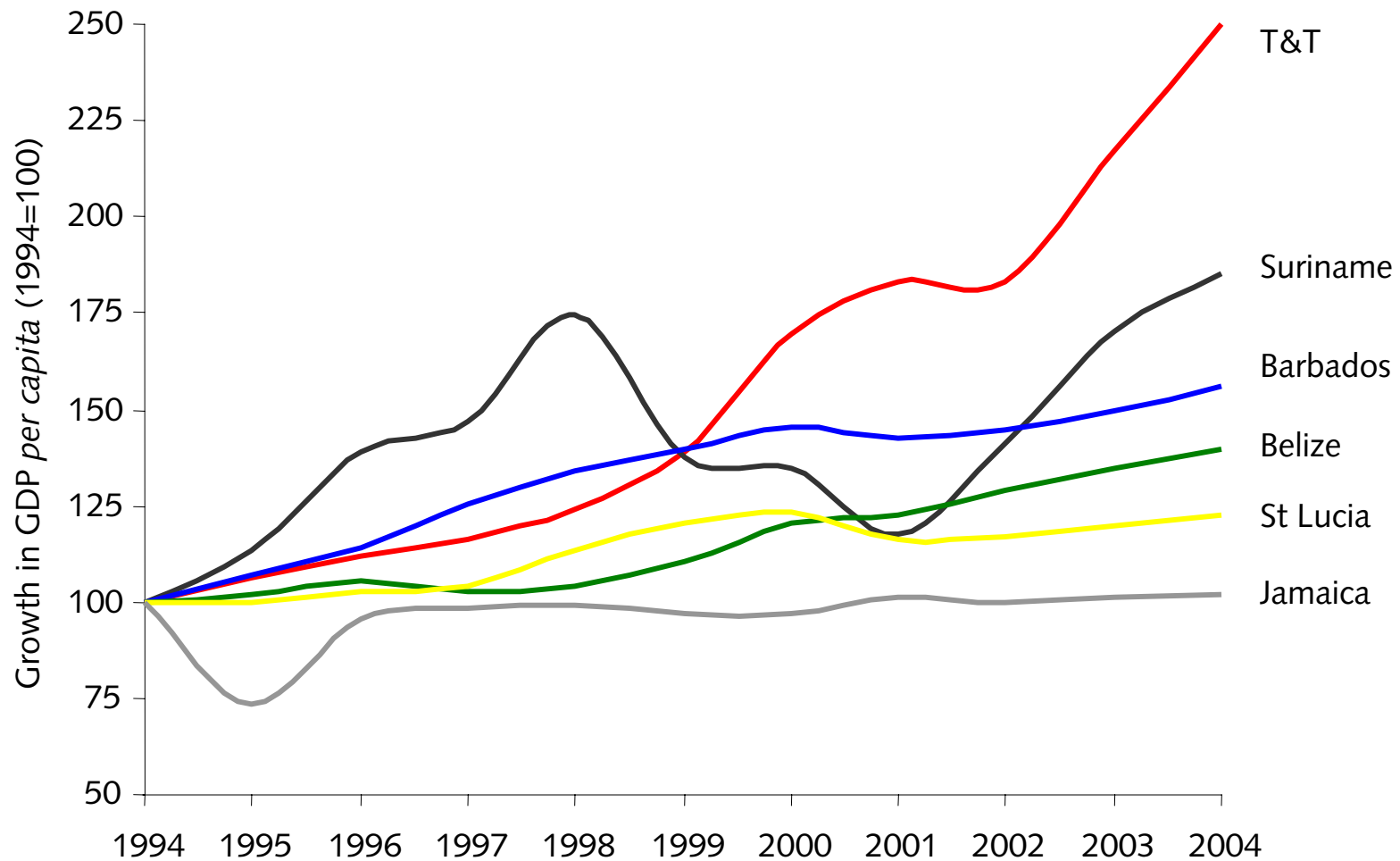
Determinants of Integration I: What drives it, What slows it down?

- Obstacles to Integration
 - Complexity and Resource Constraints
 - Past Integration Experience
 - Economic Disparity and Divergence
 - Politics, Participation and Information
 - Relinquish Sovereignty – At What Cost?
 - Governance, Institutions and Finance

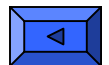
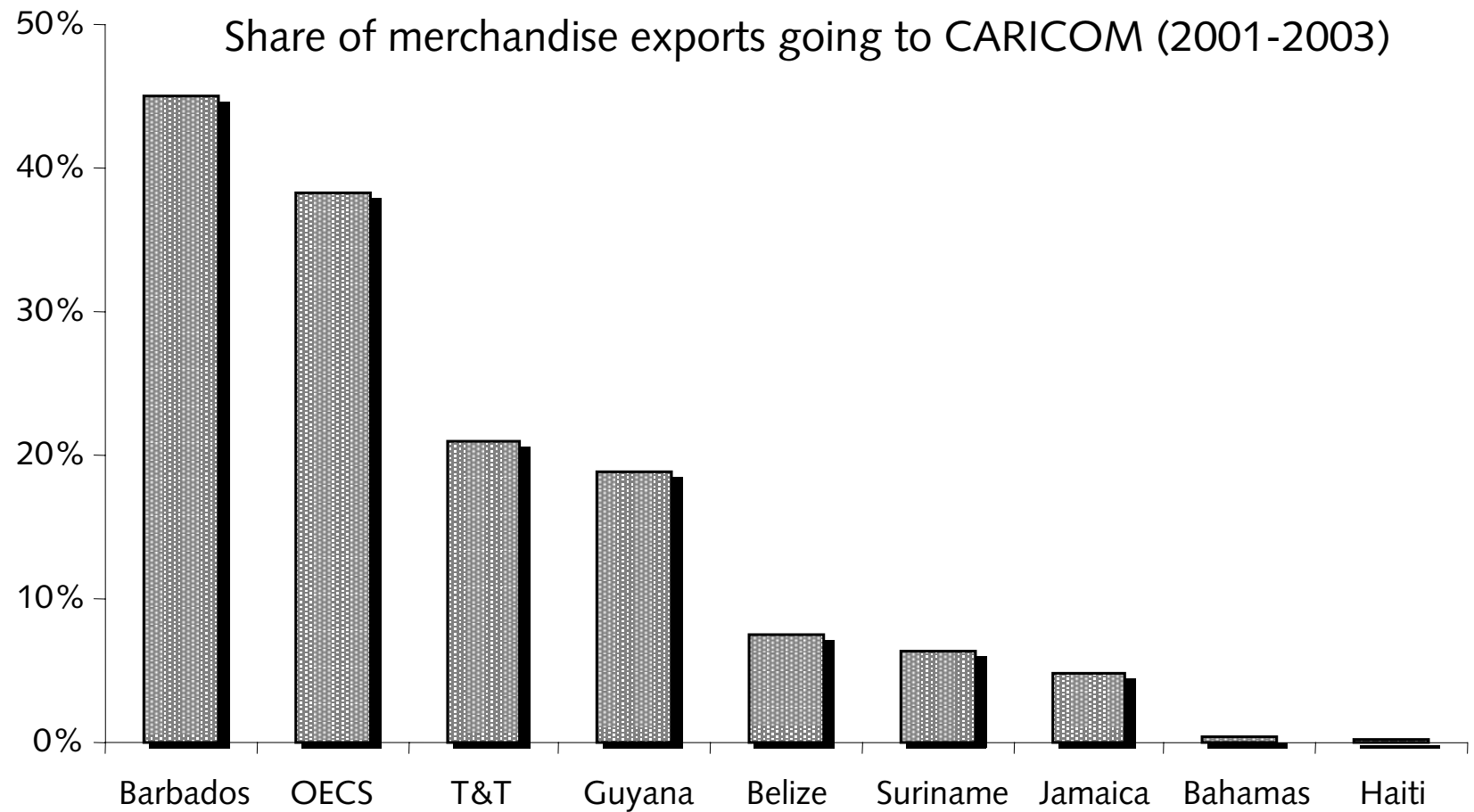
Determinants of Integration II: Obstacles to Integration

- Economic Disparity and Divergence
 - Economic size
 - Levels of economic development
 - Trends in growth performance 
 - Production and Export Structures
 - Importance of Regional Market 
 - Perceptions of Economic Outlook
 - Doubts about the Benefits of Economic Integration
 - Compensatory Measures (SDT, RDF) 

Trends in Growth Performance, 1994-2004



Importance of the Regional Market for CARICOM Countries



Determinants of Integration III: What drives it, What slows it down?

- Obstacles to Integration
 - Complexity and Resource Constraints
 - Past Integration Experience
 - Economic Disparity and Divergence
 - Politics, Participation and Information
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CSME Implementation

The Treaty

- Signature (13 countries)
- Ratification (12 countries)
- Enactment into Domestic Law (7 countries)

CSME Implementation II

- Monitoring the Implementation Agenda
 - Chapter by chapter of the treaty
 - Thematic
 - Single market
 - Single Economy
 - Thematic (Brewster)
 - Institutional and Legal Framework
 - Market Access
 - Sectoral Policies
 - Macroeconomic Framework
 - Need for a Common Format to Measure Progress

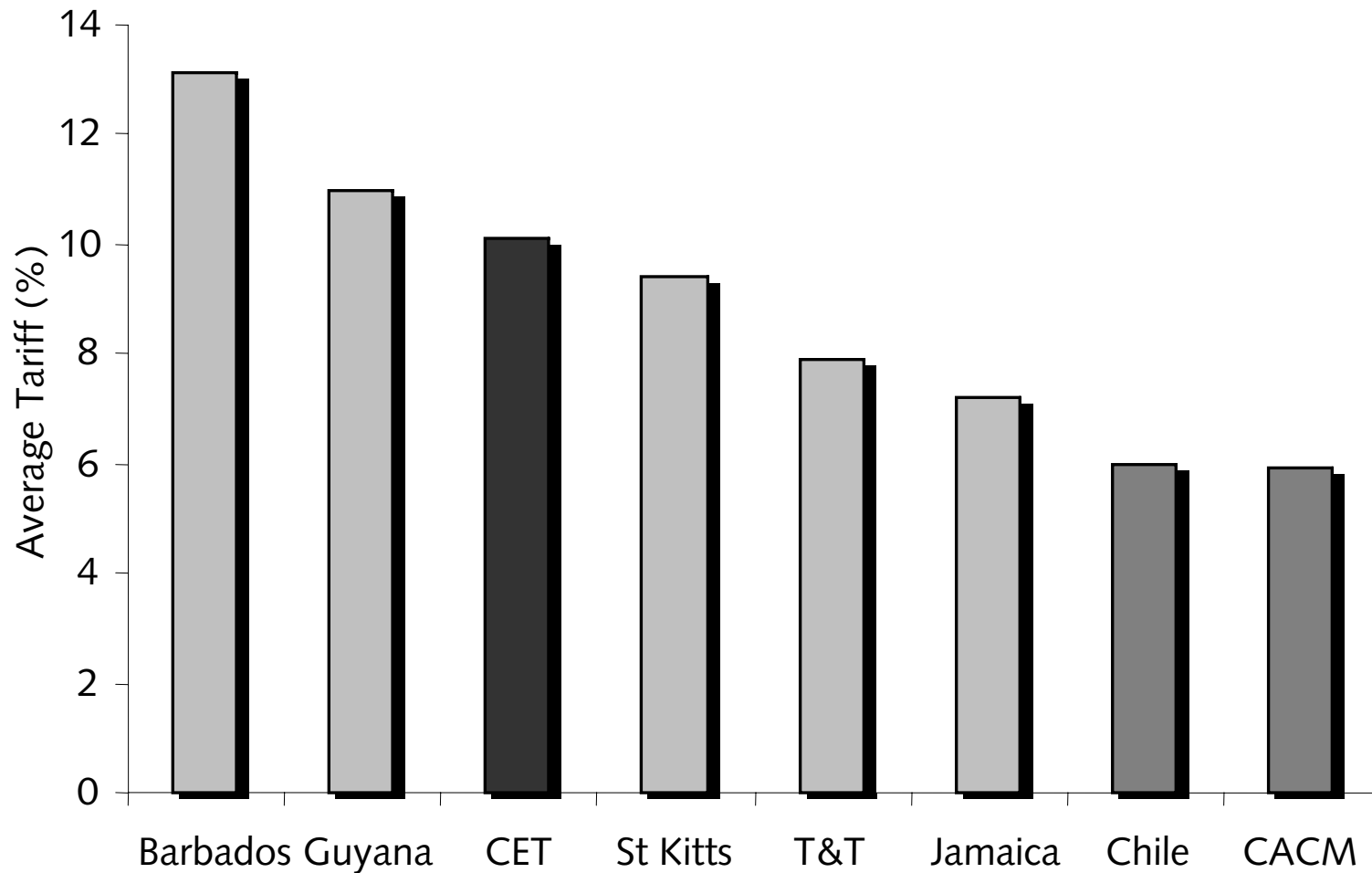
Single Market: Free Movement of Goods

- Intra-regional tariffs abolished
- Unauthorized NTMs identified and abolished
- Authorized NTMs: Proposals for harmonization being prepared
- Pending
 - Treatment of goods in free zones
 - Free circulation
 - Electronic commerce
 - Government procurement

Single Market: Common External Tariff

- Common External Tariff (CET) fully implemented in 11 countries
- But it is not very common
 - Two countries to implement final phase of CET
 - The Bahamas and Haiti excluded
 - Labyrinth of exceptions and derogations
- There is high tariff dispersion
- And the average tariff remains quite high

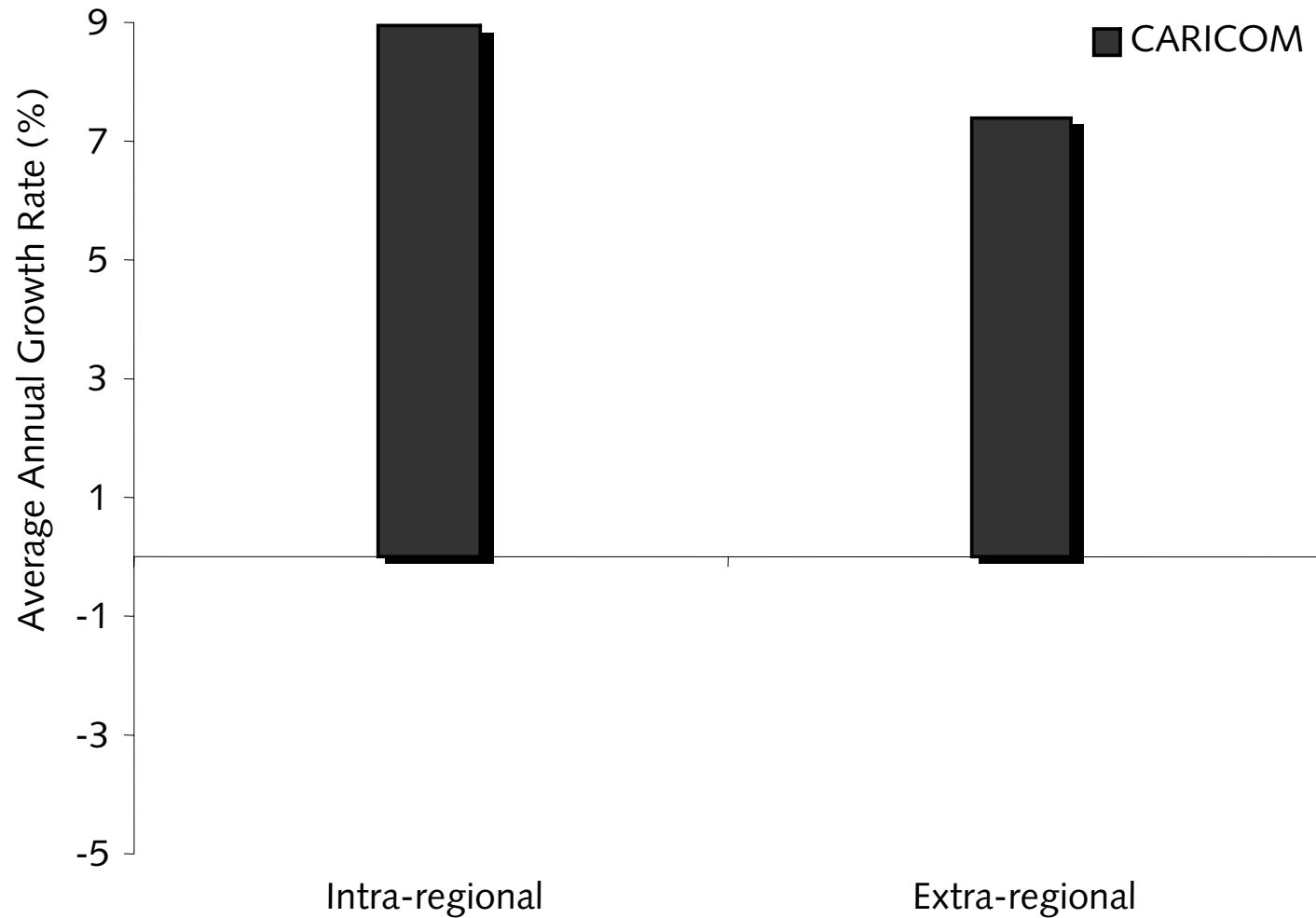
CARICOM CET and National Applied Tariffs 2003



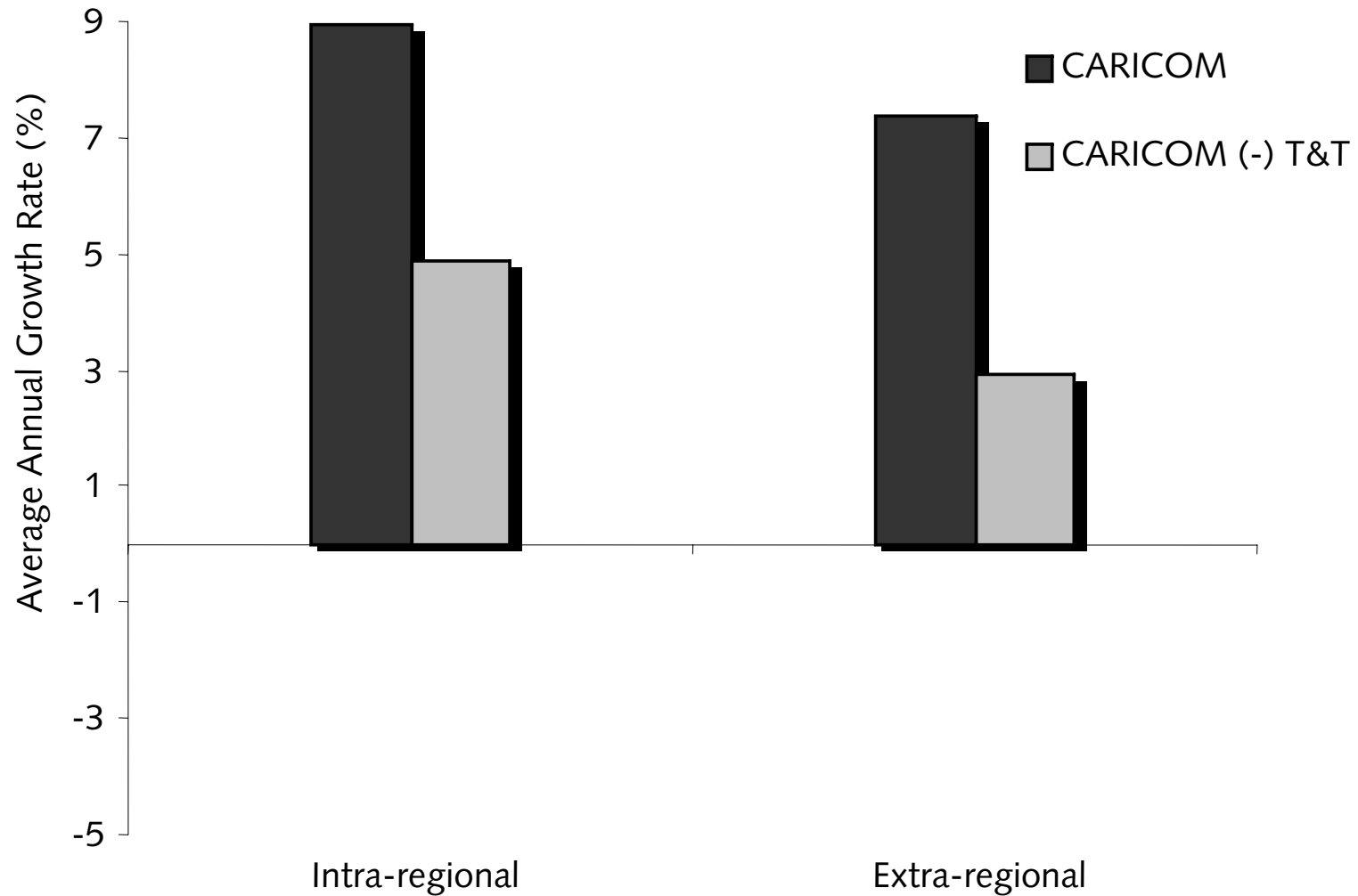
Intra-regional Trade in Goods

- Growing Trade Flows – because of integration?
- Impact of Integration
 - Intra-regional trade liberalization (1970s/1980s)
 - Reduction in External Protection
 - Remaining External Protection

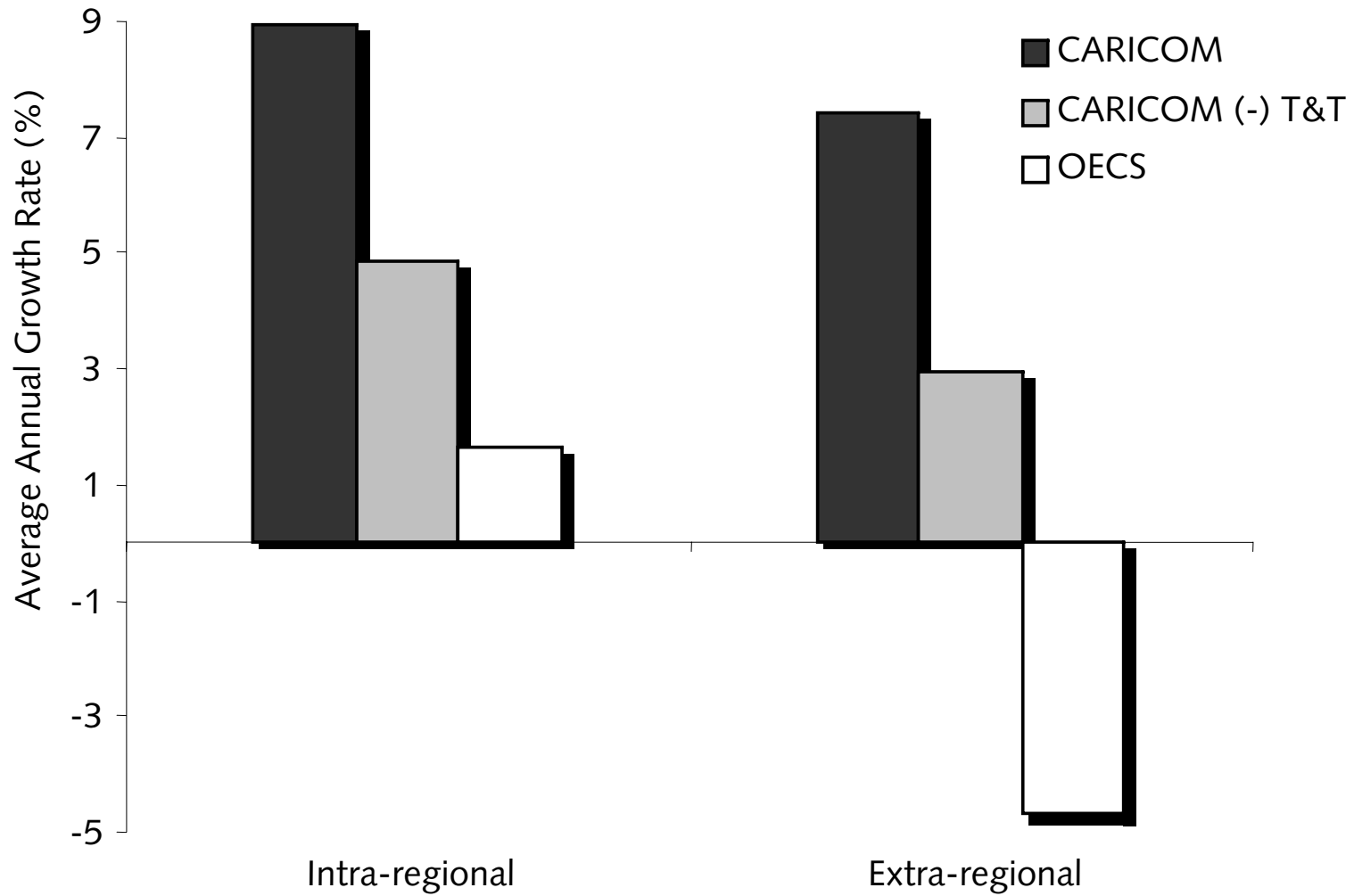
Growth in Intra- and Extra-regional Exports 1993-2003



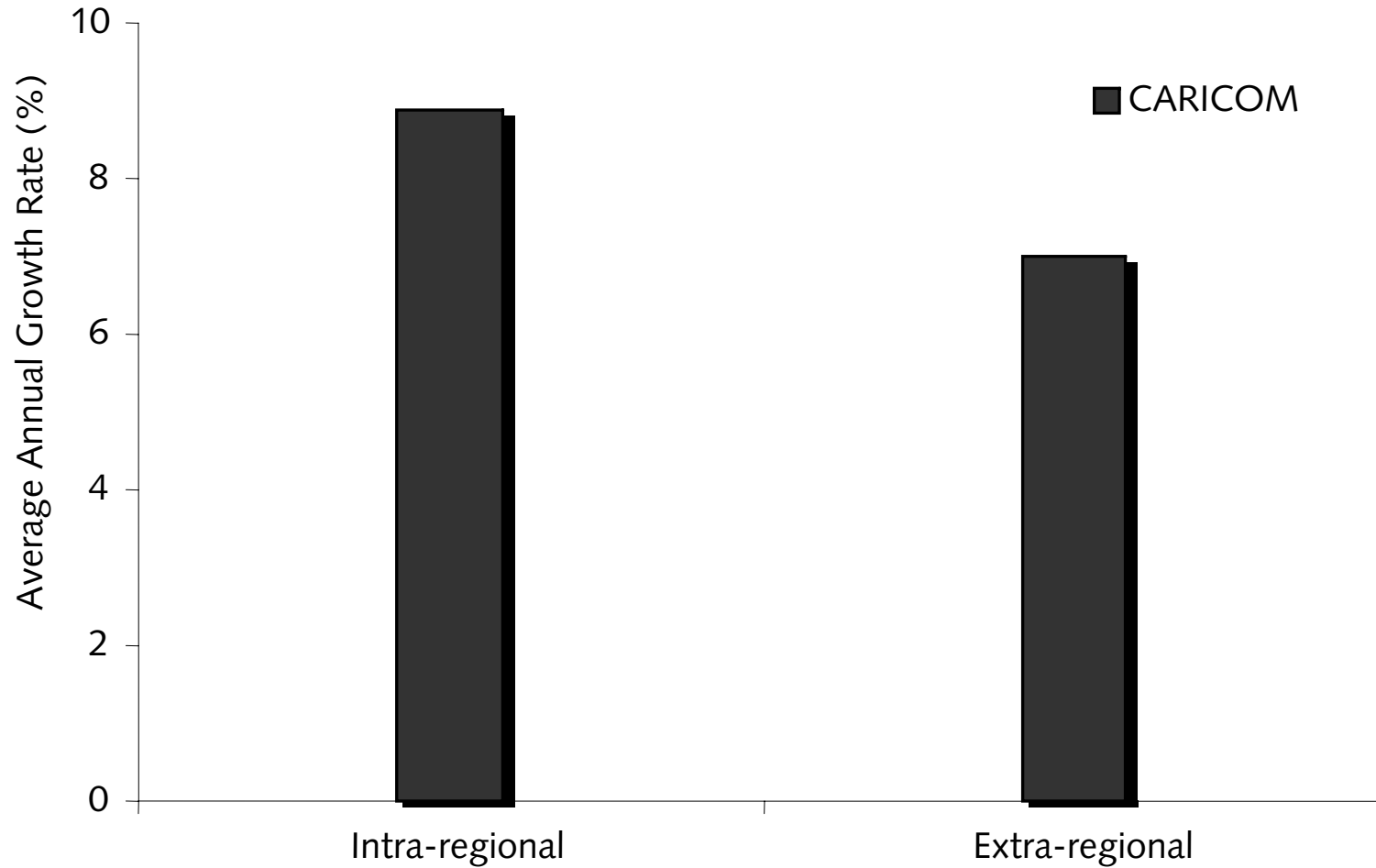
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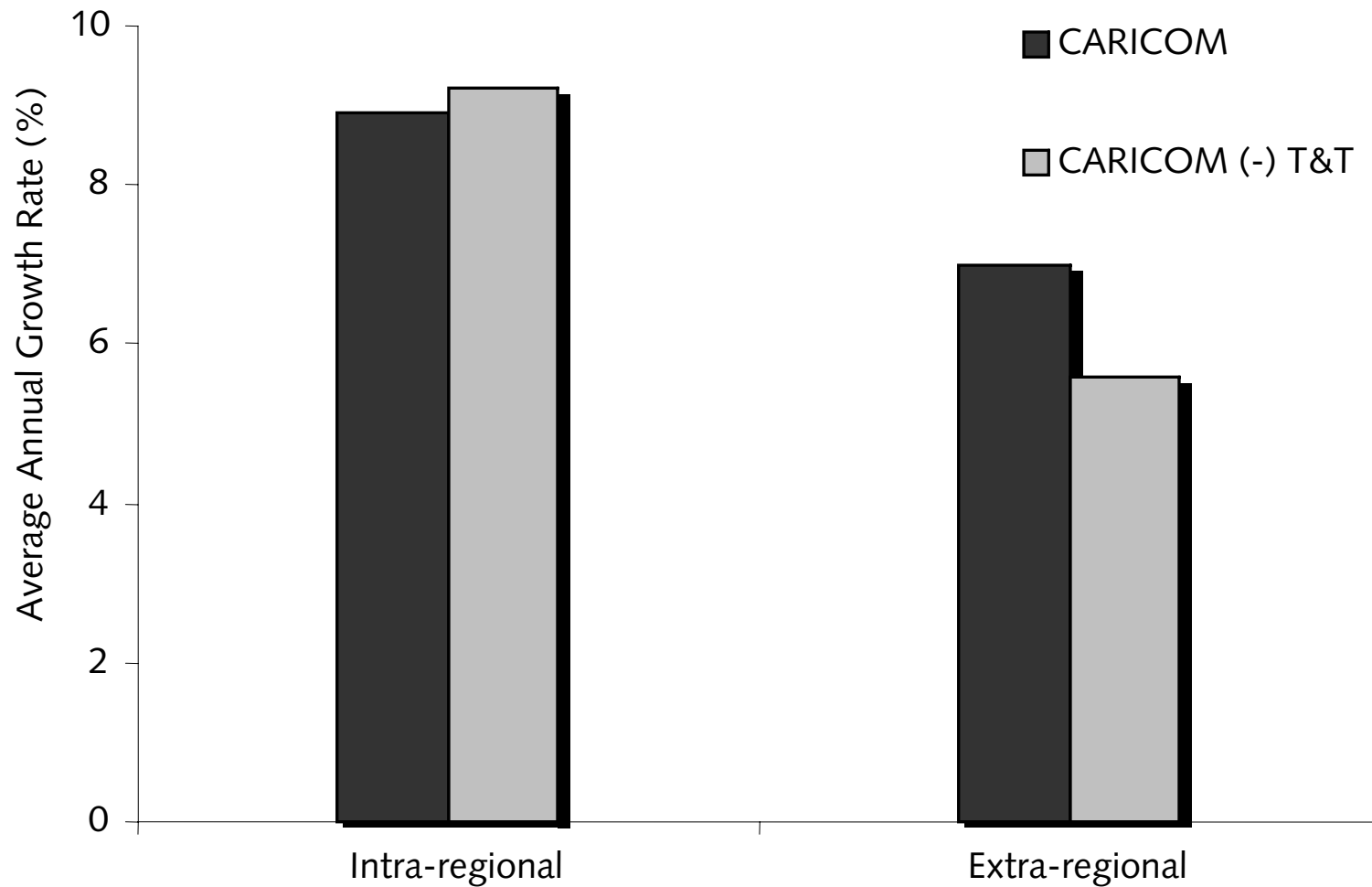
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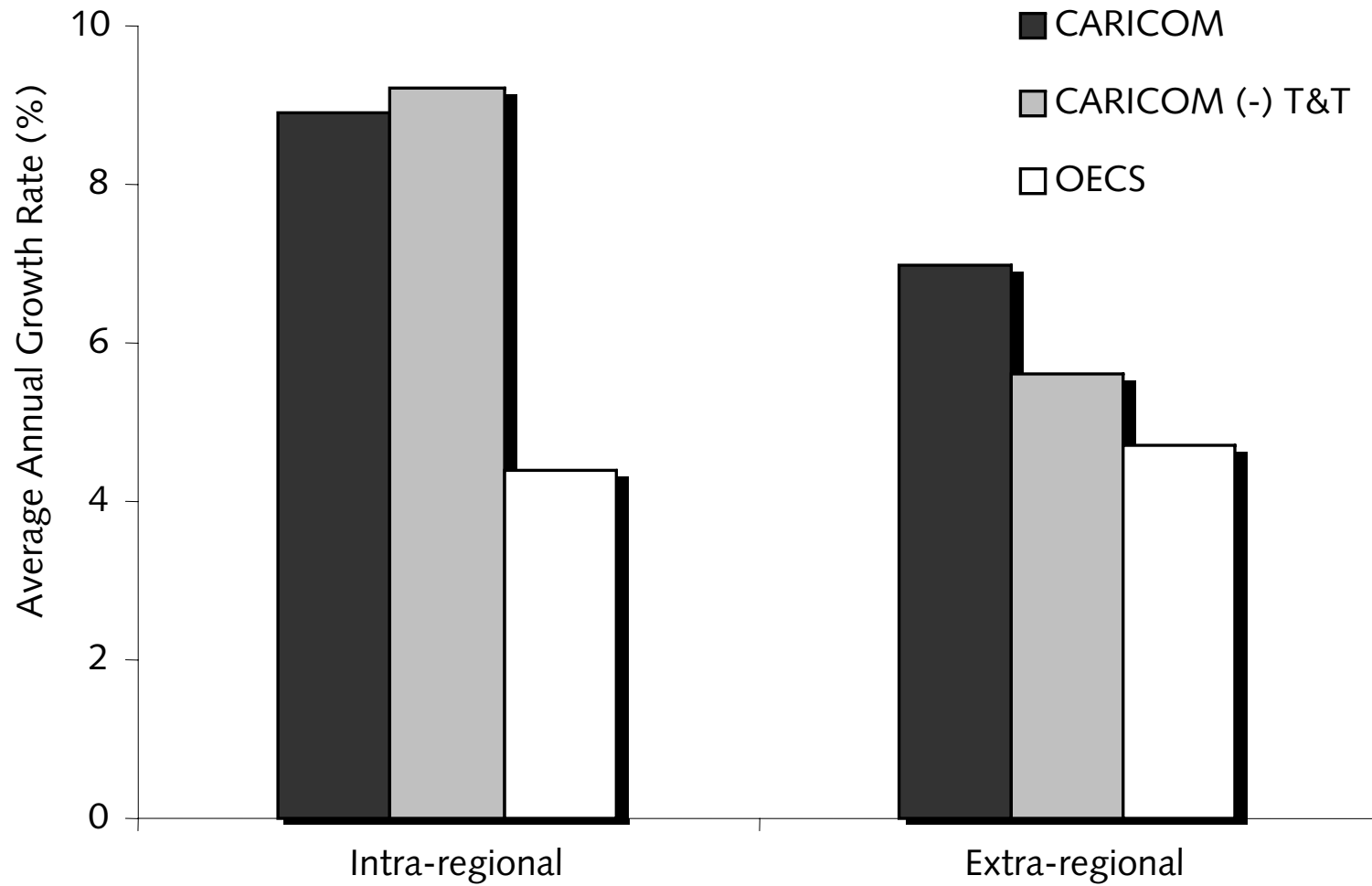
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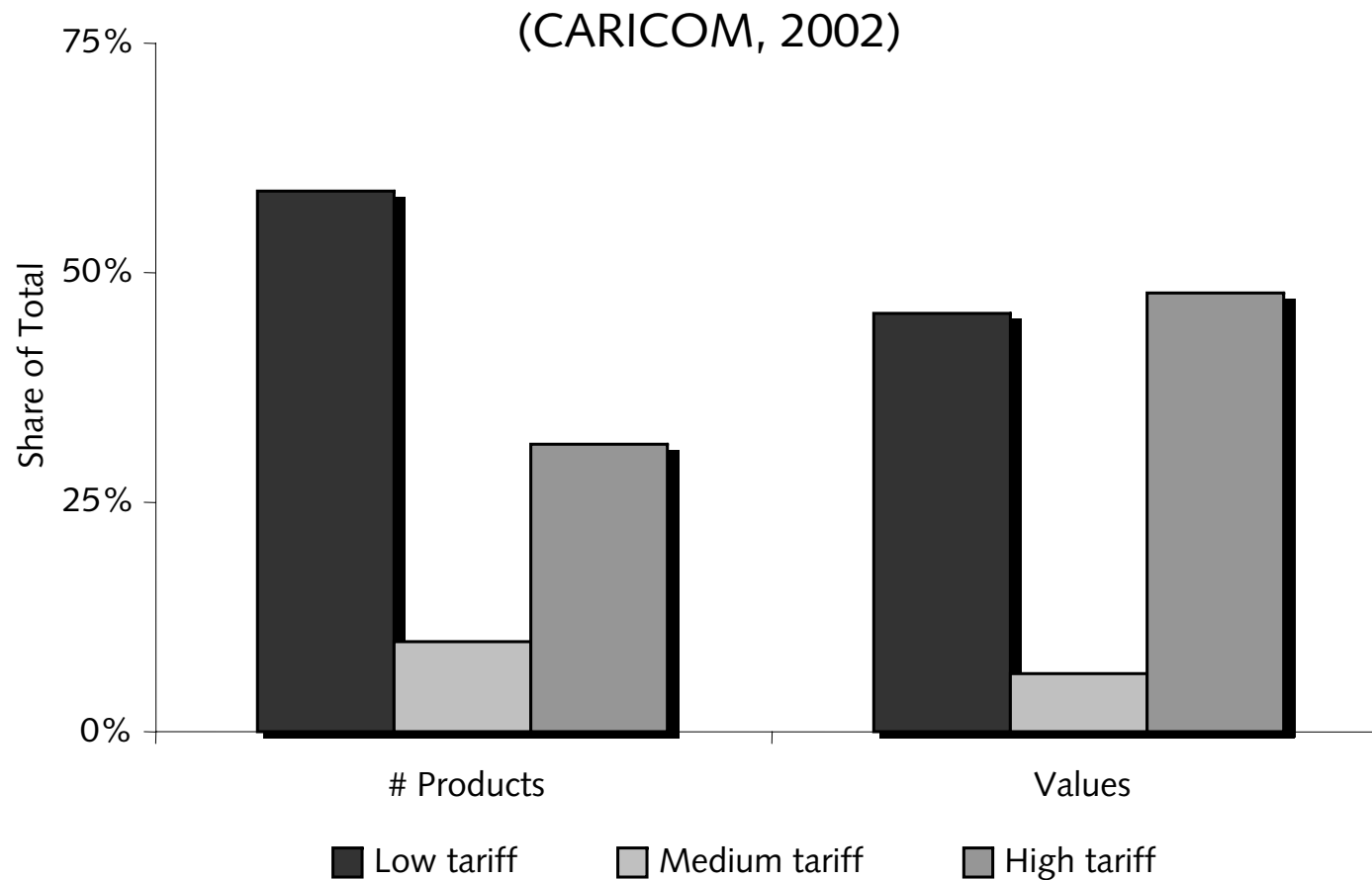
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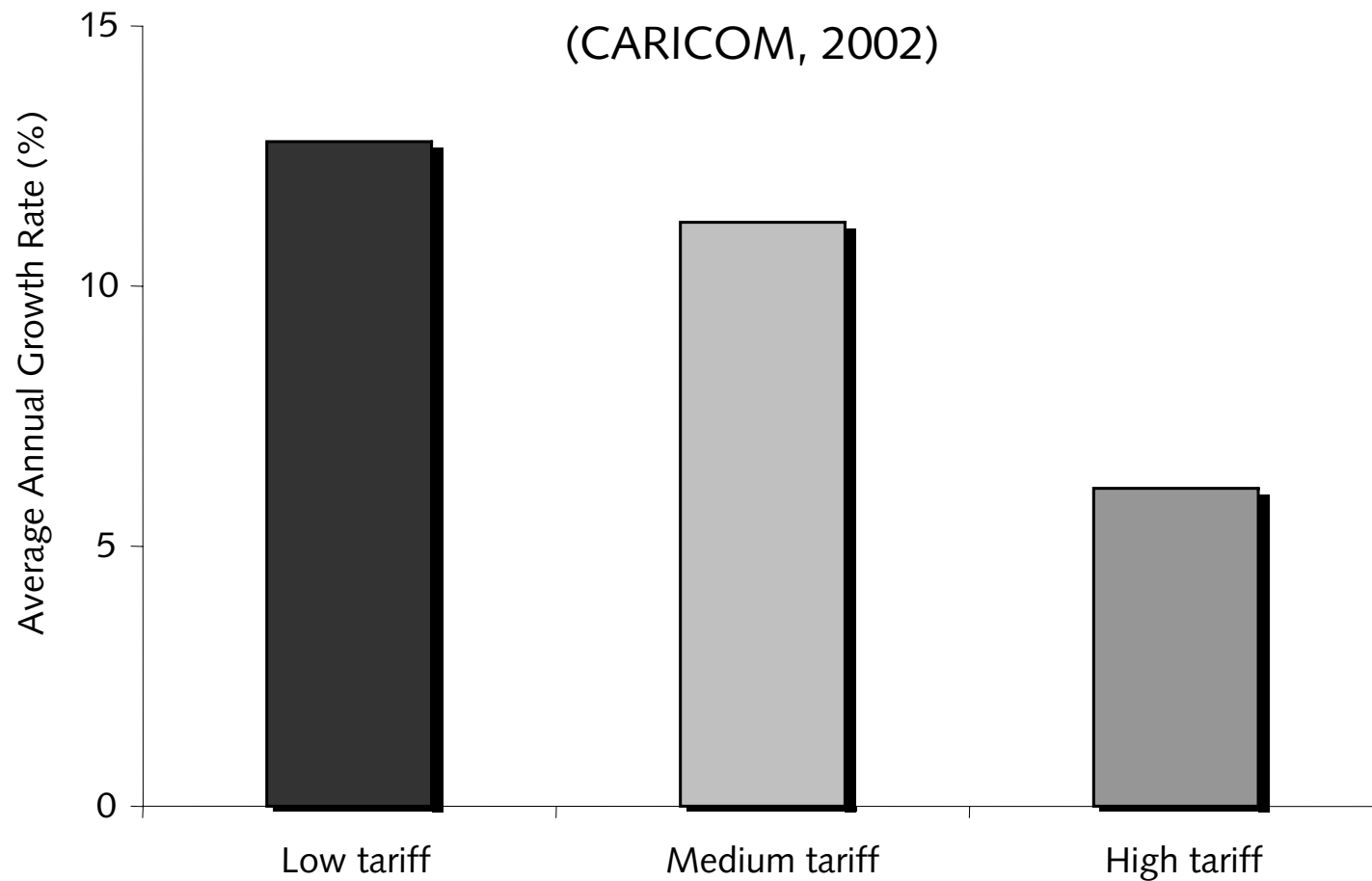


Protection Levels of Intra-regional Imports



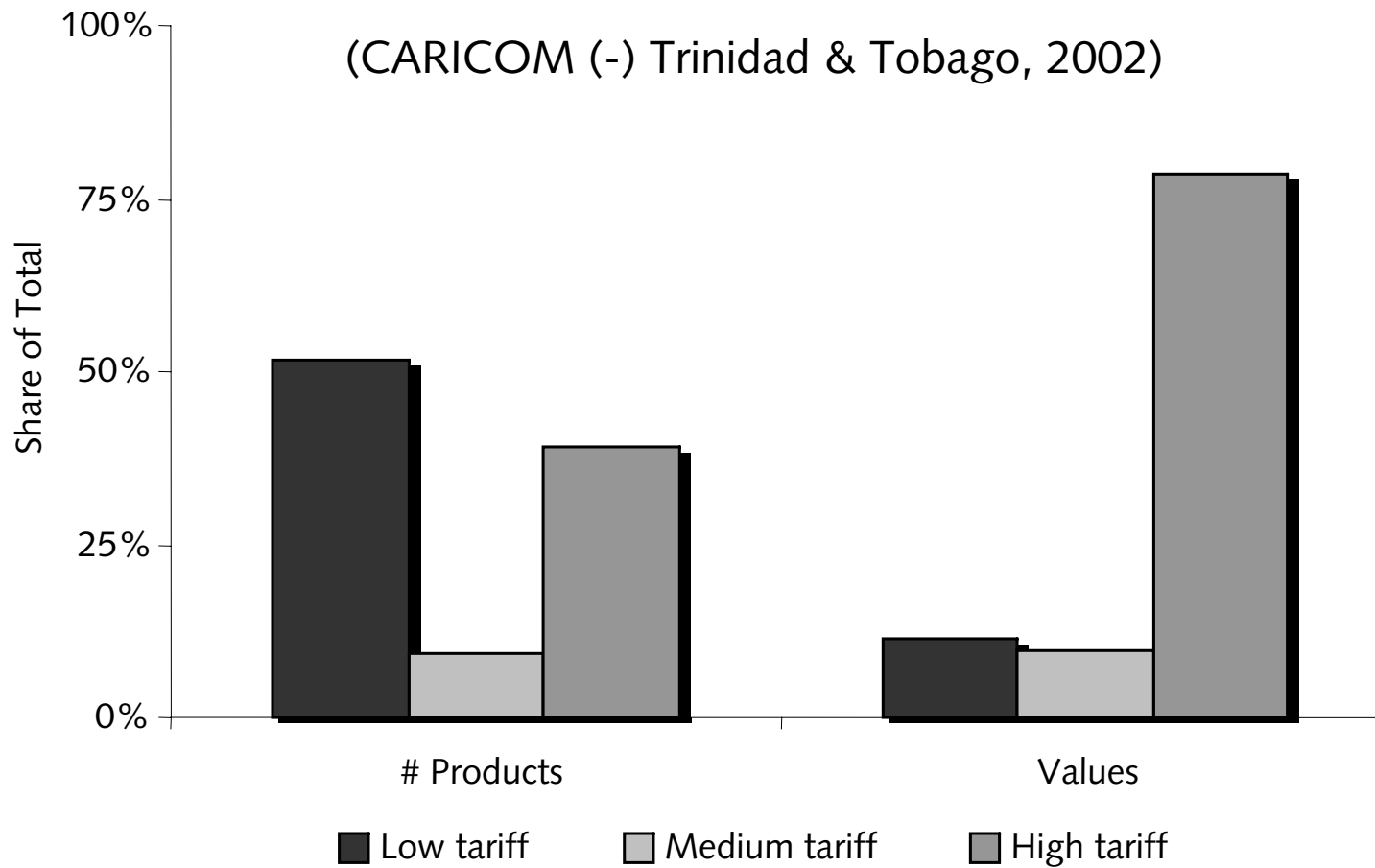
Note: Only includes those products for which intra-regional imports performed better than extra-regional imports during 1997-2002.

Growth of Intra-regional Imports



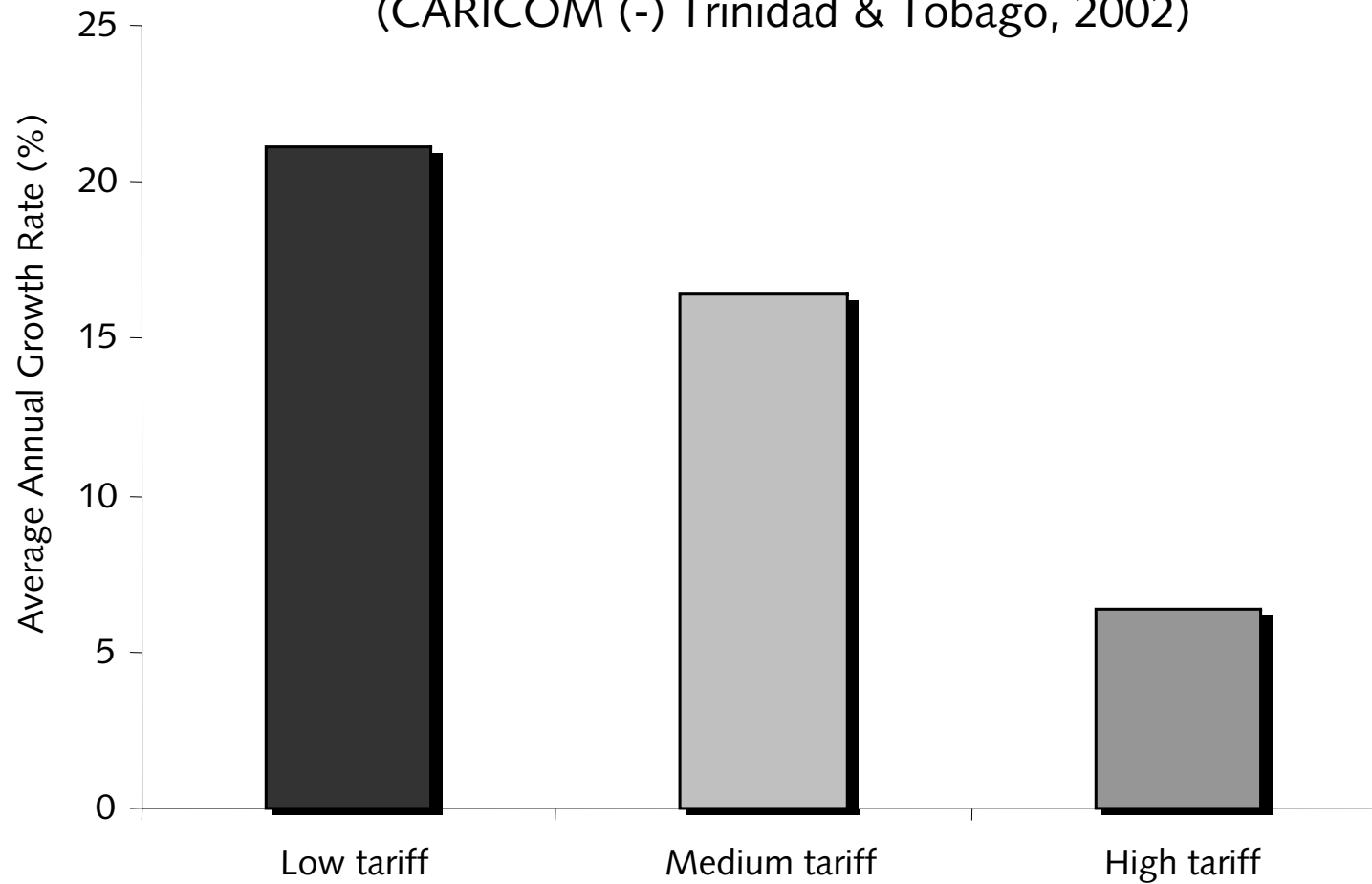
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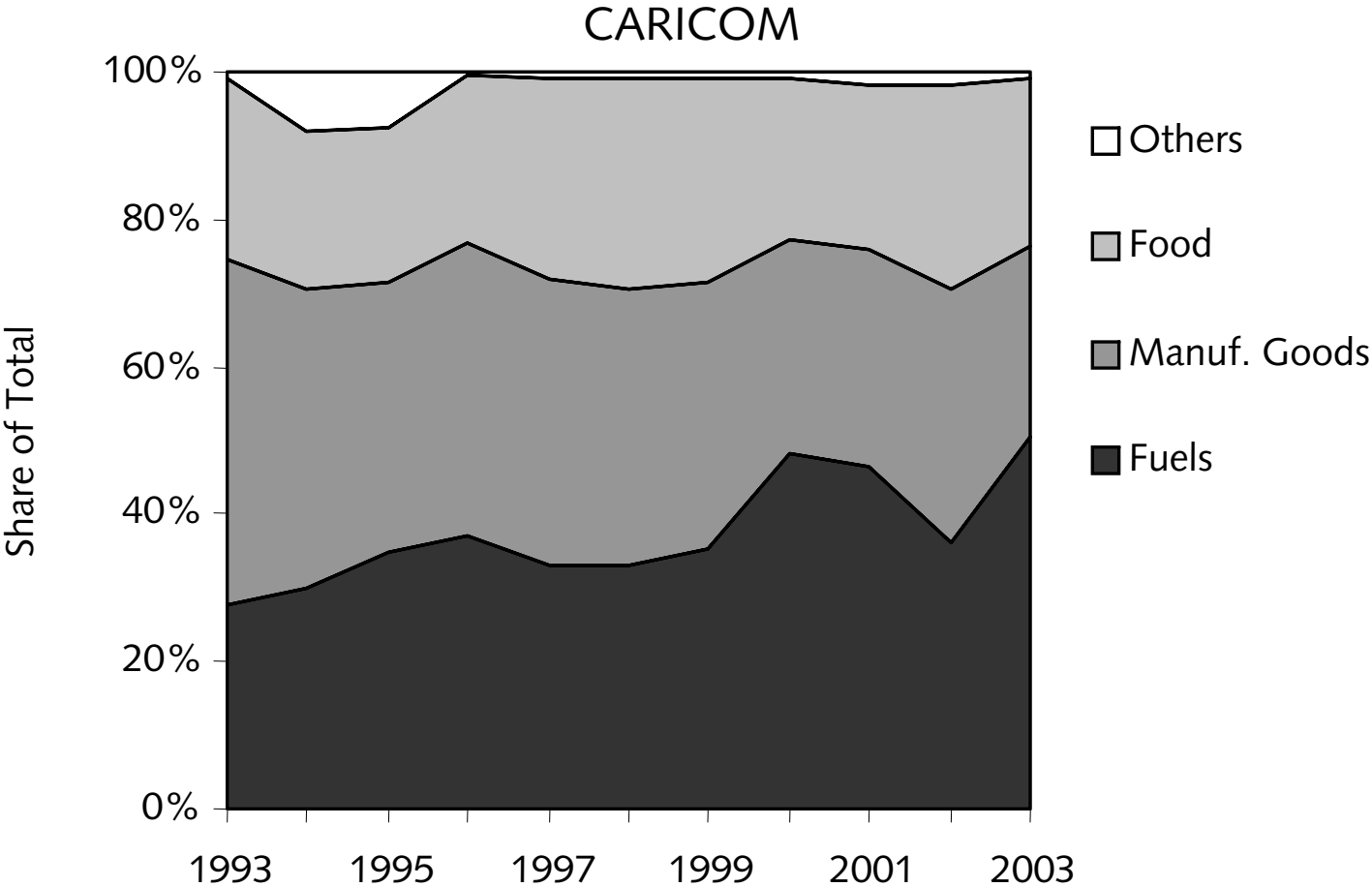


Growth of Intra-regional Imports

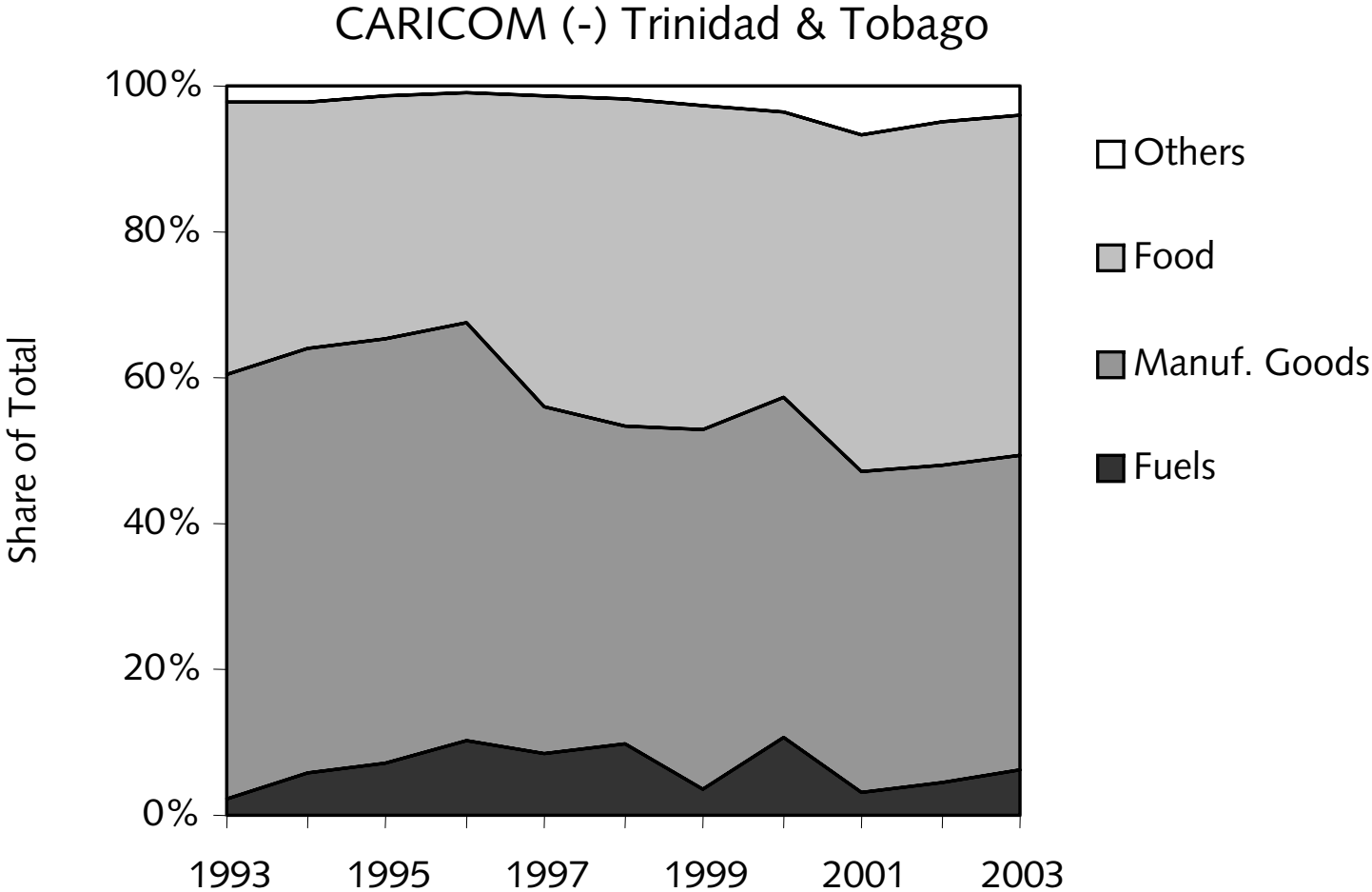
(CARICOM (-) Trinidad & Tobago, 2002)



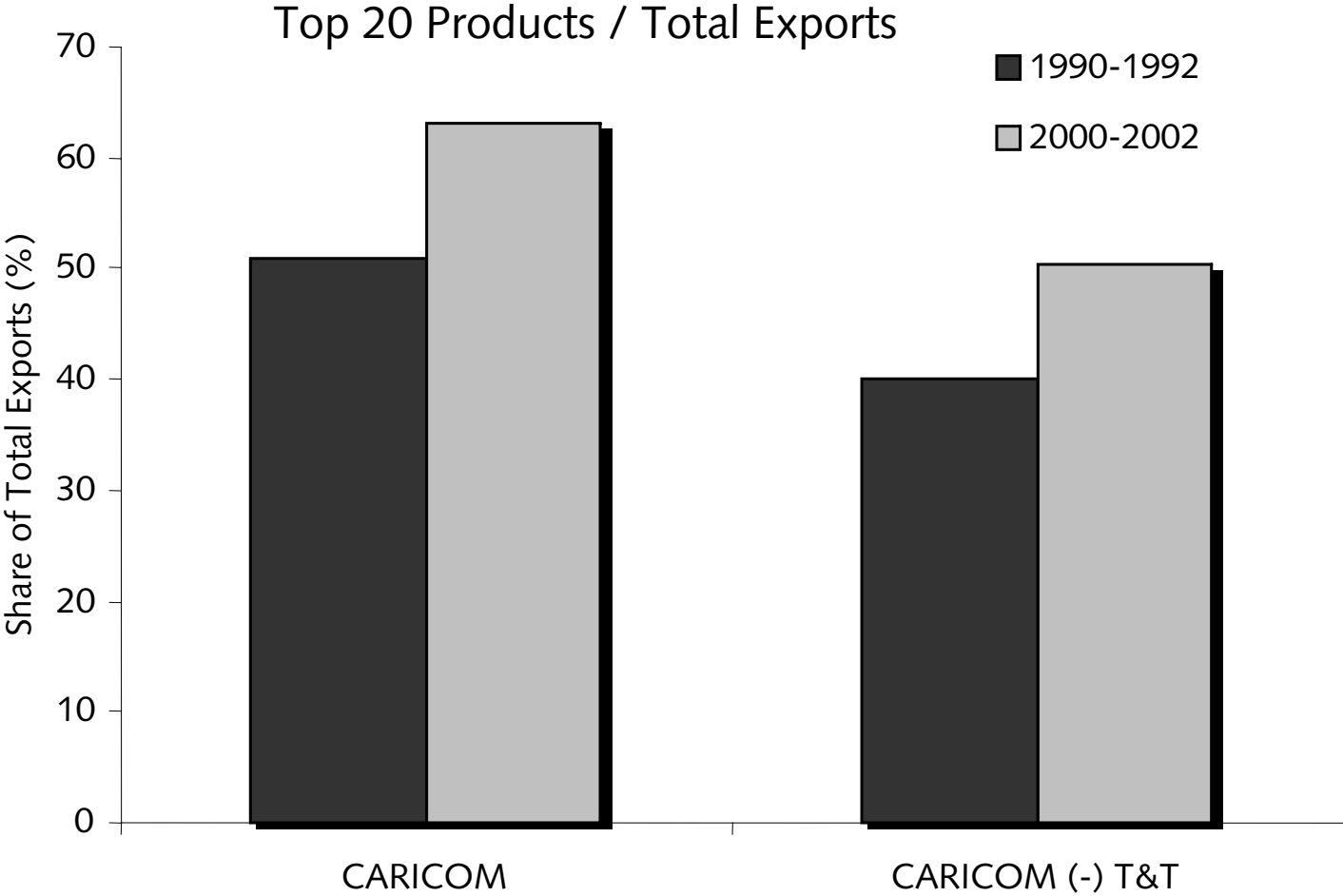
Composition of Intra-regional Merchandise Exports 1993-2003



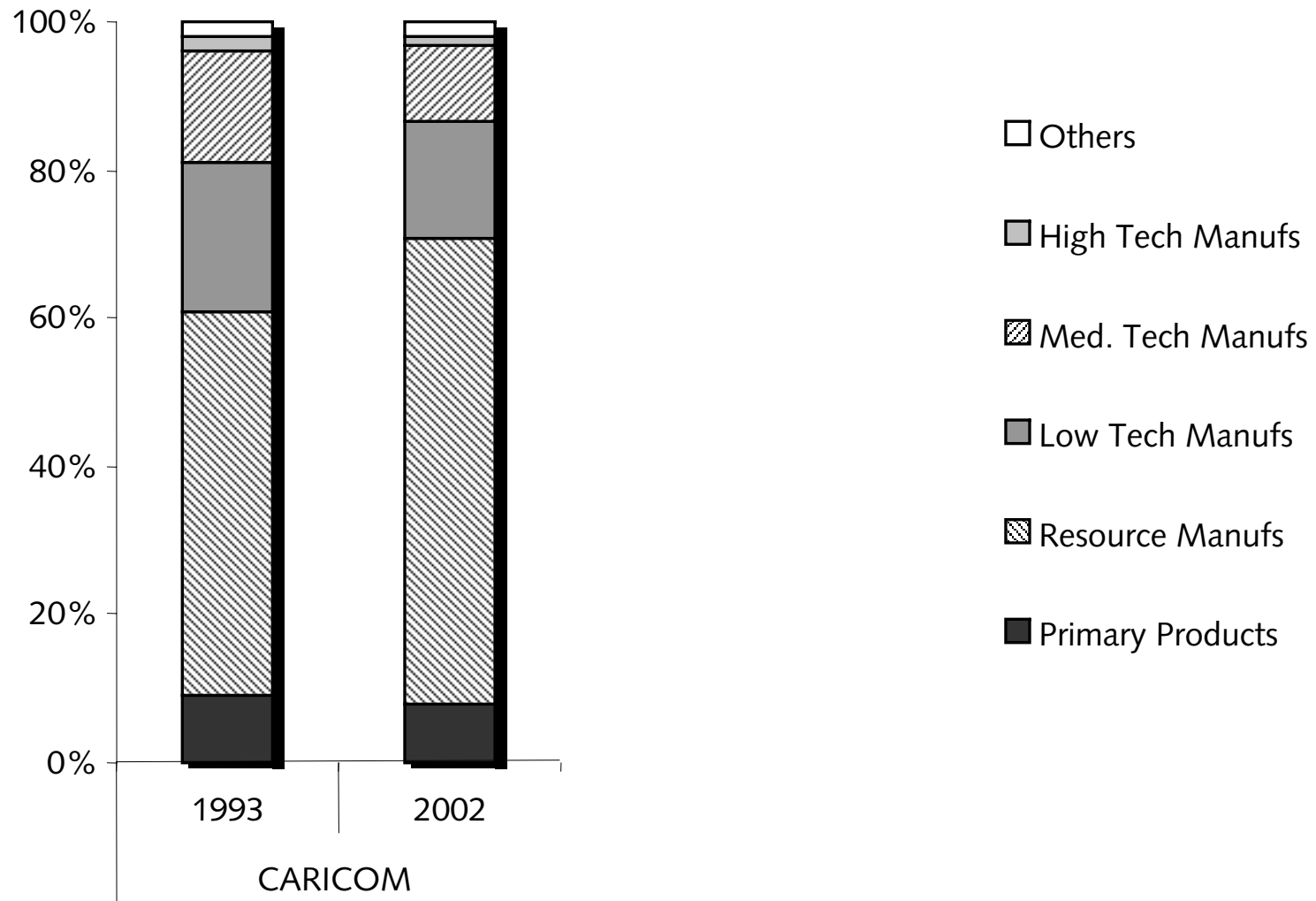
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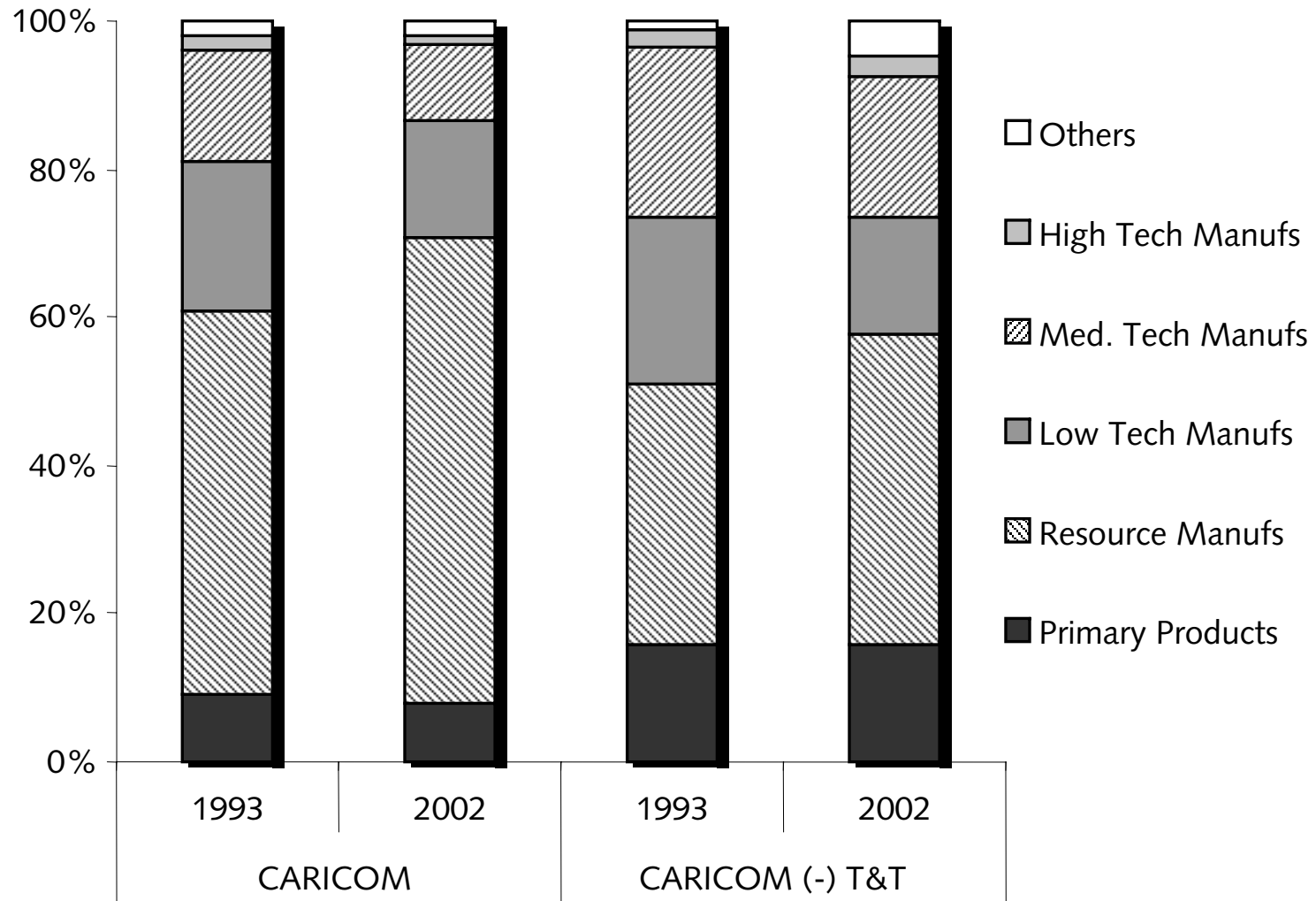
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Technology Content of Intra-regional Exports 1993-2002



Technology Content of Intra-regional Exports 1993-2002



Free Movement of Goods

- To Conclude
 - Limited impact of regional integration on intra-regional trade flows
 - Much of recent growth in intra-regional trade not linked to the formal integration process
 - Products enjoying highest levels of protection have shown little dynamics, raising questions about the continued value of protection
 - Little evidence of product innovation and specialization

Single Market: Beyond Goods Trade

- Right of Establishment
- Free Movement of Services
 - Removal of restrictions in progress
 - Pending
 - Agreements on liberalization of air/maritime transport services
 - Financial services agreement
 - The problem of statistics
 - Anecdotal evidence of growing intra-regional services trade

Single Market: Beyond Goods Trade II

- Liberalization of Capital Flows
- Free Movement of Skills
 - Who?
 - University graduates
 - Artists, sports persons, media workers...
 - Persons granted right of establishment (Treaty Chap. III)
 - How?
 - Transferability of social security
 - Facilitation of travel
 - Certification and accreditation
 - Statistics: who is moving?

The Single Economy

- What is the “e” in the CSME?
 - Macroeconomic convergence and coordination?
 - Or monetary union?
 - Harmonization of economic policies
 - Fiscal
 - Investment
 - Sector Policies
 - Industrial
 - Agriculture
 - Transport
 - Common supportive measures
 - ICT

CSME Implementation III

Challenges

- Make it Popular (Politically)
- Make it Operational
- Make it Dynamic