



CARICOM REPORT



Integration and Regional Programs Department
Institute for the Integration of Latin America and the Caribbean - INTAL

INTER-AMERICAN DEVELOPMENT BANK
CARICOM Report N° 2 - August 2005





CARICOM Report
Nº 2



CARICOM REPORT

Inter-American Development Bank
Integration and Regional Programs Department
Institute for the Integration of Latin America and the Caribbean IDB - INTAL
Esmeralda 130, 16th and 17th Floors C1035ABD Buenos Aires, Argentina
tel 54 114 320-1871 fax 54 114 320-1872
E-mail: INT/INL@iadb.org <http://www.iadb.org/intal>

The author is responsible for ideas and opinions hereby expressed which may not necessarily reflect policies and/or positions from IDB or INTAL.

Printed in Argentina

Institute for the Integration of Latin America and the Caribbean (INTAL)
CARICOM Report N° 2
1° ed. - Buenos Aires: IDB-INTAL, August 2005.
132 p.; 28 x 21 cm.
ISBN 950-738-217-8
1. Desarrollo económico I. Título
CDD 338.9

US\$ 15,00

Editing:
Susana Filippa

The Subregional Integration Reports Series, to which this CARICOM Report belongs, represents an effort by INTAL to promote understanding of and disseminate information about the dynamic process of integration under way in Latin America and the Caribbean. Apart from the Caribbean Community, the series also covers the Andean Community, the Central American Common Market and MERCOSUR.

The overall purpose of the CARICOM Report is to appraise progress towards deeper integration among the member states of the Caribbean Community. Report N° 1 was published in September 2002 and contains detailed information on the history of CARICOM, as well as a discussion of the revisions to the Community's original Treaty that were underway at the time. Report N° 2 builds on this report, offering a detailed assessment of recent progress achieved in the three main areas of the integration process: economic integration, foreign policy coordination and functional cooperation. It also analyzes the determinants of integration - what drives it, what slows it down - in an effort to generate a better understanding of the challenges and prospects of the Caribbean integration process.

Report N° 2, was coordinated and written by Anneke Jessen, Operations Specialist, and Christopher Vignoles, Research Fellow of the IDB's Integration, Trade and Hemispheric Issues Division. The authors would like to thank Havelock Brewster, Ricardo Carciofi, Norman Girvan and Mauricio Mesquita Moreira for their valuable comments on the draft version of this paper.

In publishing this report, INTAL aims to facilitate access to information for a broad potential readership interested in the CARICOM integration process, both within and beyond the subregion. In order to meet the expectations raised by the reports in this Series, INTAL encourages readers to send their comments and/or suggestions for the purpose of improving the future scope or focus of these publications (pubintal@iadb.org).

August 2005

CONTENTS

INTRODUCTION	1
I. THE DETERMINANTS OF INTEGRATION: WHAT DRIVES IT, WHAT SLOWS IT DOWN?	3
Why Integrate?	3
Obstacles to Integration	7
How Far Can Integration Go?	15
II. CSME IMPLEMENTATION: TOWARDS A SINGLE MARKET	17
The Free Movement of Goods	18
Common External Tariff and Trade Policy	19
Intra-regional Trade	21
Right of Establishment and Free Movement of Services, Capital and Labor	26
III. THE SINGLE ECONOMY	31
Macroeconomic Coordination and Convergence	31
Sectoral Policies	33
The Sequencing of Integration	35
IV. INSTITUTIONAL ASPECTS OF INTEGRATION	37
Governing Structure, Decision-making and Enforcement	37
Reforming the Community	40
New and Affiliated Institutions	43
V. THE EXTERNAL DIMENSION OF CARICOM	47
The Legal Framework for Foreign Policy Coordination	47
The Community's Foreign Policy Strategy	48
Coordination of External Economic Policies	50
External Trade and Investment Performance	58

VI. FUNCTIONAL COOPERATION	65
The Legal Basis for Cooperation	65
Health: The Fight against HIV/AIDS	67
Education: Training the Region's Human Resources	68
Natural Disasters: Towards a Regional Risk Management Strategy	70
Other Areas of Functional Cooperation	73
Achieving Success in Functional Cooperation	75
SUMMARY AND CONCLUSIONS	77
APPENDIX. STATISTICAL OVERVIEW	81
Table 1: CARICOM Member States: Basic Indicators, 2004	81
Table 2: CARICOM Member States: Composition Of Exports, 2002	82
Table 3: CARICOM Member States: Direction of Merchandise Exports, 2001-2003	83
Table 4: CARICOM CET and National Applied Tariffs, 2003	84
Table 5: Intra-regional Merchandise Trade, 1993-2003	86
Table 6: Share of Intra-regional Exports in Total Exports, 1993-2003	88
Table 7: Share of Intra-regional Imports in Total Imports, 1993-2003	90
Table 8: Growth and External Protection of Intra-regional Imports, 1997-2002	92
Table 9: CARICOM Member States: Share of CARICOM Market, 1993-2003	94
Table 10: Composition of Intra-Regional Merchandise Trade, 1993-2003	95
Table 11.A: CARICOM: Top 20 Intra-Regional Merchandise Exports, 1990-1992 and 2000-2002	96
Table 11.B: CARICOM (-) T&T: Top 20 Intra-Regional Merchandise Exports, 1990-1992 and 2000-2002	97
Table 12.A: Technology Content of Intra-regional Exports, by Region, 1992-2002	98
Table 12.B: Technology Content of Intra-regional Exports, Selected Countries, 1983-2003	100
Table 12.C: Technological Classification of Exports	102
Table 13: Merchandise Trade by Selected Destinations, 1993-2003	103
Table 14: Services Trade by Area, 1993-2003	105
Table 15: CARICOM Member States: Net FDI Inflows and Inward FDI Stock, 1980-2003	107

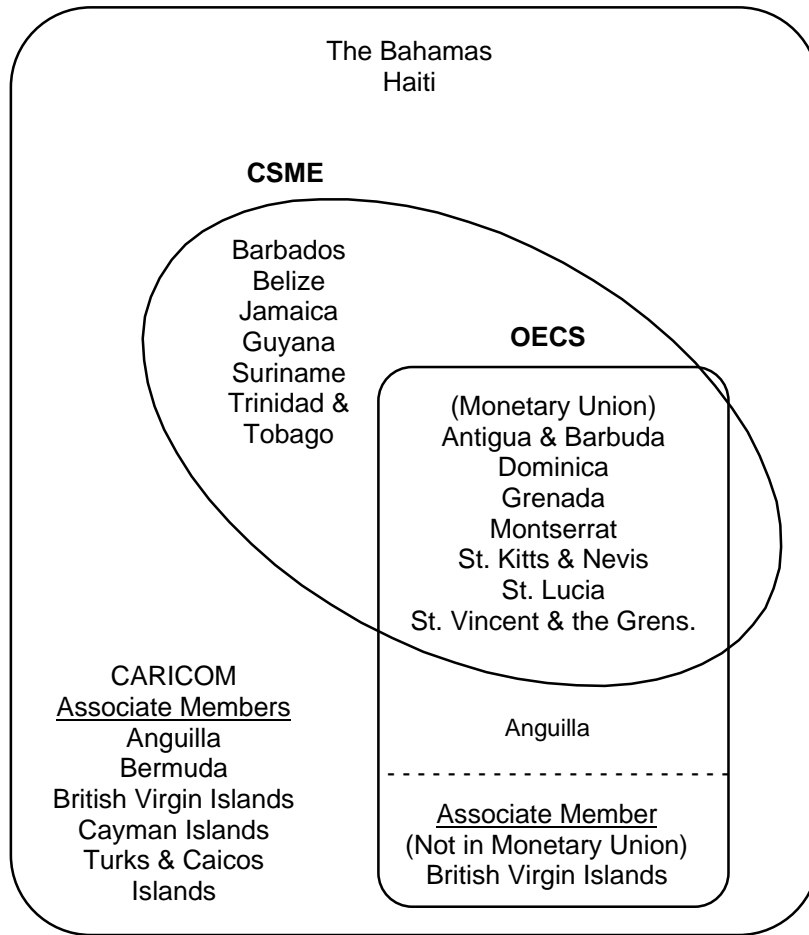
BIBLIOGRAPHY

ABBREVIATIONS

ACCP	Assembly of Caribbean Community Parliamentarians
ACP	African, Caribbean and Pacific
CAFTA	US-Central American Free Trade Agreement
CARDI	Caribbean Agricultural Research and Development Institute
CAREC	Caribbean Epidemiology Centre
CARICOM	Caribbean Community
CARIFORUM	Caribbean Forum (CARICOM plus Dominican Republic)
CBERA	Caribbean Basin Economic Recovery Act
CBTPA	Caribbean Basin Trade Partnership Act
CCJ	Caribbean Court of Justice
CCMS	Caribbean Centre for Monetary Studies
CDB	Caribbean Development Bank
CDERA	Caribbean Disaster Emergency Response Agency
CDM	Comprehensive Disaster Management Strategy
CEHI	Caribbean Environmental Health Institute
CET	common external tariff
CFC	Caribbean Food Corporation
CFY	Caribbean Federation of Youth
CMO	Caribbean Meteorological Organization
COFAP	Council for Finance and Planning
COFCOR	Council for Foreign and Community Relations
COHSOD	Council for Human and Social Development
COTED	Council for Trade and Economic Development
CRN+	Caribbean Network of People living with HIV/AIDS
CROSQ	CARICOM Regional Organization for Standards and Quality
CSME	CARICOM Single Market and Economy
CXC	Caribbean Examinations Council
EC	European Community
ECCB	Eastern Caribbean Central Bank

EPA	Economic Partnership Agreement
EU	European Union
FDI	foreign direct investment
FPCR	Foreign Policy and Community Relations (Directorate)
FTAA	Free Trade Area of the Americas
GATS	General Agreement on Trade in Services
GDP	gross domestic product
ICT	information and communication technology
IMF	International Monetary Fund
IP	intellectual property
LDC	less developed country (as defined by CARICOM)
MDC	more developed country (as defined by CARICOM)
NTB	non-tariff barrier
OECD	Organization for Economic Co-operation and Development
OECS	Organization of Eastern Caribbean States
PANCAP	PanCaribbean Partnership against HIV/AIDS
R&D	research and development
RASOS	Regional Aviation Safety Oversight System
RNM	Caribbean Regional Negotiating Machinery
SALISES	Sir Arthur Lewis Institute of Social and Economic Studies (UWI)
SIDS	small island developing state
UG	University of Guyana
UN-ECLAC	United Nations Economic Commission for Latin America and the Caribbean
UNCTAD	United Nations Conference on Trade and Development
UNICEF	United Nations Children's Fund
UWI	University of the West Indies
WB	World Bank
WTO	World Trade Organization

The Caribbean Community (CARICOM)



INTRODUCTION

Economic growth in the Caribbean Community (CARICOM) has been slow in the last two decades, averaging just 1.8 percent a year, compared to annual growth of 3.5 percent in the world economy and 4.3 percent in developing countries.¹ Growth has varied considerably among CARICOM's 15 member states,² but in most countries it has slowed over the years. The Organization of Eastern Caribbean States (OECS), for example, witnessed above-average growth of 5.4 percent a year in the period 1984-1994, but only 3.3 percent in 1994-1999, and only 1.2 percent in 1999-2004. Of the remaining CARICOM countries, only four have seen accelerated growth in recent years. Unemployment rates are high throughout the region, particularly among younger workers.³ Apart from slow growth and high unemployment, CARICOM countries face many other problems, among them a high prevalence and rising incidence of HIV/AIDS infections; persistent poverty in several countries of the region; high rates of drug abuse, violence and crime linked to the narcotics trade; and recurring devastation caused by hurricanes and other natural disasters.⁴ Meanwhile, the world economy is changing rapidly, requiring huge efforts among the small Caribbean countries to adjust to change while continuing to pursue growth and development.

Regional integration is not an end in itself: it is one of many policy instruments used by the Caribbean countries to achieve their development goals. According to Chapter I of the *Revised Treaty of Chaguaramas* (hereafter referred to as the CARICOM Treaty), these objectives include improved standards of living, full employment of labor and other factors of production, accelerated and sustained economic development, expansion of economic relations with third countries, higher levels of international competitiveness, increased productivity, greater effectiveness in dealing with third countries, and more efficient operation of health, education and other social services.⁵ In pursuit of these goals, CARICOM countries embarked on an ambitious regional integration process more than 30 years ago, covering economic integration, foreign policy coordination and functional cooperation. The objective of this report is to review the progress they have so far achieved in this process.

Despite the long history of Caribbean integration, it is probably impossible (and to our knowledge, nobody has ever seriously attempted) to evaluate the overall impact of regional integration on economic growth and development in CARICOM. This is because we do not know the counterfactual, because baseline indicators for measuring impact were not developed in the initial phases of the integration process, because the process itself is not yet very advanced in areas other than merchandise trade, because of problems of attribution, and because many of the benefits of integration may be intangible and thus hard to measure anyway. It is therefore also difficult to answer what must be *the* most relevant question about regional integration: *has it, on balance, benefited the Caribbean countries?* It is nevertheless important to keep the region's broader development goals in mind when reviewing the various aspects of the integration process, since in specific areas of that process it should be possible to draw some preliminary conclusions

¹ Figures show average annual growth in real GDP for the period 1984-2004. CARICOM GDP is defined as the sum of all member states' GDPs. Source: IMF [2004].

² Antigua & Barbuda, The Bahamas, Barbados, Belize, Dominica, Jamaica, Grenada, Guyana, Haiti, Montserrat, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Suriname and Trinidad and Tobago. Basic indicators of economic size for these countries are shown in the Statistical Appendix, Table 1.

³ In at least seven CARICOM countries, youth (under 25 years) account for half or more of all unemployed. See Caribbean Office of the International Labour Organization (ILO), at <http://www.ilocarib.org.tt>.

⁴ In six countries (Belize, Grenada, Guyana, Haiti, St. Kitts & Nevis and St. Vincent & the Grenadines), more than one third of the population live below the poverty line. See Rajack and Barhate [2004]. See also UNDP [2004].

⁵ See CARICOM [2001]. The full name of the Treaty is the Revised Treaty of Chaguaramas Establishing the Caribbean Community Including the CARICOM Single Market and Economy. The text of the treaty is available at <http://www.caricom.org>.

about development impact. What we mostly try to do in this report, however, is to assess where the process is in terms of meeting its more immediate objectives in each of the three pillars of integration. In doing so, we aim to support the growing efforts in CARICOM to monitor progress in the regional integration process, without which a broader evaluation cannot even begin to be attempted.

While much has been written about CARICOM in recent years, most of it is not published and therefore not easily accessible to the wider public. Even among the unpublished reports, few provide a comprehensive overview of progress in all three areas of the integration process. This report aims to fill that gap, drawing together the main findings and conclusions of recent policy research both in and outside the region. We begin, in Chapter I, by looking at the determinants of regional integration: what moves the process forward, what slows it down? We try to offer some explanations for why regional integration has been beset with delays despite strong commitment to the process among successive government leaders. Chapters II and III assess the status of implementation of the CARICOM Single Market and Economy (CSME), in terms of both the formal process and the degree of real economic integration among member countries. The latter analysis is mostly limited to trade in goods, mainly because there is little data on intra-regional services trade and investment. Chapter IV examines the institutional aspects of the CSME and of the wider integration process. Chapter V looks at the external dimension of CARICOM: foreign policy coordination and economic relations with third countries. Foreign policy coordination is distinct from functional cooperation, which we discuss in Chapter VI. Finally, the report offers some concluding remarks, followed by a statistical appendix and a bibliography.

It is important to note that CARICOM membership does not mean the same for all 15 countries. The Bahamas is a member of the Caribbean Community but not of the CSME. Haiti is expected to become a full member of the CSME but has not yet initiated that process. Currently, therefore, the CSME covers only 13 of the group's 15 member countries. Montserrat, meanwhile, has some limits on participation in CARICOM's foreign policy coordination, given its status as dependent territory of the United Kingdom. In addition, six independent CARICOM states (Antigua & Barbuda, Dominica, Grenada, St. Kitts & Nevis, St. Lucia and St. Vincent & the Grenadines) and Montserrat have formed the OECS, which is at a more advanced stage of integration than the rest of CARICOM. Finally, five dependent territories (Anguilla, Bermuda, British Virgin Islands, Cayman Islands and Turks and Caicos Islands) are "associate" members of CARICOM, with limited rights and obligations as specified in their respective association agreements.

CHAPTER I. THE DETERMINANTS OF INTEGRATION: WHAT DRIVES IT, WHAT SLOWS IT DOWN?

Why Integrate?

Ever since their independence, Caribbean countries have been painfully aware of the constraints of small size, and it is these constraints that, perhaps more than anything else, have driven the regional integration process. This is evident in all three areas of the process: economic integration, foreign policy coordination and functional cooperation.

The Constraints of Small Size

Because they are small, CARICOM economies lack a diversified range of domestic resources and are therefore highly dependent on trade. They rely heavily on imports to support local production and satisfy consumer demand, and given the absence of a sizeable domestic market, they also rely heavily on export revenues to sustain economic growth. Economic openness (evidenced by high trade/GDP ratios) renders CARICOM economies vulnerable to external shocks such as fluctuations in international commodity prices or policy changes abroad. Vulnerability is compounded by the fact that most CARICOM countries depend for their export earnings on a very limited number of products – another common characteristic of small developing economies. According to some analysts, moreover, the small size of Caribbean markets and firms often hampers the competitive production of goods and services for both domestic and international markets. Small market size tends to raise costs because of the presence of monopolies and, hence, lack of domestic competition. Small firms cannot realize economies of scale, nor can they spend significant funds on marketing, research and development. Their capacity to adjust to changes in the global marketplace is often limited.⁶

The constraints of small size have become more evident in recent years as the world has moved towards greater reciprocity in economic relations between developed and developing countries. Trade preferences long enjoyed by the Caribbean countries in European and American markets are eroding in the face of accelerating worldwide trade liberalization. Globalization is profoundly changing the way small firms in small countries must operate to survive and remain competitive. As barriers to international flows of goods, services, money and information are coming down, distance and time constraints are shrinking, too, and the world is gradually transforming itself into a single economic space. In this single "world" market, every business must become globally competitive even if it produces and sells only within a local or regional market.⁷

From the early days of their independence, CARICOM countries sought to overcome the constraints of small size through regional *economic integration*. Initially, their efforts focused on the establishment of a free trade area in goods and the implementation of a common external tariff (CET). Similar to other integration groups in the Western Hemisphere, they adopted a mostly inward-looking integration strategy, based on

⁶ See, for example, Bernal [2003]. There is a lot of debate among economists on whether or not small size acts as an obstacle to development. One of the most comprehensive studies on this subject is a report issued by the Commonwealth Secretariat/World Bank Joint Task Force on Small States [2000], entitled *Small States: Meeting Challenges in the Global Economy*, available at <http://www.worldbank.org>. The report argues that small states face a number of specific challenges that combine to make them particularly vulnerable. High income volatility and difficult access to capital are highlighted as common features of many small island states; as regards the private sector, lack of domestic competition is noted as typical. In *Beautiful but Costly: Business Costs in Small Economies*, L. Alan Winters [2000] points towards strong potential economic disadvantages of small size. For more research on small states, see the Small Island Developing States Network (<http://www.sidsnet.org>), the World Bank Small States website (<http://www.worldbank/smallstates>) and the Commonwealth Secretariat website on Small States (<http://www.commonwealthsmallstates.org>).

⁷ For a discussion of how globalization is changing the business environment in the Caribbean, see Bernal [2003].

the promotion of intra-regional trade and industrial development behind a protective wall of high import tariffs. That strategy nevertheless failed to achieve its goals and, beginning in the late 1980s, CARICOM countries adopted a more outward-oriented approach to regional integration, characterized by declining levels of external protection and efforts to widen the group's membership. In the last ten years, CARICOM's average unweighted tariff on imports from third countries has dropped from 20 percent to 10 percent,⁸ and with the accession of Suriname in 1995 and Haiti in 2002, the group's membership has grown from 13 to 15 countries. The cornerstone of economic integration today is the CSME, aimed at creating a single economic space to support competitive production within CARICOM for both regional and extra-regional markets. Contrary to the early days of CARICOM, intra-regional trade is no longer the main focus of economic integration. Rather, the CSME is seen as a means of improving the region's international competitiveness.

In moving their integration process from a simple free trade area towards a single market and economy, and in expanding the size of that market from six to fourteen million people, CARICOM countries are seeking to address the significant challenges imposed on their small economies by the rapid liberalization of trade, investment and technology flows across the world. The rationale for the CSME is that the free movement of goods, services, capital and skilled people across the region will facilitate a more efficient allocation of resources, easier access to capital, skills and other inputs from across the region and, thus, more competitive production of goods and services. Free movement of capital will enable firms to obtain financing at more competitive rates, while allowing investors to diversify portfolios regionally and to acquire shares in the region's best performing companies. The free movement of skilled labor will improve the use of human resources in CARICOM by increasing opportunities for workers to find jobs and for employers to find people with adequate skills. Full liberalization of intra-regional goods and services trade will force local businesses to become more competitive while, at the same time, providing them with new income opportunities in a wider, more dynamic regional market. Free circulation – the merging of thirteen separate customs entities into one – would further facilitate intra-regional trade and the rationalization of regional production and distribution processes.⁹

CARICOM countries view regional economic integration as a complement (rather than an alternative) to unilateral and multilateral trade liberalization. In the spirit of "open regionalism", the CSME is being implemented in tandem with a gradual reduction in external protection levels resulting from both unilateral tariff cuts and multilateral commitments assumed under the WTO. CARICOM governments consider this policy mix appropriate for a number of reasons. Unilateral liberalization on its own, while generally considered the "first-best" option in terms of raising efficiency in domestic markets, offers no guarantee of reciprocity from other trading partners, nor does it provide the means for establishing effective rules governing trade with external partners. Liberalization at the multilateral level is more secure in that it provides scope for developing international rules and an assurance of reciprocity from all members, but multilateral negotiations take a long time to complete, preventing countries that rely exclusively on this form of liberalization from achieving immediate efficiency gains. In addition, multilateral trade agendas are often dominated by the world's largest economies, making it difficult for the small Caribbean countries to influence the process. Regional integration, meanwhile, offers countries guaranteed reciprocity and an opportunity for businesses to prepare for global market integration while continuing to be somewhat shielded from the harsh effects of full-blown international competition. Regional integration also offers CARICOM countries a space within which they can pursue deeper integration than what is politically feasible in relation to third countries.

⁸ See UN World Integrated Trade Solution (WITS), TRAINS Database. The database only records data back to 1996 for the Caribbean countries, but we know that the implementation of the CET began in 1994.

⁹ CARICOM Secretariat, *CARICOM Single Market and Economy: Free Movement and Competitiveness*. Information Booklet, available at <http://www.caricom.org>. There is no publication date on the booklet.

As with economic integration, the desire to pursue *foreign policy coordination* has also been driven by the constraints of small size. First, individually, the Caribbean countries have little voice in international fora or in bilateral relations with larger trading partners. Together, their voice is stronger – for example, when they coordinate positions in the United Nations, or when they negotiate trade with the European Union (EU), Canada or the United States. Second, with very small public administrations (small in absolute, rather than relative terms), CARICOM countries individually have few resources to conduct international diplomacy and negotiations. By pooling human and financial resources across the region, they are in a better position to respond to external challenges and to engage third countries in negotiations.

A similar logic underlies *functional cooperation*, where countries hope to achieve both cost savings and quality enhancements in the common provision of social services. In a region of only a few million, there is a compelling argument for coordinating tertiary education, as the Caribbean countries have successfully done. In a region afflicted by growing levels of HIV/AIDS infection, small cash-strapped administrations can do more, and raise more donor funds, if they work together. In a region pounded by hurricanes every year, it makes sense to coordinate disaster preparedness efforts. And in some areas, such as the fight against drugs or the protection of the Caribbean Sea, cooperation is vital to ensure the region's sustained, long-term development.

A Shared Identity

The constraints of small size provide a powerful incentive for the Caribbean countries to pursue regional integration, but history and culture have also played a role. Over the years, Caribbean thinkers have often highlighted the importance of a shared "West Indian" identity among the Caribbean people in nurturing the regional integration process and in keeping it alive at times when economic difficulties, political conflicts and external pressures threatened to reverse the process. In 1981, Trevor Farrell wrote: "our basic motivation [for integration] is not economic at all [...] Because from a purely economic point of view, there is more reason for Jamaica to be interested in economic integration with Cuba or Puerto Rico than with Montserrat or Grenada. There is more reason for Trinidad and Tobago to be interested in arrangements with Venezuela [...] than with Dominica or Antigua. [...] I believe that subconsciously we chose our partners first, and then [...] began to worry consciously about the economics of the relationship. [...] The real basis and impetus for our integration is cultural".¹⁰

In 1995, Havelock Brewster criticized the West Indian Commission for having focused too much on advocating economic integration, the "second-best solution" to Caribbean integration, in its 1992 Report "Time for Action". Instead, he argued, "it is time to return to the [...] "first-best", to the truly authentic rationale for Caribbean integration [...] cultural identity and kinship. [...] These are already, to a good extent, part of the West Indian reality, and are thus the core of any institutional expression of political unity. Indeed, it may be said that these essential ingredients are far more developed in West Indian society than are reflected in its political institution. Political expression needs to catch up with social reality".¹¹ Brewster's assertion underscores the fact that while the notion of cultural identity and kinship has endured throughout the years, it has not been strong enough to foster any advanced forms of political integration among the CARICOM countries. It is important to note, moreover, that the sense of a shared West Indian identity is attributed mainly to the founding members of CARICOM, the English-speaking countries in the Caribbean who share a common colonial past and a common language. It applies less to the more recent members of CARICOM, Haiti and Suriname.

¹⁰ See Farrell [1981], in Kenneth Hall (Ed.) [2001].

¹¹ See Brewster [1995], in Kenneth Hall (Ed.) [2001].

External Influence

Although it is grounded in the countries' own history and development challenges, the Caribbean integration process has been profoundly influenced by external developments. The shift in the group's integration *strategy*, from inward to outward-oriented, reflects developments both in the global economic context and in economic development theory. The *process*, too, has been influenced by external factors. Very early on, the United Kingdom was instrumental in the creation of the West Indies Federation (and, some would argue, equally instrumental in that system's collapse in 1962). A decade later, Britain's entry into the European Community probably strengthened the Caribbean countries' resolve to work together to preserve their access to British markets and development assistance. It is perhaps not a coincidence that the Treaty of Chaguaramas, CARICOM's founding treaty, was signed in 1973, the same year that Britain joined the EC. In the late 1980s, Europe's move towards a single market, and the attendant changes in its banana regime and other common trade policies, prompted the Caribbean countries to renew their efforts to unite in order to maintain a presence in the European market.

The EU has affected Caribbean integration in other ways, most visibly by encouraging integration among the English and non-English speaking countries. Through its support for CARIFORUM, the EU may have facilitated the expansion of CARICOM to include Suriname and Haiti, as well as the group's growing relations with the Dominican Republic, which culminated in a CARICOM-DR free trade agreement in 2002. More recently, Europe has argued that a CARICOM-EU Economic Partnership Agreement (EPA) should ideally be preceded by, and definitely based on, deeper integration among Caribbean countries. Consequently, CSME implementation figures prominently on the agenda of EPA negotiations. Overall, EU developments and European policy towards the region have tended to support, rather than weaken, the Caribbean integration process.

In the 1990s, the advent of the Free Trade Area of the Americas (FTAA) and the general acceleration of trade liberalization in the Western Hemisphere provided a fresh incentive for Caribbean integration. Indeed, much of the perceived urgency in implementing the CSME today results from a belief that, in economic terms, the Community must prepare itself for greater competition in Western Hemisphere markets through deeper integration among its members and, in political terms, it must preserve a Caribbean identity and economic space that, unless grounded in deeper integration, could risk being weakened or made somewhat redundant by the general liberalization trend in the hemisphere.

Much more than EU integration and policy towards the region, the FTAA process has demonstrated that external forces can influence the Caribbean integration process in both directions. On the one hand, the advent of the FTAA has deepened the Caribbean countries' resolve to accelerate their own regional integration process. As the first truly complex external trade negotiation experience for the Caribbean countries, it has also contributed towards better coordination of foreign trade positions and negotiating resources, as evidenced by the creation, in 1997, of the Caribbean Regional Negotiating Machinery (RNM). On the other hand, the FTAA process also risks diluting the CARICOM program, not only because of the free trade area that it plans to establish across the Americas, but also because, in its advent, it has promoted bilateral actions by some member countries that do not seem to have occurred in relation to Europe. One example is the free trade area that Trinidad and Tobago negotiated with Costa Rica (it was later "expanded" to CARICOM as a whole). Another is the growing cooperation among South American countries, in which Guyana and Suriname are increasingly involved (both countries are members of the Initiative for the Integration of Regional Infrastructure in South America, IIRSA).¹² While such actions clearly have their own merit, they also have the potential to weaken the Caribbean integration process, particularly if full

¹² For more information on IIRSA, see its official website at <http://www.iirsa.org>.

CSME implementation is delayed. In the following, we examine some of the factors that may have held up the integration process in the past, and that could continue to delay it in the coming years.

Obstacles to Integration

Given the powerful incentive to integrate that arises from the constraints of small size, many analysts and commentators, both inside and outside the region, have found it difficult to understand why economic integration in CARICOM has not moved faster. In 1973, the group's founding treaty called for the establishment of a common market; more than thirty years later, that goal is still rather far from being met. Target dates have often been postponed, while the goal itself has expanded. Implementation of the common external tariff, originally scheduled for 1981, was delayed by more than a decade, and most countries missed the 1998 deadline for full implementation. Even today, in 2005, the CET contains a number of loopholes and some countries have yet to apply it fully. In the Grand Anse Declaration of 1989, CARICOM heads of government committed themselves to establishing a single market and economy "in the shortest possible time" and agreed on a number of actions to be completed by 1993; that deadline was never met. In 1998, heads of government "agreed to work towards completing the implementation of the major elements (of the CSME) by 1999"; today, countries have settled on December 2005 as the deadline for implementing the most important single market provisions, and sometime around 2008 for implementing the single economy, although what exactly is covered by the term "single economy" remains unclear. In 1999 heads of government agreed to achieve substantial progress in regional governance issues by 2001. Six years on, a final decision on governance and institutional reform is still pending. A CARICOM passport, originally planned for adoption in 2001, has yet to be issued in member states other than Suriname, where it was introduced in January 2005, and in St. Vincent & the Grenadines, which introduced it a few months later. In July 2002, government leaders agreed to inaugurate the Caribbean Court of Justice "by the second half of 2003". The inauguration finally took place in April 2005, with some controversy continuing to surround the Court's appellate jurisdiction. Many Community initiatives have been launched, only to languish or die a few years later. As the Caribbean Expert Group on Governance put it in their 2003 report, "the pace of regional activity is often frenetic, but the actual movement of regional integration is on the whole pathetically slow" (CARICOM [2003a]).

Complexity and Resource Constraints

Concern at slow implementation is widespread among Caribbean policymakers. Yet those who know the intricacies of the process often argue that when considering the amount of work that has to be done before the CSME can be in place, the "pace" of integration has in fact not been so slow at all. At the opening ceremony of the CSME Unit in Barbados in 2002, Barbados Prime Minister Owen Arthur, who holds the single market portfolio in CARICOM's Quasi-Cabinet (see Chapter IV), argued: "I do not share the view that the creation of a CSME is an initiative that has come too late and in too little proportion... It has taken Europe fully 50 years to transform itself into a Single Economy and that process has not yet been completed".¹³ Speaking at a Trade Forum in Jamaica a year later, he went even further: "The European Single Market was only created in 1992, having been conceived in 1957, and as a construct and concept, it is still evolving. By comparison, the process to create a Caribbean Single Market and Economy has been rapid fire". In his view, the Grand Anse commitment to implement the CSME by 1993 reflected "a heroic sense of urgency rather than a pragmatic appreciation of the complexity of the task", which involves revisions to some 400 legal and administrative instruments in CARICOM member states.¹⁴

¹³ The speech is available at <http://www.caricom.org/speeches/csmeunit-arthur.htm>.

¹⁴ The speech is available at <http://www.barbados.gov.bb/Docs/PM-Tradeforumjamaica.pdf>.

It is worth noting, however, that until 1995, when Suriname joined the group, CARICOM consisted entirely of a group of small former (or, in Montserrat's case, existing) British territories with a total population of six million, a common language and similar legal systems based on common law. It could be argued that, from a legal and technical point of view, integrating those economies should be a much less complicated task than integrating 15 relatively large European economies with a population of 380 million, nine different languages and highly dissimilar legal systems. By adding two more languages and another legal system (civil law) to CARICOM, the addition of Suriname and Haiti obviously increased the complexity of the group's integration process, but most of the delays in the process have not arisen from those accessions. They may stem partly from the fact that government leaders have often underestimated the scope and complexity of legal, institutional and administrative work that has to be done to make the CSME operational in all member states. But this alone does not explain the slow pace of integration, nor does the limited availability of technical expertise in national administrations, particularly in the smaller Caribbean islands, although that has certainly contributed to delays. Other factors have also influenced the process, sometimes to a significant degree. In discussing these factors, we focus mainly, though not exclusively, on economic integration, since this is the area where governments have formulated most of their specific integration goals, and where they have set, and often missed, most of their self-imposed deadlines.

Past Integration Experiences

The demise of the West Indian Federation in 1962, only four years after its creation, is often described as a "negative" integration experience, not easily forgotten by the Caribbean countries. While the disintegration of the Federation was mostly a result of factors explained further on (issues of sovereignty, politics and financing), the experience itself shook the belief of many integration supporters at the time, and has often since fueled skepticism about the possibilities of closer integration – particularly political integration – among the Caribbean countries. Similarly, the failure of the CARICOM Multilateral Clearing Facility, created in 1977 to replace the bilateral payments accounts among central banks in the region, and suspended in 1983 because of one member's excessive indebtedness to it, probably contributed to doubts among member states about the benefits of deeper monetary and financial integration. The accumulation of delays in implementing the Treaty of Chaguaramas and the CSME may also have weakened the process, although in this case, cause and effect go both ways.

Economic Disparity and Divergence

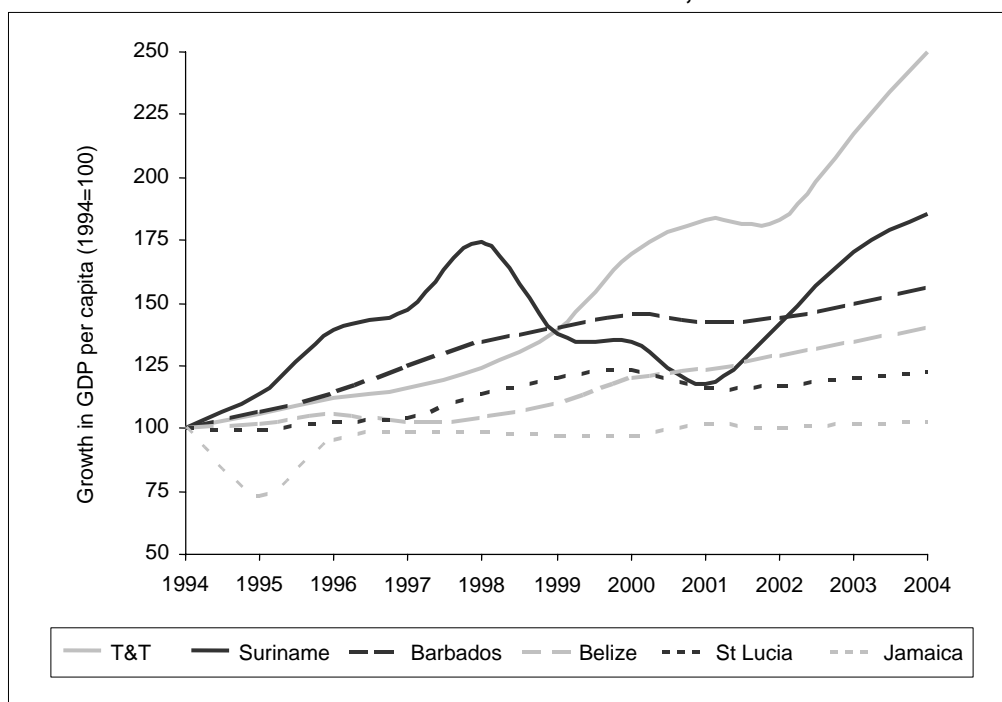
Economic disparity is often cited as an impediment to deeper integration among countries. Disparity can be measured in several ways. First, countries differ in terms of *economic size*. All are small, but some are much smaller than others. Trinidad and Tobago, the largest economy in CARICOM, accounts for around 30 percent of the group's combined GDP, whereas the six OECS countries together account for just 8 percent. Differences in population and geographic size are also significant. Haiti's population is 15 times that of the OECS; Guyana's land size is 75 times that of the OECS, and 40 times that of Trinidad and Tobago (see Appendix, Table 1).

Second, CARICOM members display highly dissimilar *levels of economic development*. Annual per capita income in CARICOM ranges from \$ 17,432 in The Bahamas to \$ 557 in Haiti. The difference in per capita income between the richest and the poorest CARICOM country is 35:1. Even if we exclude The Bahamas, because it is not a member of the CSME, and Haiti, because it is not yet fully integrated into CARICOM, the difference between the richest (Antigua and Barbuda) and the poorest country (Guyana) is still 11:1. This is roughly equal to the difference between the richest and poorest EU member state after the Union's recent eastward enlargement, and the difficulties associated with that process are well known. Before enlargement, the EU displayed an income differential of just 4:1 between its richest and poorest member. Similarly, income differences in Latin American integration schemes are also

much smaller than in CARICOM: 6:1 in the Central American Common Market; 4:1 in MERCOSUR, and 4:1 in the Andean Community.¹⁵

Third, income differences have widened over time, leading to greater economic divergence among CARICOM countries. This is because *trends in growth performance* have differed considerably from one member state to the other. Twenty years ago, the difference between the richest and poorest CARICOM country (excluding Bahamas and Haiti) was 8:1, compared to 11:1 today. It is also interesting to note that countries have changed ranks over the years: in the 1980s, for example, Guyana ranked 8th among all CARICOM countries in terms of per capita income, while St. Vincent and the Grenadines ranked 14th, only slightly above Haiti. In 2004, Guyana had dropped to 14th place, its per capita income less than one third that of St. Vincent and the Grenadines. In the last decade alone, in per capita terms, Trinidad and Tobago grew five times as fast as St. Lucia; Barbados grew more than twice as fast as Dominica, Suriname grew almost twice as fast as Belize, and Jamaica grew hardly at all (Figure 1).¹⁶

FIGURE 1
TRENDS IN GROWTH PERFORMANCE, 1994-2004



Source: See Table 1 in the Appendix.

Economic size, current levels of development, trends in growth performance over time and the degree of exposure to natural disasters, all determine a country's perception of its *development prospects*. Such perceptions vary considerably from one Caribbean country to another. Energy-rich Trinidad and Tobago is confident of its economic development potential and, as a demonstration of this, has declared its intention to attain developed country status by 2020. The OECS countries view themselves as much more vulnerable.

¹⁵ IDB Integration and Regional Programs Department, using World Bank, IMF and ECCB data.

¹⁶ For a full overview of growth trends in Caribbean countries, see Appendix, Table 1.

Although their per capita income is more than double that of the Community as a whole, much of their past wealth was built on privileged access to European markets for their mostly uncompetitive agricultural exports, and much of their present wealth depends on the tourism industry which, if not managed sustainably, could cease to provide a viable income source for the countries in the longer term. OECS countries also live with the constant danger of massive damage caused to their economies during the annual hurricane season; witness the recent devastation in Grenada.

Related to the varying levels of development in CARICOM countries are *differences in production and export structures*. In Trinidad and Tobago, economic activity is heavily concentrated in the oil and natural gas sector. Jamaica and Suriname have large mineral sectors, while agriculture plays a dominant role in the Guyanese economy, and in Belize. The OECS countries, The Bahamas and Barbados are mainly service-based economies.¹⁷ Divergent production structures make it difficult for governments to agree on a common development strategy for the region, which, in turn, is necessary to guide the definition of regional policies related to specific economic sectors such as agriculture, mining and tourism (Girvan [2004]).

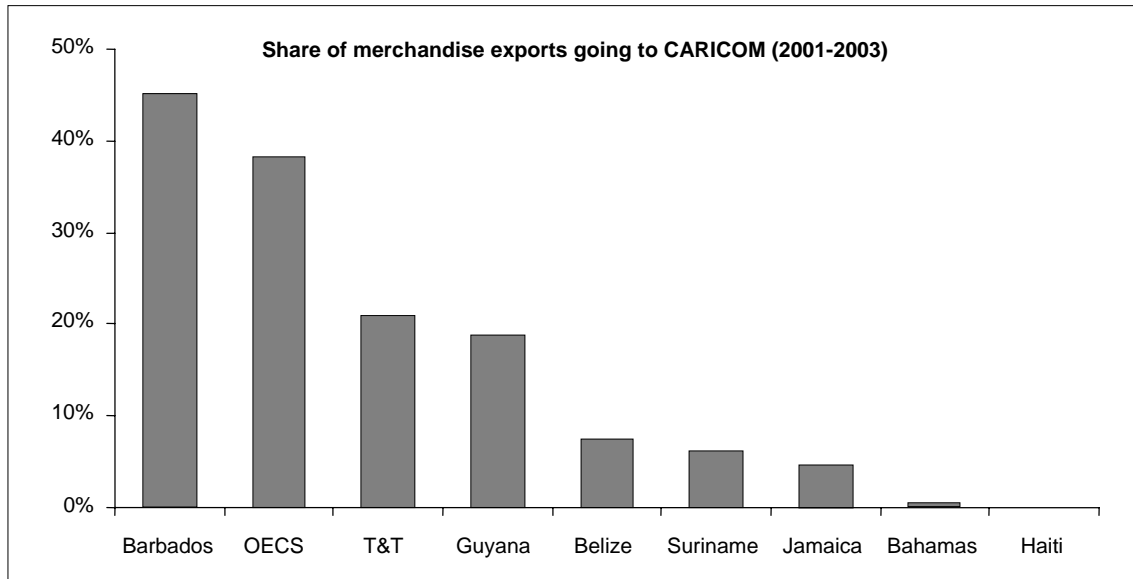
Varying production structures produce varying export structures and therefore also make it difficult to agree on a common strategy for external trade (see Appendix, Table 2). In addition, CARICOM countries differ substantially in terms of the direction of their exports: many of the smaller OECS countries depend disproportionately on the European market as a supplier of tourists and a consumer of their agricultural commodities. For these countries, maintaining their trade preferences is a significant objective in their external trade negotiations. Other countries, such as Trinidad and Tobago, are much more focused on North America and have a strong interest in expanding their access to that and other Western Hemisphere markets through greater trade liberalization (see Appendix, Table 3). In terms of foreign policy coordination, OECS countries have sometimes argued that their positions are not sufficiently reflected in the region's trade negotiations with third countries, and that agencies such as the RNM, which coordinates the group's external trade talks, are dominated by the agendas of the larger CARICOM countries. This perception has at times weakened their commitment to regional efforts at foreign policy coordination, particularly in the area of trade.

The integration process is also affected by variations among member countries in the *importance of the regional market* for their economies. For Barbados and Trinidad and Tobago, CARICOM is a significant market, absorbing 45 percent and 22 percent, respectively, of their total merchandise exports in the past five years. For Belize, Jamaica and Suriname, it is not: in these countries, the share of intra-regional in total exports ranges from 5-7 percent. In the period 2000-2002, Belize exported only 40 products to CARICOM (equal to 6 percent of its total merchandise exports), Barbados exported almost 585 products (46 percent of its total goods exports). Several OECS countries are also heavily dependent on the CARICOM market: over a third of their exports are intra-regional, although most of these are intra-OECS or destined for Barbados. The Bahamas, meanwhile, has virtually no trade with any other CARICOM member, which partly explains its reluctance to join the single market (other factors, such as concerns over the free movement of labor in the CSME, have also played a role). Figure 2 below illustrates these differences.¹⁸

¹⁷ On the contribution of services to economic output, see UN-ECLAC [2003].

¹⁸ Note that the analysis here, and illustrated in Figure 2, includes only goods trade. The real importance of the regional market for each country would have to take account of intra-regional services exports, for which we have no data, and of the share of intra-regional exports in total exports, including services. If we include the latter, then the importance of the regional market is in fact stronger for Trinidad and Tobago than for Barbados because Barbados's goods exports account for only 20 percent of its total exports, while for T&T, the share is 85 percent.

FIGURE 2
IMPORTANCE OF THE REGIONAL MARKET FOR CARICOM COUNTRIES



Source: See Table 3 in the Appendix.

Finally, varying *macroeconomic conditions and performance*, and resulting differences in macroeconomic policies, have made it difficult for CARICOM countries (other than the OECS) to achieve progress in the areas of macroeconomic policy coordination, macroeconomic convergence and, ultimately, the move towards monetary union, all of which would be indispensable for achieving a single economy (see Chapter III).¹⁹

Economic disparity and divergence among countries have given rise to some doubts about the benefits of integration and, as a result, delays in reaching and implementing Community decisions. In the poorer Caribbean countries, there is fear among policymakers, small business owners and labor representatives that intra-regional market liberalization will harm their countries' domestic industries while further boosting those of countries that have already attained a higher level of development. According to this view, integration will expand, not diminish, disparities across the region, leading to greater instability in areas that are negatively affected by the integration process. In the more developed countries, on the other hand, some hold the view that their countries do not really need the regional integration process and should therefore invest less in it. They are also anxious not to foot the bill of adjustment in less developed member states. OECS countries, despite having attained relatively high levels of development, have tended to adopt the former, rather than the latter view. While they have been eager to pursue intra-OECS integration and have achieved significant results in that respect, their commitment to CARICOM-wide integration has at times been constrained by fears of major economic dislocation resulting from deeper integration with the rest of the group. Fiscal concerns have also played a significant role given that most OECS countries rely heavily on import tariffs as a source of government revenue. Judging from recent debates among member states, perceptions and fears of inequitable distribution of the costs and benefits of the single market appear to be one of the main obstacles to full implementation of the CSME.

CARICOM members have always recognized economic differences among their members as a potential stumbling bloc to integration, and have sought to devise specific mechanisms to assist the weaker members of the Community:

¹⁹ See Girvan [2004], p.17 and, for a broader discussion of this issue, INTAL's CARICOM Report N° 1 [2002].

- The CARICOM Treaty (both its original version of 1973 and the revised version of 2002) distinguishes between more developed countries (MDCs) and less developed countries (LDCs) in CARICOM, with the latter receiving special treatment in terms of their obligations under the Treaty. Curiously, the distinction between MDCs and LDCs is not strictly based on conventional criteria of development, such as per capita income or social development indicators. Rather, it is related to economic size and thus clearly reflects the view that smallness is a major development constraint. Currently, Barbados, Bahamas, Jamaica, Suriname and Trinidad and Tobago are designated as MDCs, while all the OECS countries, Belize, Guyana and Haiti are designated as LDCs.²⁰
- Chapter VII of the Revised Treaty deals with disadvantaged countries, regions and sectors; Article 142 calls on heads of government to designate such countries, regions and sectors, and to periodically reexamine the list. Subsequent articles stipulate that measures of assistance should include derogations from Community obligations, as well as technical and financial assistance. The Revised Treaty thus implicitly recognizes that the founding treaty's distinction between LDCs and MDCs is too limited and that, in a regional integration process, adjustment needs will emerge not only at the country level, but also at the local or industry level within countries. It is not clear to what extent the special treatment given to LDCs and MDCs overlaps with that given to disadvantaged countries, regions and sectors.
- In recognition of the fact that economic convergence cannot be achieved by simple derogation of obligations or the provision of technical assistance to countries suffering economic dislocation from the integration process, Article 158 of Chapter VII calls for the establishment of a Regional Development Fund that would help disadvantaged countries, regions and sectors cope with CSME-related adjustment. Despite the entry into force of Chapter VII several years ago, the status, composition and functions of the fund remain to be determined, as do the contributions of member states to the fund. In November 2004, heads of government instructed CARICOM's Ministerial Council for Finance and Planning (COFAP) to design and agree on a financing plan for the fund. The fund was discussed at length at the recent COFAP meeting in May 2005, and again during the Heads of Government meeting in July 2005, but no agreement was reached. COFAP is now expected to meet again in September to continue deliberations on the fund.²¹

To our knowledge, no study has ever been conducted to assess whether the special treatment afforded to LDCs since the inception of CARICOM more than 30 years ago has had any positive impact on their development level or whether economic disparities would have been more pronounced in the Community today in the absence of such measures. The provisions of Chapter VII are not yet being applied and the only concrete financing mechanisms to have emerged to date are Trinidad and Tobago's Caribbean Trade Support Program and its regional oil fund, both of which are national, rather than regional initiatives and too new to evaluate.²² Despite much rhetoric in support of the Regional Development Fund, it is not certain when and in what form a truly regional financing mechanism in support of economic convergence will emerge, and to what extent countries' reluctance to create a common pool of resources to foot the bill

²⁰ Guyana is normally classified as an MDC, but has been granted LDC status on a temporary basis given its designation as a highly indebted poor country (HIPC).

²¹ Many issues need to be resolved: should the fund be based on loans or grants; who should contribute to the fund and in what proportions; who should be the main beneficiaries; how would the problem of attribution be solved (is dislocation caused by the CSME process or by something exogenous to it?); who would manage the fund; etc.

²² The two programs were established in September 2004. Trinidad and Tobago's US\$ 16 million Caribbean Trade Support Program provides interest-free loans to Caribbean firms, except those located in T&T, for the purpose of procuring technical assistance and consultancy services for training and business development projects. The oil facility was established with a starting capital of US\$ 62.5 million to help CARICOM countries cushion the blow of high international oil prices. Contributions from the facility are calculated within a certain ceiling based on the level of petroleum products purchased from T&T by member states, who can draw down on the facility to assist with poverty reduction and eradication. The fund is managed by the CDB and, since its inception, has been growing by US\$ 4 million a month. Trinidad and Tobago deposits money into the fund for every month that crude oil prices exceed US\$ 30. Substantial funds have already been committed to reconstruction in Grenada and to support the regional airline LIAT.

of regional development can be overcome.²³ The above initiatives have therefore done little so far to assuage the concerns among LDCs regarding deeper CARICOM integration.

Politics, Participation and Information

Deeper integration is not possible without broad support for the process among politicians, business and the public. According to some analysts, the integration process has often been delayed by partisan politics. In a recent article on CSME implementation, Norman Girvan argues that: "one of the features of our political systems is that parties in opposition believe that they must oppose whatever governments are doing, no matter how intrinsically right they think it is. They even oppose things that they themselves espoused when they were in power" (Girvan [2004] p. 20). Lack of interest in, and knowledge of the integration process among large sections of the private sector, and public indifference to what is often perceived as a process pursued by government leaders in quasi-isolation from the rest of the Community have also plagued the process throughout its history, mainly by failing to translate it from a set of formal, legal instruments into a real integration process.

At the root of all this has been the lack of an effective, broad consultation process between governments, opposition parties, business and the public more generally. Confidence-building measures to promote business contacts across the region, considered a vital instrument for building a vibrant, real single market, have been largely absent from the formal integration agenda, as have broader awareness building campaigns to inform and consult with non-government actors regarding the CSME. In recent years, government leaders have increasingly recognized these weaknesses in the integration process, and have launched a number of initiatives to ensure broader participation in the process. Among these are efforts to strengthen coordination among national and regional authorities in CARICOM, reform of the Assembly of Caribbean Community Parliamentarians (ACCP) to include members of opposition parties, and public outreach campaigns (see Chapter IV). It seems clear, however, that until such initiatives begin to bear fruit (and unless they are strengthened), the process will continue to be driven mostly from the "top" down, with attendant weaknesses in implementation.²⁴

Relinquish Sovereignty – at What Cost?

One of the most important constraints to regional integration is the fear of loss of national sovereignty. When a group has many members, and when economic divergence among them is pronounced (as in CARICOM), sovereignty becomes even more of an issue because Community decisions will necessarily diverge from specific national interests in order to satisfy all members.

²³ It is worth mentioning that, apart from the Regional Development Fund, CARICOM countries have also been working on the creation of a Regional Stabilization Fund, to be managed by the CDB. As late as July 2003, heads of government reaffirmed their decision to establish such a fund with an initial capital of US\$ 50 million. In a meeting in March 2004, however, they acknowledged that there was not enough support for the Fund, despite Trinidad and Tobago's commitment of US\$ 45 million should such a fund be created, and despite nearly two years of efforts to develop the concept and mobilize resources.

²⁴ It is worth noting that private sector participation in shaping the regional integration process has been hampered not only by weaknesses in the formal structure of the process, but also by weaknesses within the private sector itself. In several countries, a history of state control, coupled with the lack of an enabling environment, has left the private sector weak and badly organized. Many companies have shown little interest in the CSME process (or in the region's external trade negotiations) because they think that they will continue to enjoy protection from outside competition. Lack of knowledge about trade issues and their implications for business is widespread among Caribbean firms and has prevented many of them from effectively contributing towards the formulation of national or regional positions.

Participation in an integration scheme, whatever its scope and depth, will always force countries to weigh the perceived costs of loss of sovereignty against the benefits of belonging to that scheme. For a country like Trinidad and Tobago, which has taken advantage of CARICOM's free trade area to boost its manufactured exports to the region, there have been clear and immediate benefits to integration. As one of the group's strongest economies, moreover, Trinidad and Tobago is probably less concerned about loss of autonomy precisely because it has both the financial and human resources to influence the direction of the regional integration process quite significantly. But even Trinidad and Tobago has at times felt the constraints of belonging to CARICOM. It clearly wants to move faster than the rest of the Community in terms of wider Western Hemisphere integration, yet the CARICOM Treaty imposes certain limits on it in this respect (see Chapter II).

For other countries, the benefits of economic integration are less tangible and may only materialize in the longer term. The costs, meanwhile, are not only in the form of loss of sovereignty, but also real in economic terms. Even for those countries that have relatively strong economies, there are administrative costs involved in keeping the process going: preparation of technical papers, attendance at meetings, much travel within the region, financial support to regional agencies, and so on. For countries that are less ready to face the onslaught of competition, intra-regional liberalization has additional direct costs: the Surinamese manufacturing sector, for example, was seriously affected by Trinidadian competition after Suriname joined CARICOM and its intra-regional free trade zone in 1995.

Because Caribbean countries are so small and therefore have little economic and political power on their own, it has often been argued that, by giving up some of their national sovereignty in order to join forces regionally, they gain sovereignty "collectively" in their relations with third countries. This argument is particularly relevant in today's globalized world economy where the very notion of national sovereignty is increasingly being questioned.²⁵ Nonetheless, sovereignty remains a fiercely guarded asset among countries in the region, perhaps understandably so given their relatively recent independence and status as sovereign nations. This insistence on sovereignty has put severe strains on the regional integration process and has greatly affected its pace, not least through its influence on the governance and institutional structure of the Community.

Governance, Institutions and Finance

All decisions in the Community are still taken by consensus and through inter-governmental cooperation (see Chapter IV). With the exception of the Caribbean Court of Justice, none of the agencies or bodies created to support the regional integration process has been given any form of supra-national decision-making power. Contrary to the European Union, where common legislative instruments such as EU regulations and directives drive implementation, CARICOM has not yet developed an appropriate range of instruments that would enable Community decisions to become law. Currently, most of the actions needed to implement the CSME require a separate legislative or administrative decision by every member state. This, in turn, opens the way for significant delays in implementation unless efficient enforcement mechanisms are in place. Enforcement, however, has been a long neglected part of the regional integration process. It was only a few years ago that member states began to make concerted efforts at introducing stronger enforcement mechanisms into their process.

²⁵ It has been argued that globalization is shifting power away from governments towards multinational corporations, transnational financial institutions and other non-state actors. With growing economic interdependence among countries, governments have less control over the design and implementation of economic policy. One can thus argue that a natural loss of sovereignty is taking place irrespective of regional integration efforts, and that the pooling of sovereignty at the regional level may in fact provide some protection against this trend. See Bernal [2003] p. 192.

Closely related to the inter-governmental decision-making structure is the persistent weakness of regional institutions. While they do not make the decisions, CARICOM's regional institutions are vital to the integration process because they help develop and implement Community decisions. Yet most of them lack sufficient funding to execute their mandates efficiently. The CARICOM Secretariat, the administrative organ of the Community, and other important agencies such as the RNM rely on financial contributions from member states, the size of which is determined by a CARICOM formula. Payments are sometimes late, and sometimes fail to materialize. Obviously, regional institutions must perform well in order for governments to recognize their importance and thus be willing to finance them, particularly in the current context where many Caribbean governments are operating under severe fiscal constraints. But institutions cannot function efficiently unless they are adequately funded. Many regional institutions continue to rely heavily on donor support, the availability of which may have further compromised the willingness of governments to contribute funds. This, in turn, has led donors to question the sustainability of the institutions and, in some cases, to interrupt funding (the recent difficulties of the Caribbean Export Development Agency are a clear example of this).

Institutional inefficiencies are not exclusively related to problems of finance. Other factors have also played a role. The CARICOM Secretariat's location in Guyana, for example, has sometimes been a matter of concern, particularly during periods of political conflict and elevated crime in Guyana when it proved difficult for the Secretariat to attract and retain talented staff. Many staff positions in the Secretariat are currently vacant, and have been for some time. Organizational and administrative inefficiencies, including inadequate prioritization of activities in what is a huge work program, internal communication problems and duplication of activities have also hampered the Secretariat's work as well as that of other regional agencies, contributing to delays in implementation of Community decisions. Until recently, the Secretariat was housed in several different buildings and communication was suboptimal. Some of these problems will likely be solved once the Secretariat's new headquarters building in Georgetown is fully operational.

Government leaders recognize the above problems and have taken several steps in recent years to correct them. In their July 2003 *Rose Hall Declaration*, they agreed, in principle, to establish a CARICOM Commission or other executive mechanism, whose purpose would be to facilitate deeper integration through the exercise of full-time executive responsibility in specifically assigned areas of integration (for example, the CSME), and to initiate proposals for Community action in these areas. They also agreed, in principle, on the adoption of automatic resource transfers for the financing of Community institutions, especially of any new institution or tier of governance. They moreover agreed to reform the Secretariat and to review the functioning of the various Community organs in order to identify possibilities for rationalization of their operations (see Chapter IV). Since the Rose Hall Declaration, several reports have been produced and debated, and heads of government have commissioned further work, but there is no firm decision, as yet, on how exactly to proceed with the planned reforms.²⁶

How Far can Integration Go?

The constraints of small size, a common history and certain cultural affinities have combined with external pressures to move Caribbean countries towards ever-closer regional integration. At the same time, the complexity of the process, the scarcity of resources to support it, lingering doubts from past integration experiences, high levels of economic disparity among member states, the perceived inequitable distribution of the costs and benefits of economic integration, limited popular support for and knowledge of the process, political rivalries, weaknesses in regional governance, institutional inefficiencies and, above all, a fierce

²⁶ For a review of the Rosehall Declaration provisions on regional governance, see Brewster [2003b and 2003c]. See also CARICOM [2004a].

dedication to preserving national sovereignty have contributed to very slow implementation of repeatedly expressed integration goals. Regional integration is unlikely to accelerate, nor to deepen much further until member states are ready and willing to "pool" their national sovereignty at the regional level to a much greater degree than they have done so far. This means transferring at least some decision-making power to supra-national entities in some important areas of the process – as member states have already done with the establishment of the CCJ. In putting forward their proposals for a CARICOM Commission, the Expert Group on Governance was careful to place these in the context of a "Community of Sovereign States", and to speak of the "collective exercise of sovereignty" rather than a transfer of power from the national to the supra-national level. The group's use of language only serves to illustrate the sensitivity of the issue, and raises concerns about how much progress can be achieved in this area in the short term.

It is encouraging that, in the past few years, there has been a marked increase in Community activity precisely in those "problem" areas of implementation (although activity, of course, does not necessarily lead to real change). While governance, institutional and financial reform has yet to be implemented, such reform is at least being seriously considered by CARICOM member states. Greater political, private sector and popular participation in the integration process is recognized as important and is supported by a growing number of national and regional outreach programs. Plans for a regional development fund are firmly on the agenda.

Sustained action and more concrete results in these areas nevertheless presuppose a willingness to move the process forward. This, in turn, requires a clear sense among countries that the benefits of "deeper integration" (enhanced prospects of economic growth, a stronger voice in bilateral and international fora) outweigh the costs (loss of national sovereignty, economic adjustment, and administrative costs related to the implementation process - meetings, studies, legal work, institutional and administrative reform). Unfortunately, the theoretical and empirical literature on regional integration is not conclusive, and has little to say about the specific nature of integration among small island developing states. CARICOM countries themselves have never undertaken a full "cost-benefit" analysis of their integration arrangement to assess its net benefit to their economies and to the region as a whole. In the absence of such hard evidence, it is sometimes difficult for proponents of regional integration to retain the momentum of the process in CARICOM, despite the obvious validity of many of their arguments. This highlights the importance of developing better analytical tools than are currently available or employed in CARICOM to support, monitor and evaluate its regional integration process.

CHAPTER II. CSME IMPLEMENTATION: TOWARDS A SINGLE MARKET

During the 1990s, CARICOM integration efforts focused mainly on the revision of the group's founding treaty. This was necessary because, in its original form, the treaty did not cover many of the areas contemplated under the CSME. Starting in the early 1990s, a series of nine protocols were prepared on issues ranging from institutional matters to rights of establishment, movement of capital and provision of services, and from trade policy to industrial policy, agricultural policy, transport policy, competition policy, dispute settlement and treatment of disadvantaged countries, regions and sectors. Following their adoption, these protocols were gradually integrated into the CARICOM Treaty and, starting in 1997, several of them were applied on a provisional basis even before the completion and entry into force of the Revised Treaty in 2002.

To date, 13 member states (all except The Bahamas and Montserrat) have signed the Revised Treaty, and all of them except Haiti have ratified it. Only seven countries have so far enacted the treaty into domestic law (these are Barbados, Belize, Jamaica, St. Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago). With the revision process complete, full implementation of the treaty is now a priority, entailing a large number of legal and administrative actions to give effect to the new regional commitments. In implementing the treaty, hundreds of pieces of legislation and related instruments, government directives and enabling facilities are involved across the region. One problem with monitoring implementation is that there is no comprehensive, publicly available list of all the instruments that would need to be changed in each CARICOM jurisdiction to give full effect to the treaty.

Assessing the status of implementation of the CSME is therefore not a straightforward matter. Essentially, such an assessment must cover the core chapters of the Revised CARICOM Treaty (Chapters II-IX), and report on progress in both areas of the CSME: the single market and the single economy. The problem is that these two areas are not entirely separable and, often, neither the treaty chapters nor the various institutional issues related to implementation pertain exclusively to one or the other area.

Well aware of this problem, we have nevertheless decided to approach the assessment thematically, rather than by treaty chapter. We start, in this chapter, with the single market, which, in our understanding, covers the free movement of goods, services, capital and skilled persons across the region, the right of establishment, and the implementation of a common external tariff and trade policy.²⁷ In Chapter III, we discuss those provisions pertaining to the single economy, namely macroeconomic policy coordination and harmonization of laws and regulations in the areas of fiscal and monetary policy, investment policy and sectoral policies (agriculture, industry, services, transport).²⁸ This is followed, in Chapter IV, by an analysis of the most important institutional aspects of the CSME and of the Community more generally, including governance, competition policy and dispute settlement.²⁹

Given that the distinction between single market and single economy is somewhat blurred and that to our knowledge, CARICOM has never issued an official definition of what constitutes what in the CSME, analysts and policymakers have approached the monitoring of CSME implementation in a variety of ways. One recent needs assessment for CARICOM, commissioned by the CARICOM Secretariat, divides the CSME implementation agenda into four areas: the institutional and legal framework; market access; sectoral

²⁷ Chapters III and V of the treaty are those most closely linked to the single market, although some of their provisions go beyond it.

²⁸ Provisions relating to the single economy are mainly found in Chapters IV and VI of the treaty.

²⁹ These areas are mainly covered by Chapters II, VIII and IX of the treaty. Chapter VII, on disadvantaged countries, regions and sectors, was already discussed in the previous chapter.

development policies; and the macroeconomic framework (Brewster [2003d]).³⁰ The CARICOM Secretariat's own *Work Program to Complete the Establishment of the CSME* (CARICOM Secretariat [2004a])³¹ follows another outline, which is again different from that of an official CSME "tracking" report entitled *Establishment of the CARICOM Single Market and Economy: Summary of Status of Key Elements*, which is updated by the Secretariat twice a year (CARICOM Secretariat [2005a]). For monitoring and planning purposes, member states should consider agreeing on a common format for measuring progress on the implementation of the CSME.

The Free Movement of Goods

This is the area of the CSME where implementation is most advanced. The provisions of the treaty relating to intra-regional merchandise trade have largely been implemented. Such trade has been virtually free of tariff restrictions for several decades, and since the early 1990s, many non-tariff barriers have also been removed. Remaining restrictions have been identified and a schedule is in place for removing those that are illegal. They include unauthorized import duties (as well as equivalent revenue replacement duties or import equalization taxes), export duties, discriminatory internal taxes and other fiscal charges (such as environmental levies, taxes and surcharges, bottle deposit levies, inspection fees, consent fees, consumption taxes, and special produce import taxes), and unauthorized import licenses and quantitative restrictions on goods of Community origin. With respect to authorized non-tariff trade regulations (including customs surcharges, foreign exchange taxes, stamp duties, administrative price fixing, automatic and non-automatic licensing), efforts are underway to harmonize their application across the region. Non-uniform application of such commercial regulations has led to a plethora of measures that are designed and enforced differently across the region, draining the system of transparency.

Apart from remaining non-tariff restrictions, some other issues will need to be resolved to give full effect to the free movement of goods within the region. First, there is no agreement yet on how to treat goods produced in and shipped from free zones. This is an important issue given that there are a number of such jurisdictions in CARICOM. Second, CARICOM does not yet have a regime for free circulation. Without such a regime, extra-regional suppliers face border taxes and other restrictions both at the point of entry into the single market and each time goods that are not of Community origin are re-exported to another member within the CSME. These internal border restrictions increase the cost of goods and act as a disincentive to intra-regional trade. They also hamper the establishment of cost-saving and productivity-enhancing distribution centers and hubs in the region. Free circulation is a necessary condition for achieving a fully functioning customs union and single market.

Third, there is no common regime for electronic commerce, which is emerging as an important sector of economic activity both intra-regionally and in international business transactions. Fourth, although the public sector plays a significant role as a consumer of goods, services and public works,³² government procurement has not yet been brought into the formal integration process. This limits the potential development of the

³⁰ The institutional and legal framework covers harmonization of laws, the CCJ; dispute settlement; CROSQ; competition policy, intellectual property, government procurement, and the CSME public education program. Market access focuses mainly on the single market. CARICOM sectoral development policies include agriculture, industry, services, transport, environmental protection, tourism, R&D, information and communication technology and human resource development. The macroeconomic framework covers macro-policy coordination, fiscal, investment and financial policy harmonization, the regional development fund, and monetary union.

³¹ The document is not available on the CARICOM website, but was obtained directly from the Secretariat.

³² Recent analysis carried out by government procurement experts for the CARICOM Secretariat estimates that CARICOM governments spend between US\$ 3.4 and 5.1 billion, or 10-15 percent of GDP, on procurement of goods, services and works. This is a very rough estimate given that government procurement statistics are not well-developed in CARICOM. It is also a conservative estimate since a 10-15 percent expenditure level assumes well-developed economies. Where governments are major buyers (or in some cases, the only buyers - *monopsony*) these expenditures may increase to 20-25 percent, a situation that is evident in some member states. Trinidad and Tobago's large increases in government expenditure since the beginning of the natural gas boom clearly illustrate the importance of this area of the economy, and the limitations of excluding it from the CSME.

CSME in that a significant proportion of the regional market for goods and services remains segmented in favor of nationals and cannot, therefore, impact fully on the regional economy. Developing common regimes for both e-commerce and government procurement would not only facilitate intra-regional trade, but also enable CARICOM countries to present unified positions in external trade negotiations and, as a Community, to conclude agreements with third parties in these important areas.³³

Free zones, free circulation, e-commerce and government procurement all form part of the CARICOM Treaty's in-built agenda, covering areas for which relevant disciplines have not yet been negotiated.³⁴ These are complex issues, and it is therefore unlikely that governments will reach agreement on them soon, although technical work in some areas is quite advanced. Despite their perceived importance, member states do not appear to regard these areas as "core" areas of the single market, and the December 2005 implementation deadline does therefore not apply in their case.

Common External Tariff and Trade Policy

Along with perfecting their own free trade area in goods, CARICOM countries have harmonized and lowered their external protection levels. In 1992 they established a four-phase implementation program for the CET. The speed of implementation has varied substantially among members, and only two countries met the established deadline of June 1998. To date, eleven member states have fully implemented the program, while two others (Antigua and Barbuda, St. Kitts and Nevis) have reached phase three. As a result of the program, the region's import tariffs have been significantly reduced, from an unweighted average of 20 percent in the early 1990s to 10 percent today. Member states are now in the process of implementing the revised structure of the CET based on the 2002 Harmonized System (HS); Barbados, Guyana, Jamaica, Montserrat and Trinidad and Tobago have already completed that process. Haiti and The Bahamas retain their own import tariff regimes, the former because it has not yet adopted the CET, the latter because it does not intend to do so.

Tariff harmonization and reduction has been particularly difficult for those countries (mainly the OECS) that rely heavily on trade taxes as a source of government revenue. Consequently, as the common tariff has been lowered, governments have introduced import-related levies such as stamp duties, import surcharges, and discriminatory rates of the consumption tax. In some countries these charges have spurred anti-trade bias, and have therefore been declared illegal by the WTO. Their non-uniform application across the region, and the attendant problems of transparency, were already noted above.

There are some inherent problems to the CET that will not go away even when it is fully implemented throughout CARICOM. First, the CET is not really *common* because it offers broad scope for tariff suspensions and reductions, as well as for national derogations from the common tariff. This "labyrinth of exceptions and derogations", as one trade official recently characterized the CET, not only complicates the region's joint negotiating efforts with third countries, but also, given the implementation of rules of origin to avoid trade deflection, creates additional transaction costs and reduces transparency of market access for exporters targeting the CARICOM market. Second, the level of tariff dispersion in the CET remains high, resulting in additional efficiency costs and further complicating the group's market access negotiations with other countries and regions. Third, while considerably lower than a decade ago, CARICOM tariffs are still relatively high, particularly in the food and manufacturing sectors where many products remain highly protected from external competition. This raises concerns about trade diversion and is not conducive to the development of internationally competitive local industries. Table 1 below illustrates these three problems.³⁵ For reasons of efficiency and in the spirit of open regionalism, member states should consider

³³ It is important to note that e-commerce and government procurement cover both goods and services trade.

³⁴ Chapter X, Article 239 of the Revised CARICOM Treaty.

³⁵ For a full overview of member states' applied tariffs, see Table 4 of the Statistical Appendix.

reforming the CET as soon as possible to eliminate exceptions and derogations, reduce tariff dispersion, and pursue further tariff reduction where possible. The latter will have to be accompanied by appropriate fiscal reforms to reduce dependence on trade taxes.

A fully functioning customs union requires not only a "common" and uniformly applied CET, but also a common trade policy in relation to non-CARICOM countries. The CARICOM Treaty limits the flexibility of individual member states to negotiate bilateral trade agreements with third countries by obliging members who negotiate such accords to seek the approval of the relevant CARICOM Ministerial Council.³⁶ The provision does not, however, expressly prohibit the negotiation of such agreements and is thus at odds with the principle of a customs union (and, by extension, a single market), which, to be effective, requires a truly common trade policy.³⁷ While it appears that member states are adhering to their obligations under the treaty, the treaty itself thus exhibits some shortcomings in terms of the Community's stated single market goal.

TABLE 1
CARICOM: CET AND NATIONAL APPLIED TARIFFS, 2003

HS Sec.	Simple Average (%) Description	CET	Barbados	Guyana	Jamaica	St. Kitts & Nevis	Trinidad & Tobago
01	Live Animals/Products	24.9	53.3	27.1	25.3	11.5	24.3
02	Vegetable Products	18.2	28.0	18.4	16.4	13.2	16.2
03	Animal/Vegetable Fats	26.7	32.1	25.8	23.9	21.9	24.0
04	Processed Foods/Tobacco	19.7	34.2	25.0	15.5	16.1	16.2
05	Mineral Products	4.8	6.9	6.2	2.6	2.4	3.0
06	Chemical/Industrial Products	5.4	6.6	6.1	2.0	5.6	2.3
07	Plastics/Rubber	7.4	9.1	8.7	5.6	6.7	6.3
08	Animal Hides/Skin	8.2	9.6	9.2	5.6	7.6	5.8
09	Wood/Wood Articles	9.6	10.6	9.5	6.8	9.7	6.9
10	Paper/Cellulose Material	7.3	8.9	8.0	4.8	8.1	5.2
11	Textiles	10.4	10.8	10.8	7.6	11.1	7.9
12	Footwear/Misc. Articles	16.6	16.2	16.0	15.4	18.5	15.2
13	Stone/Glassware	8.8	9.6	8.8	6.2	9.8	8.4
14	Precious/Semi-Precious Metals	20.1	29.7	28.6	16.8	14.4	14.7
15	Base Metals	5.6	6.8	6.7	2.7	6.2	4.6
16	Machinery/Electrical Equipment	6.5	7.8	7.5	3.5	7.7	4.9
17	Motor Vehicles/Vessels	9.6	10.0	9.4	6.4	9.7	7.2
18	Precision Instruments	11.5	14.4	14.2	8.9	10.8	9.9
19	Arms/Munitions	38.1	47.7	44.7	22.7	46.8	22.9
20	Misc. Manufactured Articles	16.2	16.2	15.8	15.2	19.3	15.7
21	Art/Antiques	20.5	20.0	20.0	20.0	25.0	20.0
	Average Tariff (%)	10.1	13.1	11.0	7.2	9.4	7.9
	Standard Deviation	14.7	26.4	12.9	12.4	12.1	12.3

Memorandum: In 2002, average tariff and standard deviation for CACM were 5.9% and 7.9, for Chile 7.0% and 0.0.

Source: See Table 4 in the Appendix.

³⁶ Chapter V, Article 80.

³⁷ This issue is most pronounced in the case of Belize, which benefits from a special provision in the Treaty by which it retains the right to enter into bilateral agreements with neighboring countries in Central America. Belize has been intent on developing closer commercial relations with its partners in the Central American Integration System (SICA).

Intra-regional Trade

Although growth in intra-regional merchandise trade is no longer considered the main objective of the CSME, several countries view the regional market as important not only in its own terms, but also as a way of diversifying their exports and compensating for loss of market share in more traditional markets. When examining trends in intra-regional trade, it is important to remember that the formal integration process may have influenced such trade in two ways: first, through the elimination of intra-regional trade barriers (most of which occurred in the 1970s and 1980s, though some further liberalization, mainly in the area of non-tariff barriers, took place in more recent years), and second, through the implementation of the CET and accompanying reduction in external protection, which occurred in the mid- to late 1990s. Despite the latter process, imports from intra-regional sources have grown somewhat faster than extra-regional imports in recent years, but as we explain below, much of that growth does not seem to be directly related to the formal integration process.

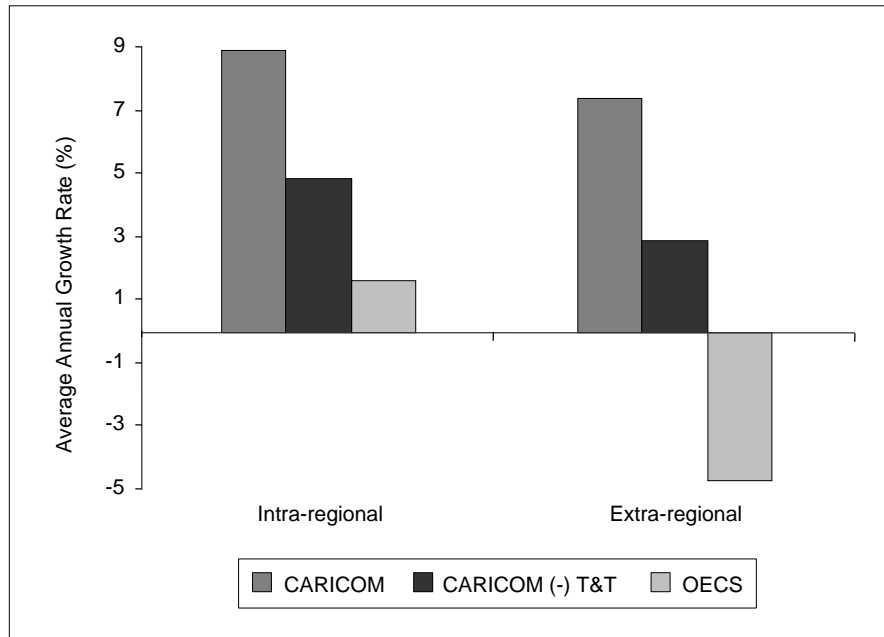
Growing Trade Flows: Because of Integration?

Faster growth in intra-regional trade, relative to the CARICOM's trade with the rest of the world, is evident both on the export and import side. From 1993-2003, intra-regional trade grew by an average 9 percent a year, compared to 7.4 percent annual growth in CARICOM's extra-regional exports and 7 percent growth in its extra-regional imports. Faster growth in intra-regional trade has meant that such trade now accounts for a larger share of CARICOM's total trade: 17 percent of exports in 2003, compared to 15 percent in 1993, and 11 percent of total imports, up from 9 percent a decade earlier (see Appendix, Tables 5-7).

Such figures suggest that intra-regional trade liberalization and preferential market access have at least to some extent facilitated intra-regional trade. Several observations are nevertheless worth making at this point. First, most intra-regional trade originates in Trinidad and Tobago. This country alone accounts for over 70 percent of all intra-group exports. It is also the country that has witnessed one of the highest growth rates in its exports to the CARICOM market in recent years, selling almost three times as much to that market in 2003 as it did a decade earlier. If we exclude Trinidad and Tobago from the regional total, the numbers change dramatically on the export side, although the trend does not. Without Trinidad and Tobago, growth in CARICOM's intra-regional exports was only 5 percent a year in the period 1993-2003, though still considerably higher than growth in extra-regional exports; it was less than 2 percent for the OECS countries, though this compares favorably to the group's extra-regional exports, which actually declined by almost 5 percent a year in value terms over the same period (see Figure 3). Without Trinidad and Tobago, the share of intra-regional trade in CARICOM's total exports is only 12 percent.

Second, many of Trinidad and Tobago's exports to the region consist of mineral fuels, lubricants, chemicals and related materials that do not face high external protection in CARICOM, and which are therefore likely to have occurred even without intra-regional trade liberalization; in other words, the preferences enjoyed by Trinidad and Tobago in the CARICOM market are negligible for these products. It is also likely that growth in some of the other countries' intra-regional exports occurred for reasons other than preferential access to the regional market.

FIGURE 3
GROWTH IN INTRA- AND EXTRA-REGIONAL EXPORTS, 1993-2003



Source: See Table 6 in the Appendix.

To demonstrate this, we have looked at CARICOM imports from both intra-regional and extra-regional sources, as well as growth rates and protection levels for these products, over a period of five years (1997-2002).³⁸ Of the 1,175 products imported by CARICOM from both intra- and extra-regional sources during that period, 600 witnessed higher growth in intra-regional imports than in imports from outside the region, that is, goods sourced regionally increased their share in the CARICOM market. Of these products, 354, or just under 50 percent in value terms, faced very low protection levels relative to imports from extra-regional sources (we define low protection as a tariff at or below 5 percent); interestingly, these were also the products that witnessed the highest average annual growth in intra-regional imports (12.8 percent). Another 58 products, or 6 percent in value terms, faced intermediate levels of external protection (5-10 percent external tariff); intra-regional imports of these products grew by 11 percent a year in value terms. The remaining 188 products benefited from high external protection (CET above 10 percent), but grew only half as fast (6 percent a year) as the less protected products (see Table 2).

³⁸ A longer time series was not possible because historical tariff data that are compatible with trade data are not available for all CARICOM countries, and because more recent trade data is not yet available for some countries. Even with this limited five-year period, we had to exclude several countries from the analysis because of gaps in their data (Antigua & Barbuda, The Bahamas, Haiti, Montserrat and Suriname). The analysis covers all products that were intra-regional imports in either 1997 or 2002. We use the SITC product leaf level of aggregation; and, for tariffs, the average applied tariffs of countries in 2002. During the period examined, there were some changes in the CET, but the general downward trend in external protection only reinforces the conclusions of the analysis.

TABLE 2
GROWTH AND PROTECTION LEVELS OF INTRA-REGIONAL IMPORTS

CARICOM	Share of Value	# Products	AAGR
Level of Protection	2002	2002	1997-2002
Low (tariff ≤ 5%)	45.7%	354	12.8%
Medium (5% < tariff ≤ 10%)	6.4%	58	11.2%
High (tariff > 10%)	47.8%	188	6.1%
All Products	100.0%	600	9.2%
CARICOM (-) T&T	Share of Value	# Products	AAGR
Level of Protection	2002	2002	1997-2002
Low (tariff ≤ 5%)	11.4%	247	21.1%
Medium (5% < tariff ≤ 10%)	9.8%	44	16.4%
High (tariff > 10%)	78.8%	186	6.1%
All Products	100.0%	477	8.2%

Note: Only includes those products for which intra-regional imports performed better than extra-regional imports during the period 1997-2002. Shares and average annual growth rates (AAGR) calculated from absolute values.

Source: See Table 8 in the Appendix.

It is also interesting to note that of the 575 products for which intra-regional imports grew slower than extra-regional imports, 225 products (45 percent in value terms) were highly protected from extra-regional competition. Despite this protection, intra-regionally sourced products failed to increase their share in the regional market (see Appendix, Table 8).

While the above analysis suffers from some weaknesses in terms of the data and period examined, it does support our assumption that much of the growth in recent intra-regional trade was probably not due to preferential access (nor to intra-regional liberalization, most of which occurred before the 1990s). This is mainly because of Trinidad and Tobago's intra-regional exports, which becomes evident when we exclude that country from the analysis. But even then, we still see that many goods sourced intra-regionally grew in spite of low protection relative to extra-regional imports.³⁹ Excluding Trinidad and Tobago, around half of all products where intra-regional imports grew faster than extra-regional imports faced very low protection levels, and, as above, they grew much faster (annual growth 21 percent) than the highly protected products (6 percent). In value terms, however, these products accounted for only 11 percent of the total. Excluding Trinidad and Tobago, almost 40 percent of all intra-regional imports that grew faster than extra-regional imports, and almost 80 percent in value terms, consisted of highly protected products (see Appendix, Table 8).

In the past decade, Trinidad and Tobago's exports to CARICOM grew by an average 11 percent a year, and CARICOM now absorbs 20 percent of the country's total merchandise exports. Trinidad and Tobago

³⁹ We exclude T&T as origin of intra-regional imports, but not as a destination.

has raised its market share in virtually all of the group's countries, and today supplies almost 8 percent of CARICOM's total merchandise imports, compared to 5.5 percent a decade earlier. Apart from Trinidad and Tobago, however, few countries have managed to increase their share of the regional market, and some countries, including Barbados and Jamaica, have lost market share (see Appendix, Table 9).

Product Composition: Little Diversification

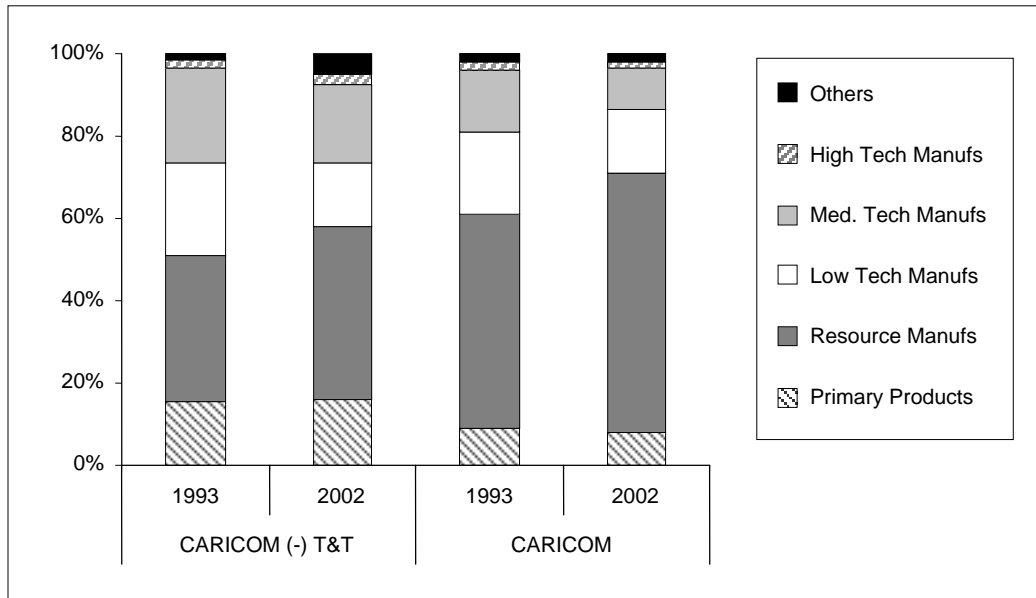
The product composition of intra-regional goods trade shows, first, that such trade is not very diversified and, second, that countries have not exploited their preferences to upgrade their export supply by advancing from less complex manufactures to more sophisticated products. Fuels exported from Trinidad and Tobago account for about one third of all intra-regional goods trade. Aside from fuels, such trade consists mostly of food products and manufactures (see Appendix, Table 10). In the period 2000-2002, 20 products alone accounted for 63 percent of the total value of CARICOM's intra-regional exports – a higher share, in fact, than a decade earlier, when the top 20 accounted for just over 50 percent. Excluding Trinidad and Tobago, whose energy exports somewhat distort the general picture, intra-regional trade is slightly more diversified, but the top 20 still account for 51 percent of total intra-regional trade, up from 40 percent a decade earlier (see Appendix, Tables 11a and 11b). The number of products traded intra-regionally has grown only marginally in the last decade: from 1,013 in 1993-1994 to 1,198 in 2001-2002 (721 and 717, respectively, without Trinidad and Tobago).⁴⁰

To analyze the level of transformation that has taken place in exports over the years, we use a technology classification originally developed by Sanjaya Lall. This classifies products into six main groups: primary products, resource-based manufactures, low technology manufactures, medium technology manufactures, high technology manufactures, and others. CARICOM's intra-regional exports consist overwhelmingly of resource-based manufactures, which accounted for 63 percent of exports in 2002, up from 52 percent a decade earlier. Adding primary products and low-tech manufactures to this share, we see that almost 90 percent of all intra-regional exports are in product categories that are not characterized by a high degree of technological content. Moreover, this share has grown in the last decade, with the share of medium and high-tech manufactures declining from 17 percent to 12 percent in the last ten years. Subtracting Trinidad and Tobago from the total, the composition of exports is still heavily concentrated in the three low-tech categories (primary products, resource-based and low-tech manufactures), which make up almost 75 percent of the total. Again, the share of medium- and high-tech manufactures in intra-regional exports has declined, from 25 percent to 22 percent (Figure 4).⁴¹

⁴⁰ SITC Revision 2, product level. Excludes Antigua & Barbuda, The Bahamas, Guyana, Haiti, Montserrat and Suriname, for which comparable data was not available.

⁴¹ The technology-content classification of products is defined according to the SITC Revision 2, 3-digit level. For more detailed data, including an explanation of the product classification, see Tables 12a-12c in the Appendix.

FIGURE 4
TECHNOLOGY CONTENT OF INTRA-REGIONAL EXPORTS, 1993-2002



Notes and source: See Tables 12a and 12c in the Appendix.

For some individual countries, longer time series (1984-2004) were available (see Appendix, Tables 12a and 12b). Jamaica and Trinidad and Tobago follow the regional trend, and in the case of Trinidad and Tobago, it is valid even if we ignore the country's petroleum-based exports: of all its non-petroleum exports to CARICOM, almost three quarters are in the low-tech categories, and the medium-and high-tech products have lost share in the total. For Barbados, too, low-tech products account for over 70 percent of total intra-regional exports, but the share of high-tech products has grown from 1 percent to 7 percent in the last two decades. OECS countries (for which data is only available for the last decade) exhibit a different trend in that the share of medium-tech manufactures has grown quite strongly in recent years: this is almost exclusively due to Dominica's soap industry. Apart from some isolated examples, there is little evidence to date that the single market in goods has facilitated product development and innovation in CARICOM (see Appendix, Tables 12a and 12b).

The main conclusions from the above are that:

- On the whole, the impact of regional integration on intra-regional trade flows has been quite limited. Few countries have so far been able to take advantage of the free movement of goods in, and preferential access to, the CARICOM market.
- Much of the recent growth in intra-regional trade does not appear to be linked to the formal integration process, since it has mostly occurred in product groups that are not heavily protected from external competition.
- Those intra-regional exports that benefited from the highest external protection are also those that grew at the slowest rate, raising questions about the value of maintaining protection at current levels. Protection may have helped countries maintain their share of the regional market, but for highly protected products, those shares are mostly very small and have not grown.

- There is little evidence to date that the single market in goods has encouraged product innovation and specialization, although it may have done so in some isolated cases. The technology content in intra-regional exports is very low and has not grown in the last two decades.

Eliminating the remaining barriers to intra-regional goods trade would certainly facilitate commercial exchanges among CARICOM countries, but it is unlikely that this would lead to a sizeable increase in intraregional trade. Such trade is constrained by other factors, including inefficient regional transport facilities (an area in which little progress seems to have been made in the past years) and the small size of the regional market. It is for this reason that CARICOM's integration goals focus more on fostering international competitiveness through the creation of a harmonized economic area, than on boosting intra-regional trade. Implementing the remaining aspects of the CSME is therefore a priority, particularly with regard to the free movement of factors of production.

Right of Establishment and the Free Movement of Services, Capital and Labor

These are crucial steps in strengthening the region's international competitiveness and comprise a cornerstone of the CSME. Chapter III of the CARICOM Treaty, which governs these areas, entered into force on a provisional basis in July 1998. It includes a "stand still" obligation (member states may not introduce any new restriction affecting these areas) and calls on member states to establish a program for the removal of existing restrictions within a year. This timetable had to be modified because the process of identifying and notifying restrictions took much longer than anticipated. The program was finally agreed in February 2002 and implementation began in the following month. The aim is to have the main provisions of Chapter III implemented in all member states by the end of 2005. Barbados, Jamaica and Trinidad and Tobago have virtually completed the process; in the other countries, much remains to be done. A CARICOM inventory of restrictions in which countries have notified what they can remove and when, includes around 474 different restrictions. Most of these affect the right of establishment, followed by the movement of natural persons, cross-border trade and consumer movement to supplier, in that order. Around 133 of the 474 restrictions are deemed necessary regulations or are associated with monopolies and are therefore not subject to removal. Assuming that Barbados, Jamaica and Trinidad and Tobago have removed most of their restrictions, and that the other countries have removed those that fall under the "short" and "medium term" timetable for removal (deadline December 2004), we estimate that over 100 restrictions, or almost 30 percent of those slated for removal, are still in place. Of all CSME members, Belize, Guyana and Suriname appear to have the largest number of restrictions classified under the "long-term" removal deadline.⁴² In this category, the most common restrictions, and those most widely applied throughout the region, are those related to company registration, work permit requirements and alien land holding.

Right of Establishment

One of the most fundamental aspects of the single market is the right of establishment, which allows Community nationals to establish a business presence anywhere in the CSME. This means that they can engage in any non-wage earning activity of a commercial, industrial, professional or artisanal nature, or create and manage economic enterprises, including any type of organization for the production of trade in goods and the provision of services (other than non-profit organizations) owned or controlled by them, in any member state participating in the CSME. One problem related to rights of establishment is the absence of a regional system of company registration to facilitate harmonization of regulation and oversight.

⁴² See "Program for the Removal of Restrictions", published on the CARICOM Secretariat website, <http://www.caricom.org>. The estimate of remaining restrictions is a rough one based on how many restrictions were slated for removal in the "long term", i.e. in the final phase of the program (December 2004-December 2005). See also CARICOM Secretariat [2004b].

CARICOM has only recently begun to address this issue. Company registration is not discriminatory in itself but several countries have extra requirements for non-nationals in the process of registration, which are discriminatory and often slow the registration process. Restrictions on access to property are another problem affecting establishment. If countries continue to make extensive use of limitations to landholding (for example, by seeking exemptions from their Chapter III obligations through Article 149 of Chapter VII on Disadvantaged Countries, Regions or Sectors), this could seriously distort the liberalization process and annul all other commitments made by member states in the program for removal of restrictions, both in the provision of services and establishment in general (Brewster [2003d]).

Free Movement of Services

On the free movement of services, member states have adopted a negative list approach, whereby all sectors and measures are to be liberalized unless otherwise specified (a positive list approach, which is usually less "liberalizing", would mean that countries limit their liberalization commitment to specific sectors or measures). Under the treaty, nationals of member states have the right to provide services by any of the four modes of supply recognized in Article 36, which are identical to the modes under Article 1(2) of the WTO General Agreements on Trade in Services (GATS). Compliance is pending on several outstanding obligations, including certification, accreditation, licensing, common standards and equivalency. The removal of these restrictions is critical given the importance of the services sector to Caribbean economies.

In adopting the program for the removal of restrictions under Chapter III of the Treaty, governments decided that air and maritime transport and financial services would be treated separately. Pending actions in these areas, which are of crucial importance to the operation of the single market, include the identification of existing restrictions, agreement on a schedule for their removal, and implementation of that schedule. Efficient application of the services regime also includes transparent application of Article 47 of the treaty, which allows the imposition of safeguards against irreparable damage to domestic services providers; establishing clear rules for the award of subsidies and incentives to domestic services providers; establishing the regulatory framework for the temporary movement of natural persons under mode 4; and acceptance of diplomas, certificates and other qualifications under Article 35. Work remains to be done in all these areas.

The establishment of a common services regime is important not only for the CSME, but also because it extends CARICOM's capacity to negotiate and implement services agreements with external trade partners. Chapter III of the treaty thus brings member states a step further in their efforts to coordinate their external trade policy. Such coordination is particularly important in the services area because it is here that CARICOM countries have the greatest opportunities for negotiating better market access conditions for their exports (most of their goods exports already enter their traditional export markets under very favorable conditions). One significant gap in this area is the lack of detailed statistics on the group's intra- and extra-regional services trade. Country-specific data collection, analysis and dissemination in this area is very weak, and has so far made it impossible to design a comprehensive regional database covering relevant services data.

Lack of data makes it impossible to determine the level of *intra-regional services trade*. Anecdotal evidence nevertheless suggests that, over the last ten years, there has been a marked growth in such trade, predominantly through direct investment (mode 3) in industries such as finance, insurance, tourism, retail, entertainment and business services. These services trade flows originate mainly from large firms in Barbados, Jamaica and Trinidad and Tobago, and occur through inter-corporate linkages rather than "greenfield" investments (Farrell [2003]). Because many restrictions continue to apply to services trade, much of this growth does not appear to be linked to the formal integration process. It is nevertheless expected that implementation of all provisions on commercial presence and movement of persons within the Community will further facilitate what is already a real economic trend in the region.

Liberalization of Capital Flows

As regards the free movement of capital, Caribbean entrepreneurs have identified monetary and exchange control policies and restrictions on the free movement of capital as the two main constraints on investment. Guyana, Jamaica and Trinidad and Tobago have abolished exchange controls, but the other members have maintained them. Although exchange controls hinder the movement of capital, they tend not to discriminate against non-nationals and many countries want to keep them as a safeguard against money laundering and other illegal activities. Alien landholding legislation restricts the movement of capital for non-nationals in the countries concerned because it allows for the restriction or prohibition of the transfer of shares to non-citizens; it also restricts the creation of trusts in favor of non-nationals. Other restrictions affecting the free movement of capital include restrictions relating to financial loan services, international business services and offshore services.

Capital markets are still fairly fragmented in the region. National stock exchanges have been established in The Bahamas, Barbados, Guyana, Jamaica, Suriname, Trinidad and Tobago and the OECS, but cross listing and trading takes place only among three of them (Barbados, Jamaica and Trinidad and Tobago). The extent of such cross listing, moreover, is very low, involving only ten firms, less than 10 percent of the publicly listed companies in the three countries. As other CARICOM countries established their own stock exchanges, none of their publicly listed firms entered into the existing cross-listing arrangement because they considered such trading to be cumbersome and inefficient. A Regional Capital Markets Committee, working closely with CARICOM's Ministerial Council for Finance and Planning (COFAP), has been developing recommendations regarding a regional stock exchange. In a region where commercial banks are focused on short-term lending and where equity finance from other sources is urgently needed, a regional stock exchange holds the potential for creating a pool of equity finance to fund long-term development activity. With respect to the structure that would guarantee the most effective integration of the regional capital market, the Committee has put forward four proposals: cross listing and cross trading; the OECS model; the creation of a new entity; and a scheme modeled on the European EURONEXT. It appears that there is agreement to move forward with the latter model (mainly because it retains most of the status quo), but no final decision has yet been made (CARICOM Secretariat [2004c]).

The recent establishment of a Caribbean Credit Rating Agency in Trinidad and Tobago is expected to accelerate integration of the regional securities industry. Through gathering financial and other data, it will be able to create a benchmark against which investors can compare the value and price of securities, both equity and bonds, on the market. To facilitate greater capital market integration, member states have moreover agreed to develop a CARICOM Financial Services Agreement, which would help streamline the cross-border operations of financial institutions, reduce barriers to cross-border financial flows while ensuring transparency with respect to rules and regulations, and advance the system towards international best practice standards. The agreement has already been drafted and was discussed by a regional working group on financial services policy in early 2004. The consultation process is apparently still underway.

Free Movement of Skills

The free movement of skills is a central element of the CSME. Eleven countries have implemented skills legislation and the regulatory and administrative arrangements needed for the free movement of university graduates. Ten countries have done the same with respect to the movement of artists, media workers, musicians and sports persons. Antigua and Barbuda, Montserrat and St. Kitts and Nevis (and Haiti, once it rejoins the process) still need to fulfill their obligations in these areas. The provisions on right of establishment contained in Chapter III of the treaty also accord free movement to self-employed service providers, entrepreneurs, technical, managerial and supervisory staff, as well as their spouses and immediate dependent family members. Only a few member states have so far passed legislation to give effect to this extension of free movement, but, as mentioned previously, all countries are expected to do so by the end of 2005.

Some additional measures have to be applied to ensure the smooth implementation of policies on free movement, including the harmonization and transferability of social security benefits (action required in Suriname only); facilitation of intraregional travel with the creation of dedicated lines for CARICOM nationals at ports of entry (completed in most member states, although not yet functioning very efficiently), elimination of need for passports for travel within the region (pending in most member states), common entry/departure forms (pending), a CARICOM passport (Suriname and St. Vincent and the Grenadines are the only countries so far to have issued such a passport), and other facilitating measures; and procedures for establishing the equivalency of academic certification and accreditation of academic institutions. Member states are at various stages of establishing national accreditation bodies; a planned regional body to oversee accreditation and equivalence has not yet been put in place. As part of the treaty's in-built agenda, member states have yet to develop a protocol on rights contingent on establishment, provision of services and movement of capital in the Community.

There is little data on the movement of skills within the region. According to some observers, the numbers appear to be quite small. Remaining restrictions and cumbersome administrative processes often make it unattractive for people, especially those with families, to move. Only five countries (Barbados, Dominica, Guyana, St. Kitts and Nevis and Trinidad and Tobago) are currently processing claims under the regional agreement on the transfer of social security benefits. In their Special Meeting in February 2005, CARICOM leaders announced their intention to expand the categories of skilled nationals with the right of free movement beyond the five aforementioned professions. Overall, however, progress has been slow in this area, and despite the possible expansion of mobility for skilled professionals, full labor mobility, and thus a true "common market", is unlikely to be achieved in the near future, given the reluctance among member states to liberalize the movement of unskilled labor region-wide. This is unfortunate since, in economic terms, greater factor liberalization would probably bring significant additional benefits to the CSME. Curiously, anecdotal evidence suggests that unskilled labor is probably moving more frequently and in greater numbers among member states than skilled labor. Such movement, however, is illegal and therefore not accompanied by facilitating measures such as transferability of social security benefits or health insurance; it is both costly and risky for those participating in such flows, and contributes to the problems associated with a growing informal sector in the region.

In sum, thirty-two years after its creation, CARICOM is still an imperfect customs union, although it has clearly moved beyond that stage in certain aspects of economic integration. Except for free trade in goods and notwithstanding the progress achieved by Barbados, Jamaica and Trinidad and Tobago in recent months, implementation of the single market is far from being complete. Even when the current single market program is fully implemented, formal restrictions on the movement of unskilled labor will remain in place, external trade policy will not be fully harmonized among member states, and a truly common market will therefore not exist. As the next chapter demonstrates, the single economy remains an even more elusive goal.

CHAPTER III. THE SINGLE ECONOMY

As mentioned previously, the distinction between the single market and the single economy is somewhat blurred and, to our knowledge, CARICOM has never issued an official definition of what constitutes what in the CSME.⁴³ Interestingly, Article 1 of the Revised Treaty, "Use of Terms", includes over 40 definitions of terms used in the treaty, but omits to define the two pillars of Caribbean economic integration: single market and single economy. As work on the single market accelerates, it is increasingly clear what that term covers, but there is still a great deal of uncertainty surrounding the "E" in the CSME.

The confusion stems largely from the fact that, in 1992, heads of government established monetary union – which is already a reality for the OECS countries – as an explicit goal of the Community, to be achieved through a staged process of monetary convergence. The term "single economy" was then understood in its traditional sense, to include the establishment of full monetary union and a common currency. The goal of monetary union was later abandoned, at least for the short to medium term. In subsequent communications by various Community organs and the CARICOM Secretariat, "single economy" was described in much vaguer, less ambitious terms, as macroeconomic coordination and the harmonization or convergence of laws and regulations in the areas of fiscal and monetary policy, investment policy and sectoral policies (including agriculture, industry, services and transport). The term "monetary union" is only mentioned twice in the treaty (Article 14 and 19), and never as something to which member states are fully committed. As a result, there appears to be no consensus in the region on what really constitutes the single economy. Some, when asked, would say it merely means greater coordination of macroeconomic and sectoral policies, while others argue that a single economy with nine different currencies is a contradiction in terms, and that it must, by definition, include full monetary union.

A second uncertainty surrounding the single economy is its implementation timetable. In some recent communications by heads of government, the year 2008 is mentioned as a "deadline" for implementation of the single economy; some aspects of the program are expected to be in place even earlier than that. But in other documents, it is argued that implementation of the single economy is an ongoing process that cannot be "completed" at a specific date in time. While many aspects of the single economy are described in Chapters IV and VI of the CARICOM Treaty, there is no well-defined implementation program; there is no real definition even of what exactly needs to be implemented. Accordingly, the following sections can only briefly touch upon what is a crucial, yet little defined and barely implemented component of the CSME.⁴⁴

Macroeconomic Coordination and Convergence

Articles 44 and 70 of the Revised Treaty call on member states to coordinate their monetary and fiscal policies and promote a sound macroeconomic environment in the region, and instruct the relevant Community Councils to establish appropriate measures to this effect. To date, *macroeconomic coordination* has largely consisted of a loose institutional arrangement in the form of regular meetings of the region's finance ministers (COFAP) and central bank governors. More binding rules and procedures for policy coordination and implementation are not yet in place and would in any case involve ceding some degree of national sovereignty in economic policymaking to the regional level. As the CARICOM Secretariat indicated in a paper on macroeconomic coordination submitted to COFAP in 2001, "although [the treaty] provides some detail on the range of issues that should be addressed by COFAP and other bodies, the institutional

⁴³ If such a definition exists, it does not appear to have been effectively disseminated by CARICOM.

⁴⁴ These sections draw on a number of mostly unpublished documents: CARICOM Secretariat [2004a and 2004c]), and Brewster [2003a and 2003d].

arrangements still lack implementation and enforcement mechanisms. The facilitation of effective policy coordination would require that such mechanisms be formulated and adopted by member states."

The Caribbean Centre for Monetary Studies (CCMS) prepares semi-annual reports on the economic performance and convergence of CARICOM countries. With respect to the former, it reviews indicators on economic growth, inflation, labor markets, financial systems, fiscal balance, external accounts, exchange rates, foreign reserves and external debt. To measure *economic convergence* among member states' economies, the CCMS tracks performance on a set of eligibility criteria for entry into a monetary union: (i) reserve cover, set at three months import cover for the past 12 months; (ii) exchange rate stability, with fluctuations in the exchange rate remaining within a 1.5 percentage point band for countries with floating exchange rate regimes, and zero fluctuations for those with fixed exchange rate regimes, over a period of 36 months; and (iii) debt service, requiring that countries' debt service ratio remain below 15 percent. Two additional criteria were added in 2002 to strengthen the monitoring process: (iv) a fiscal criterion, requiring average fiscal deficits of no more than 3 percent of GDP, and (v) an inflation convergence standard, defined as the median inflation rate for the three countries with the lowest, but positive, inflation rate, plus or minus 1.5 percent. The CCMS reports are reviewed by the Committee of Central Bank Governors, but do not seem to result in any policy conclusions, recommendations or commitments regarding macroeconomic coordination and economic convergence. Regarding economic performance, there is no mechanism to correct underperformance. Member states do not appear to have integrated the convergence criteria into their budgetary and policy formulation process.

The continued and sometimes substantial dispersion in performance for most indicators suggests that convergence at the pace necessary to drive the CSME and move swiftly towards monetary union is not taking place.⁴⁵ According to the CCMS, only one convergence criteria – the import cover standard – has been consistently met by member countries, except during the most recent period examined by the CCMS, January-June 2004, when Belize failed to meet this criterion. During the same period, only Guyana remained within the agreed exchange rate band; and on debt service, only four of six countries for which data was available met the criterion. The latest inflation target, 3.5 percent, was not met by Guyana, Jamaica and Suriname, which all had inflation above this rate; and there was no country data to measure the fiscal target. Underlying the divergences are big structural differences, giving rise to wide disparities in wage rates, interest rates and debt-service ratios. The maintenance of different exchange rate regimes is a major obstacle to greater macroeconomic convergence. Some argue in favor of using a common currency to facilitate the attainment of convergence, but most seem to agree that CARICOM should achieve greater levels of macroeconomic convergence and sufficient systemic flexibility before inaugurating a common currency.

There has been some consideration of alternative measures that might facilitate implementation of the CSME in the absence of a monetary union. The aim is to achieve the main objectives of monetary union – currency stability and fiscal discipline – without the need to introduce a single currency. The two alternatives that have been considered are a fixed exchange rate system and dollarization, but no agreement has been reached on either of these alternatives.⁴⁶

As regards *fiscal policy harmonization*, some analytical work has already been done in areas such as depreciation allowances, other deductions and transfer pricing; withholding taxes; consumption/VAT taxes; excise tax, property tax and other levies; and administrative (ASYCUDA) systems. Tax structures are fairly

⁴⁵ For recent developments in the convergence indicators, see CCMS [various annual issues], and INTAL's CARICOM Report N° 1 [2002]. Chapter III of the latter report, *Macroeconomic Trends and Convergence in CARICOM*, discusses the issue of convergence among CARICOM countries in more detail, including the various incentives and disincentives for convergence.

⁴⁶ For a discussion on possible exchange rate arrangements in CARICOM, including a currency board, full dollarization and a currency union, see Worrell [2003].

similar in member states, which should facilitate harmonization. Beyond harmonization, rationalization of tax systems and, particularly, elimination of distortions that could impede market access, will be important. Pending work in this area includes the development of a tax harmonization policy framework, drafting of tax harmonization guidelines, and rules and procedures for COFAP to direct and oversee tax harmonization and coordination. Eleven member states have already signed and ratified a CARICOM Double Taxation Agreement, and eight have put in place the enabling framework to make it effective. Work is also underway to harmonize corporate tax structures in the Community, though it is not clear when this will effectively happen.

As regards *investment policy harmonization*, Articles 68 and 69 of the treaty call for the establishment of a Community Investment Policy and harmonization of investment incentives. The CARICOM Secretariat, with assistance from a Special Technical Team, as well as the Multilateral Investment Fund and the IDB, has been working on this area for the past five years. Diagnostic studies of each country's investment climate have been prepared, comparative analysis conducted, and recommendations made for improving and harmonizing investment policies across the region. On the basis of this technical work, COFAP, with assistance from the Secretariat, is now working on the formulation of a Regional Investment Code, as well as a harmonized system of investment incentives to which all countries could commit. The latter is important not only in order to increase transparency for investors, but also to contain the harmful tax competition that has been occurring among islands as they attempt to attract foreign investors to their territories. There is no agreement yet on the precise nature of such a regime. Previous experience with a common incentives regime adopted in 1973, but never really applied, raises some concerns about whether progress can be achieved in this important area in the short term.

As regards *financial policy harmonization*, this was already addressed under the single market section above. In fact, this is a typical example of the somewhat blurred distinction between single market and economy. Whereas the single market would cover the elimination of restrictions to intra-regional capital flows, the single economy would be achieved through harmonization of laws, standards and regulations in the banking, insurance and securities industries. Since one is often achieved through the other, the two sides of the integration process cannot easily be separated.

Sectoral Policies

Chapter IV and VI of the Revised Treaty cover policies for sectoral development. The sectors covered are: (i) *industrial policy*, including a Community Industrial Policy, micro and small economic enterprise development, development of the services sector, and sustainable tourism development; (ii) *agricultural policy*, including a Community Agricultural Policy, natural resources management, marketing of agricultural products, fisheries and forest management and development; (iii) *transport policy*, including a Community Transport Policy, search and rescue, intra-community transport services, development of air transport services, aircraft accident and incident investigation, development of maritime transport services, and protection of the Caribbean sea; and (iv) *common supportive measures*, including human resource development, research and development (R&D), environmental protection, protection of intellectual property rights, standards and technical regulations, and investment and financial sector policies as discussed above.

As Brewster et. al. argue in their 2003 assessment of the CSME's implementation status, CARICOM's sectoral policies consist mainly of expressed intentions to promote, cooperate, collaborate, and coordinate actions with regard to a variety of common problems. While they contain over a hundred discrete objectives and related activities (many of which can be dealt with at the national level but few of which have actually been implemented), they fall far short of what would be expected of sectoral policy in a single economic space. Even at the level of intergovernmental cooperation (with the exception of some aspects of the tourism sector), little or nothing has actually been achieved. Implementation has been hampered by a lack of technical, human and financial resources, weak political will at the national level and limited cooperation

among member states. Greater commitment, better prioritization, more effective pooling of resources across the region, setting of clear implementation targets and more funding are all needed to revitalize the implementation process in the area of sectoral policies.⁴⁷

Article 74 of Chapter IV, on "Legal Infrastructure", calls on member states to harmonize their laws and administrative practices with regard to companies, intellectual property rights, standards and technical regulations, labeling of food and drugs, sanitary and phytosanitary measures, competition policy, dumping, subsidies and countervailing measures and commercial arbitration. In order to ensure the production and consequent implementation of harmonized legislation throughout the Community, the CARICOM Secretariat has been tasked with developing draft model laws. Such model laws have been prepared for company law, insurance and banking laws, insolvency, shipping, consumer protection and international arbitration, customs legislation, competition law and anti-dumping. Delays in implementation stem from a variety of sources, including problems with the drafts themselves, lack of technical expertise in the particular area among national administrations, delays in the provision of legal advice from Attorney Generals' offices, language problems in the case of Suriname and, sometimes, a lack of political will. There is some uncertainty about the overall scope of legal work that needs to be done in terms of harmonization of laws; this area is barely documented in the CARICOM Secretariat's checklist on implementation of the CSME.⁴⁸

Information and communication technology (ICT) is not captured in detail in the CARICOM Treaty but is of fundamental importance to integration and economic development in the region. In February 2003, Ministers in charge of ICT issued the Georgetown Declaration on CARICOM ICT Development 2003, which is to guide policymaking on ICT in the Community. In the declaration, member states agree to adopt a coordinated approach to the development of ICT policies as well as legal and regulatory frameworks, and to establish a specialized group responsible for ICT within the CARICOM Working Group on Services, whose mandate would include the development, adoption and/or maintenance of global standards and regulations for ICT.

A set of activities have been identified as important elements of a plan of action necessary for developing a vibrant ICT sub-sector in the region: (i) development of national strategies (assessment and planning, implementation, evaluation), including an infrastructure plan (the larger countries have such a plan in place) and establishment of national coordination offices to facilitate the development, implementation and continuity of the strategies; (ii) education programs on the importance and benefits of ICT (to date, these have been carried out in an *ad hoc* manner, with no certainty of effectiveness); (iii) regional ICT policy formulation and facilitation (some work has been done); (iv) e-commerce development and implementation plans for the region (work has started for the elaboration of a protocol on e-commerce), as well as development of a legal and regulatory framework for connectivity and e-commerce; (v) training programs on ICT; (vi) financial and macroeconomic policies to support the development of the sector; and (vii) establishment of a regional coordinating agency for connectivity, which should fall under the CARICOM Secretariat.

At the request of regional heads of government and ministers in charge of ICT, the CARICOM Secretariat has put in place the main components of a strategic plan for regional ICT development. Implementation of the plan and the development of the ICT sub-sector require critical action in the following areas: the development of appropriate regional policies for ICT; regional training and capacity-building programs; the development of a regional legal and regulatory framework; and the development and implementation of an overarching regional awareness building program to inform the public sector, businesses, consumers and the rest of civil society.

⁴⁷ For a comprehensive analysis of the status of implementation in the various sectoral policy areas, see Brewster [2003d]. For each major sector, the report lists all the accompanying objectives and, under each of these, explains what has been done. The final assessment is that to date, not much has been achieved. The report also lists the obstacles to implementation and how these could be overcome. It provides a good basis on which to build a detailed action plan for implementation of sectoral policies.

⁴⁸ *Ibid.*

The Sequencing of Integration

Ever since member states agreed to establish the CSME, there has been some debate on the optimum sequencing of implementation activities. Is it best to implement the single market before the single economy, or vice versa? Or should both elements of the CSME be implemented at the same time – given that they are anyway so closely linked with one another? By agreeing to have the single market in place by the end of 2005, and moving the deadline for the single economy into the more distant future, governments seem to have opted for the first option. Some analysts nevertheless argue that lack of sufficient macroeconomic coordination and convergence could seriously compromise the effective operation of the single market. They also see sectoral development programs as critical for the success of the single market, arguing that the removal of restrictions to trade and the creation of new governing structures to enforce rules and monitor regional activities will bring no benefits unless the economic sectors that are to drive the integration process are vibrant. Proponents of this view believe that more emphasis should be placed on moving forward with the single economy. Others argue that the enormous work program resulting from the simultaneous implementation of both elements of the CSME is diverting important energy and resources from the single market program and that, in light of their limited resources, CARICOM countries should first concentrate on bringing the single market to fruition and only then embark on the implementation of the "E" in the CSME. To date, few attempts have been made to identify and assess different sequencing options in terms of their potential economic impact. This is an area where more analysis and debate is urgently needed.

It is clear from the above analysis that the CSME is far from being a reality. The real benefits of this integration process will therefore only materialize in the medium to long term, and will not extend to all countries of CARICOM given the CSME's current membership of only 13. There have been some discussions in The Bahamas on whether or not to join the CSME, but so far no decision has been made to that effect. Haiti has in theory committed itself to joining the CSME, but political conditions in the country have delayed – and drawn into question – its imminent participation.

It is nevertheless interesting to note that, despite the slow progress in the formal integration process, there is anecdotal evidence of growing "real" economic integration among CARICOM countries. This is most evident in the financial sector, where, in the face of growing external competition and with a lot of liquidity in their own market, Trinidadian companies are seeking to consolidate their positions in the regional market through investments in other Caribbean countries' financial institutions. It is also happening in other sectors of the economy, though to a much smaller degree. Full implementation of the CSME would facilitate this trend and, at the same time, encourage greater competition in the regional market. Further reductions in external protection, combined with well-targeted adjustment support to ease the transition to more open markets, would accelerate this outcome. The resulting productivity gains should help put the small Caribbean economies in a better position to compete in international markets. None of this, however, can be achieved without reforming CARICOM's institutional structure. As the following chapter shows, institutional developments have not kept up with the group's stated goal of creating a single market and economy.

CHAPTER IV. INSTITUTIONAL ASPECTS OF INTEGRATION

In 1997, after an extensive review of CARICOM's institutional structure, member states instituted a number of changes to it in preparation for the CSME. The revisions aimed to improve the decision-making process and strengthen the group's capacity to implement and enforce regional agreements. As a result of these changes, several new agencies and bodies have been added to the Community's institutional structure, and some are already operational. As indicated in Chapter I, however, institutional inefficiencies continue to delay the integration process, and as a result, new revisions to the existing structure are now under active consideration. How far these will go in resolving some of the central problems of the integration process remains to be seen.

Governing Structure, Decision-making and Enforcement

The principal organs of the Community are the Conference of Heads of Government and the Community Council of Ministers. In the performance of their functions, these organs are assisted by the Bureau of the Conference and four ministerial councils: the Council for Finance and Planning (COFAP), the Council for Trade and Economic Development (COTED), the Council for Foreign and Community Relations (COFCOR), and the Council for Human and Social Development (COHSOD). Among the councils, COTED appears to be the most active one, having met 18 times, or more than twice a year, since its inception in 1997 – a clear indication of the priority afforded to the single market within the Community's overall integration and regional cooperation agenda. The other councils have averaged about one meeting per year. Three additional bodies, the Legal Affairs Committee, the Budget Committee and the Committee of Central Bank Governors, exercise various advisory and oversight functions. Finally, the CARICOM Secretariat is the Community's principal administrative organ. The functions of the various organs and bodies of the Community are explained in Box 1.

Subsequent to the revision of the CARICOM Treaty, the Conference established a "quasi-cabinet" of individual heads of government to spearhead action in critical areas of the integration process. Under the quasi-cabinet each member of the Conference is assigned a specific portfolio (see Box 1). Work programs and institutional arrangements for two of the portfolios are quite well established.

- The "external negotiations" portfolio is headed by the Jamaican Prime Minister and supported by a Prime-ministerial Sub-committee on External Negotiations, COFCOR, special sessions of COTED dealing with external negotiation issues, and a technical body, the RNM (see Chapter V).
- The CSME portfolio is headed by the Prime Minister of Barbados and supported by a Prime-ministerial Subcommittee on the CSME, a technical advisory council (comprising members of regional institutions and civil society, private sector and labor organizations), COTED, and a special CSME unit of the CARICOM Secretariat in Barbados. The CSME unit, which has seven professional staff members, was established in 2002 to provide technical assistance to the Prime-ministerial Subcommittee and to draft and help implement the CSME work program. According to the Communiqué issued at the 22nd Heads of Government meeting in July 2001, the CSME Unit is in Barbados on a "temporary" basis until the completion of the CARICOM Headquarters building in Guyana. Despite the recent completion of the latter, however, there is currently no indication of the unit's imminent departure from Barbados; to the contrary, efforts appear to be underway to strengthen the unit's technical and administrative capacity.

Box 1
PRINCIPAL ORGANS AND BODIES OF THE COMMUNITY

The *Conference of Heads of Government* is the supreme organ of the Community and as such provides overall policy direction for the Community. It consists of Heads of Government of all member states.

The *Bureau of the Conference*, composed of the current, immediately outgoing and immediately incoming Chairman of the Conference and the Secretary General of CARICOM, initiates proposals for development and approval by the ministerial councils, informs the Conference of upcoming issues, supports implementation of Community decisions and provides policy guidance to the Secretariat.

Quasi-cabinet Portfolios

Antigua and Barbuda: Services	Jamaica: External negotiations
The Bahamas: Tourism	Haiti: Transport
Barbados: CSME	St. Lucia: Justice and governance
Belize/Montserrat: Sustainable development	St. Kitts & Nevis: Health & HR development
Dominica: Labor	St. Vincent and the Grenadines: Bananas
Grenada: Science and technology	Suriname: Community & cultural cooperation
Guyana: Agriculture	Trinidad and Tobago: Security

The *Community Council of Ministers*, composed of Ministers responsible for Community Affairs in each member state, has primary responsibility for the development of Community strategic planning and coordination in the areas of economic integration, external relations and functional cooperation.

The Conference and the Community Council are assisted by four ministerial councils:

- *Council for Finance and Planning* (COFAP), responsible for economic policy coordination and financial and monetary integration;
- *Council for Trade and Economic Development* (COTED), responsible for the promotion of trade and economic development in the Community;
- *Council for Foreign and Community Relations* (COFCOR), responsible for relations between the Community and international organizations and Third States; and
- *Council for Human and Social Development* (COHSOD), responsible for the promotion of human and social development in the Community.

There are three Bodies of the Community: the *Legal Affairs Committee*, comprising ministers responsible for legal affairs or attorney generals of the member states, provides Community organs with legal advice; the *Budget Committee*, which consists of senior member state officials and oversees the Community budget and work program; and the *Committee of Central Bank Governors*, composed of Heads of Central Banks of all member states and charged with providing recommendations to COFAP on monetary cooperation, integration of capital markets and other financial matters.

The *CARICOM Secretariat* is the Community's principal administrative organ. It services the meetings of Community organs, follows up on agreements emerging from such meetings, conducts technical work and assists member states with implementation of Community decisions, among other things.

Decision-making in the Community

Until 1997, the decision-making process in the Community organs was largely based on unanimous consent. Decisions were binding, recommendations were non-binding. The Revised Treaty stipulates that the Conference takes decisions by an affirmative vote of all its members and that all its decisions are binding. Abstentions do not impair the validity of decisions by the Conference provided that three-quarters of members vote in favor of such decisions. Ministerial Councils take decisions by a qualified majority vote, defined as three-quarters of the membership, except in situations where an issue is deemed to be of critical

importance to the national wellbeing of a member state. An issue is defined as critically important if two-thirds of member states designate it as such. The new procedures clearly constitute an improvement over the previous decision-making process, but they do not depart much from the spirit of unanimous consent, and could thus impair decision-making on difficult economic and political issues as the CSME process moves forward.

Enforcement of Community Decisions

For most of CARICOM's history, lack of effective enforcement seriously compromised the potency of regional agreements. CARICOM has acknowledged the need to follow up and track compliance more effectively, and a number of improvements have been made in this regard. First, since their creation in 1997, the regular meetings of the four ministerial councils have facilitated programming and monitoring of activities. The CARICOM Secretariat's CSME Unit maintains a list of pending implementation issues that are regularly presented to and reviewed at COTED meetings (CARICOM Secretariat [2005]).

Second, the newly established Caribbean Court of Justice (CCJ) is expected to facilitate both the implementation and enforcement of Community decisions once it is fully operational. This is because the Court is vested with an original jurisdiction in respect of the interpretation and application of the CARICOM Treaty and will thus have responsibility for all legal issues relating to the CSME. The original CARICOM Treaty provided for several forms of arbitration in the event of disputes concerning its interpretation and application. The arbitration procedures, however, were seldom used and serious disputes were never settled, thereby causing significant delays in the integration process. This experience, coupled with the expanded scope of rights and obligations of CARICOM nationals under the CSME, convinced member states of the need to have a permanent, regional institution that could pronounce authoritatively on all CSME-related matters. The CCJ is intended to be such an institution (CARICOM Secretariat [2000a]).

To date, twelve member states (all except The Bahamas, Haiti and Montserrat) have signed and all twelve except Antigua and Barbuda have ratified the agreement establishing the CCJ; all except Trinidad and Tobago have moreover enacted it into domestic law. With the completion of the majority of the conditions precedent, the CDB is now in a position to begin disbursements from the US\$ 100 million Trust Fund earmarked for the Court's operation. In August 2004, the Court's first President was sworn in and the selection of the five candidates to preside as judges on the Court was announced. Recent work has focused on renovating the newly designated headquarters in Port-of-Spain and hiring and training the executive staff.

Despite the above efforts to strengthen the Community's enforcement mechanisms, problems are likely to persist in this area for several reasons. First, the CCJ will only be called upon to act in matters of dispute – it is not responsible for monitoring and enforcing the implementation of Community decisions on a day-to-day basis. Second, the Community's ministerial councils, which do have a clear monitoring role, have a much weaker mandate when it comes to enforcement (the CARICOM Treaty calls on the Councils to "promote and monitor", rather than "enforce" the implementation of Community decisions). Third, the councils rely heavily on the CARICOM Secretariat to provide them with the necessary information for monitoring purposes. The Secretariat's own monitoring efforts, however, are mostly limited to updating the above-mentioned CSME status list, which does not contain a comprehensive overview of pending country-specific actions in all areas of the CSME. Countries themselves often lack an overview of what specific legal and administrative actions they have to take to implement all CSME-related decisions. This makes enforcement even more difficult. To facilitate implementation, therefore, improvements are needed in two areas: (i) better monitoring systems must be devised, including more detailed action plans at both national and regional level, and (ii) relevant Community organs must be given stronger enforcement mandates. The latter, of course, will not be easy as long as member states remain intent on preserving the Community's largely intergovernmental decision-making structure, along with a legal system by which, absent a body of CARICOM law, all Community decisions must be transposed into domestic law before they can apply. Encouragingly, some efforts are now underway to address these bottlenecks.

Reforming the Community

Governing Structure

In early 2003, CARICOM governments established a Prime-ministerial Expert Group on Governance and instructed it to prepare recommendations for changes in the Community's governing structure with a view to facilitating deeper integration. The group's preliminary findings were presented to the July 2003 Heads of Government meeting and served as the basis for the *Rose Hall Declaration on Regional Governance and Integrated Development* issued at that meeting. A more comprehensive report was presented in November 2003. Its recommendations can be summarized as follows:

- CARICOM should remain a Community of Sovereign States. This should not, however, preclude member states from pursuing collective action to deepen and perfect the integration process, as they have done, for example, with the CCJ.
- The basic system by which Community decisions are translated into Community law should rely on national legislation giving legal effect to instruments of implementation approved by heads of government or other organs of the Community to whom government leaders have delegated "approving" authority. A "single CARICOM Act" in each member country would give legal effect in that country to rights and duties arising under the instruments of implementation. Community law would rest not on a pillar of supra-nationality but one of national sovereignty, albeit sovereignty exercised collectively. The creation and enforcement of Community law, and of the rule of law both at the national and regional level, are central and critical elements of the development of CARICOM's mature regionalism.
- The creation of a CARICOM Commission with executive responsibilities for core areas of regional integration. Initially, these areas should be limited to the single market and economy, the region's external economic negotiations, and matters of regional governance. The group further recommended that (i) the functions of the Commission should be to initiate proposals and to implement decisions, the latter in order to fill the gap that has impaired CARICOM's effectiveness over the years, namely the non-implementation of Community decisions (the report does not say how this would be achieved); (ii) the Commission should have a president and five commissioners (the expert group later reduced this to a Commission of four, one of whom would be the Secretary General with responsibility for the Secretariat, which would remain an administrative body of the Community); additional Commission portfolios could be contemplated for "functional cooperation" issues pertaining to human and social development; (iii) the Commission's immediate staff would be limited and its main human resource support would be provided by the reformed CARICOM Secretariat; (iv) the RNM should eventually be absorbed into the Commission with its technical staff forming a discrete unit within the Commission, or within a reformed Secretariat; and (v) the Bureau of the Conference and the Quasi-Cabinet should initially be retained despite possible overlaps with the Commission (CARICOM [2003a]).

Automatic Financing

Apart from considering the establishment of a CARICOM Commission or other executive mechanism, the Export Group was also asked to examine the possibility of automatic financing of Community institutions. As indicated in Chapter I, the capacity of regional institutions to fulfill their mandates has suffered, among other things, from lack of stable and sufficient funding. With demands on existing institutions increasing, and with the planned creation of new ones to facilitate implementation of the CSME, the need for more efficient financing mechanisms has become ever more apparent. By adopting the principle of automatic transfers, heads of government have implicitly recognized that regional integration cannot move forward effectively unless the regional bureaucracy is given the means to implement the necessary integration tasks.

In its recommendations, the Expert Group noted that, in moving towards automatic financing, member states would have to (i) determine the level of financing required; (ii) identify the sources of funding, including a resource base and a revenue stream; and (iii) establish the mechanism for the automatic transfer of resources.

- With respect to the *level of financing*, this would depend on the number and type of institutions to be financed. In the absence of clear guidelines on this matter, the Expert Group was unable to make recommendations other than suggesting a preliminary "ball-park" figure of US\$ 30 million a year to cover the Secretariat, the RNM, the Commission and "other CSME agencies". The group therefore urged heads of government to determine, as a matter of priority, the institutional requirements of the regional integration process at least over the next five years.
- With respect to the *sources of funding*, the group proposed identifying, first, a resource base to estimate the level of financing and the distribution of financing responsibilities among member states. The group's recommendation is to use GNP rather than GDP because it is the best indicator of a country's capacity to pay. The capacity-to-pay principle is deemed better than the benefit principle in determining member state contributions, and is already used to determine current contributions to the CARICOM Secretariat under the so-called CARICOM formula (see Box 2). To enhance financing stability, the group also recommended that the resource base be averaged over three years, and that member states establish a system of budgetary reserves. Second, member states should identify a revenue stream or portion thereof that is automatically transferred to the regional institution(s). The expert group recommended a percentage of import duties to "kick-start" the process of automatic financing.
- With regard to the *transfer mechanism*, the group insisted that "there must be a substantial degree of certainty that funds collected for automatic financing of regional institutions would be transferred without delay", but offered few specific proposals to this effect other than recommending that a CARICOM account be established in each country, that agreed revenues be placed into that account, and that transfers to regional institutions be made on a quarterly basis (CARICOM [2003c]).

Box 2
FINANCING THE SECRETARIAT: WHAT COUNTRIES CONTRIBUTE
 (Share of total member state contributions, 2002)

All Member States		OECS	
Trinidad and Tobago	25.00%	Antigua & Barbuda	1.77%
Jamaica	22.78%	Dominica	1.77%
Barbados	10.74%	Grenada	1.77%
The Bahamas	9.80%	St. Kitts & Nevis	1.77%
Guyana	7.00%	St. Lucia	1.77%
Suriname	7.00%	St. Vincent & Grenadines	1.77%
Haiti	3.00%	Montserrat	0.35%
Belize	2.89%		
OECS (combined)	10.97%		
Associate Members	0.82%		
<i>Total</i>	<i>100.00%</i>		

Assembly of Caribbean Community Parliamentarians

Finally, the Expert Group was also given a mandate to examine the functioning of the ACCP with a view to recommending possible changes that could enhance the effectiveness of the regional parliamentary process and thus strengthen the democratic foundation of CARICOM. The ACCP was established in 1994 as an instrument to foster greater public involvement in that process, in recognition of the fact that such involvement is central to the success of regional integration. The Assembly was conceived as a consultative forum (rather than a legislative and decision-making body) for the discussion of policies, programs and other matters falling within the scope of the CARICOM Treaty, and to make recommendations to the Conference and other Community organs. Its membership comprises up to four representatives elected by or directly from each member state's parliament and up to two representatives from each associate member of CARICOM. Although the original agreement establishing the ACCP does not specifically mention opposition members of parliament as participants in the assembly, opposition parliamentarians have participated in national delegations to the Assembly. In their March 2003 meeting, heads of government explicitly recognized the ACCP as "an appropriate institution through which opposition leaders would be able to meet and discuss issues critical to the region's development".

The Assembly has been beset with problems ever since its creation. First, although ACCP meetings were to be held once a year, the high cost of hosting and participating in such meetings has meant that so far, only three meetings have taken place (Barbados, 1996; Grenada, 1999, and Belize, 2000). Second, member state representatives have not participated effectively in the preparations for the meetings, and have often been ill-prepared to speak on background documents prepared by the Secretariat for debate, mainly because of lack of knowledge on these issues. Third, there have been procedural difficulties relating to the appointment of the Speaker of the Assembly. Fourth, the limited definition of the category of observers in the agreement, along with the stipulation that participation is through elected parliamentary representatives, has prevented genuine popular participation in the Assembly's work.

In response to these problems, the Expert Group recommended a number of revisions, including on procedural matters and participation. As regards the latter, the proposal is to include at least one opposition representative in each member state's delegation, and to expand the observer category to include representatives from Community institutions, non-governmental organizations and international, regional and national bodies. The Expert Group also recommended that the Assembly should retain its consultative role under any new governing structure, but that the Conference might consider strengthening the Assembly's influence by providing it with an opportunity to comment on recommendations emanating from a future Commission or similar executive organ. The group also commented on what is widely considered a central weakness of the Assembly, namely its "talk-shop" character and the fact that it lacks the legal basis for playing a credible and decisive role in regional decision-making, but there was no consensus among the experts on how to remedy this situation. Finally, to address the financing bottleneck, the group recommended that annual meetings of the Assembly should be financed through a separate, dedicated line in the Secretariat's budget (CARICOM [2003b]).

At a meeting in March 2004, government leaders instructed the Expert Group to continue its work in all three areas of its mandate (governance, automatic financing and ACCP) with a view to submitting recommendations to the Conference for final decision-making in its July meeting of that year. However, no final decision was made at that meeting. Instead, the Conference agreed that the ACCP should discuss the proposals and submit their recommendations to the Prime Ministerial Sub-committee on Governance for its review. In their meeting in February 2005, heads of government instructed the Bureau of the Conference to prepare specific proposals based on the final recommendations of the expert group (CARICOM [2005a]) and responses received from the ACCP and civil society, for consideration by heads of government at their July 2005 meeting. They also noted that such proposals should be based on (i) the establishment of a four-person Commission; (ii) the institutionalization of the ACCP to include representatives of government and opposition parliamentarians; and (iii) a mechanism for automatic financing of the CARICOM Secretariat based on GNP. Curiously, the Communiqué issued at the conclusion

of the July heads of government meeting is silent on all three issues. It thus remains to be seen whether heads of government will take concrete decisions on Community reform in the near future, and if so, when such decisions would be implemented and how far they would go in remedying some of the biggest bottlenecks to deeper integration in CARICOM.

Coordination, Consultation and Public Outreach

In order to enhance the decision-making process in the Community, Article 26 of the Revised Treaty calls on the Community Council and member states to establish and maintain an efficient system of consultations at the national and regional level. This is to be achieved at two levels: at the government level, all 15 CARICOM member states have identified a Ministry with responsibility for CARICOM Affairs, and all except The Bahamas have formally designated an official CSME Unit or focal point. In addition, all member states except Dominica have an Inter-ministerial Consultative Committee. At the level of the public, member states have been encouraged to create formal structures for consultation with the private sector and civil society organizations. Some have established a national consultative system involving government, business and labor committees to inform Community decisions. Five member states have confirmed the establishment of formal Business and Labor Advisory Committees, while others have more informal arrangements in place. As mentioned above, reforms to the ACCP are also under active consideration. The CARICOM Secretariat and some member states have moreover launched a campaign to increase knowledge of the integration process and its projected benefits among the Caribbean public.

The above initiatives represent important improvements over the situation prevailing before 1997, when few consultations took place between the "inner circle" of government leaders and regional officials who were involved in the integration process, and the rest of the Community. Now that consultative mechanisms have been established throughout CARICOM, the challenge is to make them work. Despite the existence of inter-ministerial consultative committees in almost every member state, information-exchange and communication among ministries remains a serious problem in several countries, according to statements from those involved in the policymaking process. In addition, private sector participation in the formal integration process remains weak except in a few countries, and the public in general is ill informed about regional integration. In a recent survey in Jamaica, for example, only 35 percent of a representative sample of the voting age population claimed to have heard about the CSME, and of those who had heard about the CSME, less than a third associated it with "freedom to establish a business", "freedom to establish services", "no taxes on goods produced in the region", or simply "CARICOM". The study concluded that Jamaicans are not well informed about the basics of the CSME, and that there was no reason to believe that such ignorance was unique to that country (Tindigarukayo [2004]). On the positive side, some government ministries have launched web-based information systems on CARICOM and the CSME,⁴⁹ and the number of CSME-related conferences, workshops, business events and training programs in the region has proliferated in recent years. To further promote this process, heads of government have designated 2005 the "Year of the CSME".

New and Affiliated Institutions

Apart from the CCJ, several other institutions are being added to the regional integration system. The *CARICOM Regional Organization for Standards and Quality (CROSQ)* was established in 2003 as an intergovernmental organization and a regional center for promoting efficient and competitive production in trade and services through the process of standardization and the verification of quality. Located in

⁴⁹ Among others, the Ministry of Foreign Affairs of Trinidad and Tobago has established a CSME Unit and a web-based information system on the CSME, see <http://www.csmett.com>.

Barbados, CROSQ is a successor to the Common Market Standards Council, which was established in 1976 as an informal arrangement comprising the heads of the national standards councils. The Council had no juridical personality and few means to address increasingly complex issues arising from regional and multilateral trade liberalization initiatives. CROSQ is mandated to represent the interests of the region in international and hemispheric standards work, promote regional harmonization of metrology systems and standards, increase the pace of standards development in the region, and facilitate the resolution of CARICOM trade disputes involving standards. CROSQ is also expected to serve as a Regional Accreditation Body and as an enquiry, notification and information point for standards-related issues in the WTO. The agreement establishing CROSQ has so far been signed by twelve member states and is being provisionally applied by all of these, but only Belize, Jamaica and Suriname have so far enacted the Agreement into law. CROSQ is a small, permanently staffed agency funded by member states, donor contributions and (planned) proceeds from the sale of its services to the private sector.

Chapter VIII of the CARICOM Treaty provides for the establishment and operation of a regional *Competition Commission* to facilitate implementation of a Community Competition Policy, the objectives of which are to (i) promote and maintain competition and improve economic efficiency in production and trade; (ii) prohibit anti-competitive business conduct that prevents, restricts or distorts competition, and (iii) promote consumer welfare and protect consumer interests. The treaty moreover calls on member states to establish and maintain national competition authorities to facilitate implementation of the rules of competition. This is an area that still requires substantial work. Only three member states (Barbados, Jamaica and St. Vincent and the Grenadines) currently have competition laws in place, and only two (Barbados and Jamaica) have institutional arrangements to enforce those laws. The CARICOM Secretariat has drafted a Model Competition Bill; adoption and enactment of competition law in member states that do not have it is now a priority. So is the development of institutional capacity for enforcement of Community rules on competition, both at national and regional level. Limited knowledge and understanding of competition law and policy among businesses, a dearth of technical expertise to staff national and regional competition bodies, and, more generally, the absence of a culture of competition in CARICOM make progress in this area very difficult. Such progress, however, is vital since, in its absence, the benefits expected from the CSME could easily be frustrated by anti-competitive business conduct. Because competition policy also forms part of the region's external trade negotiations, it will be important to achieve consistency between Community policies and what is negotiated with third parties [Brewster [2003d)].

Another area in which much work remains to be done is *intellectual property* (IP). Protection of intellectual property is fundamental to the promotion of innovation, which can boost productivity and competitiveness, and is also crucial for attracting foreign direct investment. The CARICOM Treaty (Article 66) calls for the strengthening of IP protection regimes and simplification of IP registration procedures in member states, and for the establishment of a regional administration for intellectual property rights except copyright. But only a few member states have taken action to establish national IP services and law pursuant to the WTO Agreement on Trade-related Intellectual Property Rights (TRIPS). A Working Group consisting of heads of IP offices in the region was established in 2000 to coordinate responses to IP issues. They agreed to commission a feasibility study from WIPO on the establishment of a regional administrative body, but detailed terms of reference for such a study have not yet been prepared (Brewster [2003d] and CARICOM Secretariat [2004a]).

The Proliferation of Institutions

It is not easy to gain a clear overview of CARICOM's overall institutional arrangements, for a number of reasons. First, the Treaty's Chapter II, which deals with such arrangements, covers only some of the institutions discussed above; others are either discussed elsewhere in the treaty - including the CCJ (Article 211 of Chapter IX), CROSQ (Article 67 of Chapter IV) and the Competition Commission (Art

171 of Chapter VIII) – or not at all, as is the case of the RNM which, despite its creation over eight years ago and its obvious importance to the region, still remains an agency without a legal identity. What the treaty’s Chapter II does list, however, are a number of affiliated institutions of the Community (see Box 3). These are divided into two categories: *Institutions of the Community*, covering institutions that were "established by or under the auspices of the Community", and Associate Institutions, covering those "with which the Community enjoys important functional relationships that contribute to the achievement of the Community’s objectives". The majority of these institutions operate in a rather ad-hoc manner, while details of jurisdiction, budget and institutional roles are overlooked. Neither the Treaty nor, to our knowledge, any other official CARICOM document provides a clear definition of what constitutes the difference, in legal terms, between Community institutions and associated institutions, and few systematic efforts have been made to evaluate these institutions in terms of their role and cost effectiveness in supporting the regional integration process.⁵⁰

Box 3
AFFILIATED INSTITUTIONS OF THE COMMUNITY

<p><i>Institutions</i></p> <p style="text-align: center;">Caribbean Disaster Emergence Response Agency (CDERA) Caribbean Meteorological Institute (CMI) Caribbean Meteorological Organization (CMO) Caribbean Environmental Health Institute (CEHI) Caribbean Agricultural Research and Development Institute (CARDI) Caribbean Regional Center for the Education and Training of Animal Health and Veterinary Public Health Assistants (REPAHA) Association of Caribbean Community Parliamentarians (ACCP) Caribbean Center for Developmental Administration (CARICAD) Caribbean Food and Nutrition Institute (CFNI)</p> <p><i>Associate Institutions</i></p> <p style="text-align: center;">Caribbean Development Bank (CDB) University of Guyana (UG) University of the West Indies (UWI) Caribbean Law Institute / Caribbean Law Institute Center (CLI / CLIC) Secretariat of the Organization of Eastern Caribbean States (OECS)</p>

In sum, despite an elaborate institutional structure, serious bottlenecks remain in CARICOM’s decision-making process and enforcement of Community rules. Attempts are underway to correct these problems, but it is uncertain how far member states will go in reforming the current structure to make it more consistent with their stated integration goals. Without a willingness to transfer some national decision-making power to a supra-national level and to give regional institutions the clout they need to develop, implement and enforce Community decisions effectively, implementation of the CSME could continue to be a very protracted process. This, in turn, would mean that its potential benefits - greater productivity and improved international competitiveness of Caribbean firms and economies - would not materialize for a long time. As the following chapter nevertheless shows, Caribbean countries urgently need to improve their external economic performance.

⁵⁰ To our knowledge, the most comprehensive, yet somewhat outdated review is the CARICOM Secretariat’s report, *A Comprehensive Review of the Programs, Institutions and Organizations of the Caribbean Community*, [1990]. The CARICOM Secretariat also recently completed a review of the Community’s health-related regional institutions (CARICOM [2005b]). An executive summary of the report is available at <http://www.caricom.org>.

CHAPTER V. THE EXTERNAL DIMENSION OF CARICOM

Unlike other integration groups, CARICOM has never focused exclusively on the development of its internal market. From the very beginning, *foreign policy coordination* has played a crucial role in the group's integration process, and is often referred to as the second pillar of integration after the CSME. As Senator Julian Hunte, one of the region's leading voices on foreign policy coordination, stated in a recent meeting of the Council for Foreign and Community Relations (COFCOR), "our Community of States must be seen to act as a community in the true sense of the word and not be viewed by the outside world as simply a collection of countries which happen to be in the same geographic area. There must be singularity of purpose, and complementarity of actions, in dealing with the multifaceted issues created by outside actors and factors".⁵¹

In this chapter, we analyze the history and status of foreign policy coordination in CARICOM, and whether it has brought any benefits to the region. First, we look at the legal basis for coordination, as outlined in the Community's treaties and demonstrated by the institutional mechanisms in place to formulate common positions in relation to third parties. We then examine the two principal areas of coordination as defined by CARICOM: (i) foreign policy coordination, covering general diplomacy, political relations and "non-economic" issues ranging from democracy and good governance to security and the environment; and (ii) [foreign] economic policy coordination, covering external economic relations, especially trade.⁵² Finally, we analyze another important aspect of CARICOM's external dimension: the group's *external economic performance*. We try to assess whether the regional integration process, both in terms of internal market liberalization and coordination of external economic policies, has helped boost member states' trade and investment links with third countries, or, if there is no evidence to that effect, whether integration could provide such benefits in the future in accordance with the Community's stated goal.

The Legal Framework for Foreign Policy Coordination

Although the Revised Treaty of Chaguaramas places great emphasis on foreign policy coordination within the Community's overall objectives, it does little to establish specific procedures on how to support and achieve these goals. The treaty has three objectives that focus on the external elements of the integration process: (i) enhanced coordination of member states' foreign and [foreign] economic policies; (ii) expansion of trade and economic relations with third countries; and (iii) greater economic leverage and effectiveness of member states in dealing with third parties.⁵³ There are three main Treaty provisions that address how member states should achieve these objectives. The first establishes COFCOR. This Council is given a broad – and rather vague – mandate to "determine relations between the Community and international organizations and third states" and, to this effect, "establish measures to coordinate the foreign policies of the member states of the Community" and "adopt Community positions on major hemispheric and international issues".⁵⁴

A second and similarly vague provision gives the Council for Trade and Economic Development (COTED) responsibility to "promote and develop, in collaboration with COFCOR, coordinated policies for the

⁵¹ See Communiqué of the Fifth Meeting of COFCOR, May 2002. Senator Hunte is a former Minister of External Affairs, International Trade and Civil Aviation of St. Lucia, Chairman of COFCOR, and President of the United Nation's 58th General Assembly.

⁵² CARICOM itself uses the brackets around (foreign) in this second area of coordination. This is a somewhat confusing way of distinguishing economic from non-economic foreign policy coordination.

⁵³ CARICOM Treaty, Article 6.

⁵⁴ *Ibid*, Article 16.

enhancement of external economic and trade relations of the Community".⁵⁵ The third provision addresses the coordination of external trade policies versus third countries or groups of countries, and calls on the Community to "pursue the negotiation of external trade and economic agreements on a joint basis in accordance with principles and mechanisms established by the Conference".⁵⁶ Hence, while foreign policy coordination receives great emphasis as an overall objective of the Community, the specific processes of coordination are left for the regional leaders and institutions to design.

A review of the historical roots of foreign policy coordination reveals similarly vague treaty language. The original 1973 Treaty of Chaguaramas addresses the objective of foreign policy coordination only briefly, by establishing a Standing Committee of Ministers of Foreign Affairs (the precursor to COFCOR) and giving it authority to make recommendations to member states with the aim "to adopt as far as possible common positions in major international issues".⁵⁷ Given the rather loosely defined legal and institutional framework, and the lack of well-defined procedures, foreign policy coordination among CARICOM member states is currently carried out on an ad hoc basis, mainly through the Ministerial Councils. While it is difficult to assess the scope and depth of coordination, and the extent to which all stakeholders are involved in the process, we do see empirical evidence that coordination is taking place.

The Community's Foreign Policy Strategy

To assess the progress of coordination in the foreign policy-making process requires an understanding of the institutions and collaborative mechanisms at work. Although heads of government, through the Conference, have final authority in determining the foreign policy direction of CARICOM, COFCOR is the primary entity responsible for the Community's coordination and strategic planning of foreign policies in relation to major international issues. COFCOR holds annual meetings where member states' foreign ministers discuss and coordinate their foreign policy positions. In 2004, ministers agreed to give the Bureau of COFCOR – made up of the past, current, and incoming Chairmen of the Council – a more prominent role in promoting more regular consultation and coordination among member states in light of a rapidly changing external environment.

Foreign policy coordination among CARICOM member states is guided by a foreign policy strategy designed and endorsed by COFCOR and the Conference in 2002 (CARICOM Press Release [2002]). According to this strategy, the Community's foreign policy is guided by six fundamental principles: (i) the development and preservation of the Caribbean identity, democratic system and economic space; (ii) the sustainability of small states within the international community; (iii) continued adherence to principles of good governance; (iv) maintaining the peace, security and territorial integrity of the Community; (v) adherence to the purposes and principles of the United Nations; and (vi) adherence to international treaty commitments. These principles guide the CARICOM Secretariat's Directorate of Foreign Policy and Community Relations (Directorate-FPCR) Work Program #10, which includes several projects aimed at strengthening coordination within the region and improving collaboration with third parties.

There have been a number of actions taken in support of the principles outlined in CARICOM's foreign policy strategy:

- *The development and preservation of the Caribbean identity, democratic system and economic space* has been supported by a number of joint declarations. CARICOM often puts forth common positions

⁵⁵ *Ibid*, Article 15(i).

⁵⁶ *Ibid*, Article 80.

⁵⁷ Original CARICOM Treaty (1973), Articles 4(b) and 17.

in multilateral fora, for example, in voting for an OAS Secretary-General or in lobbying for award of the FTAA Secretariat headquarters to Port-of-Spain. Member states have also issued joint declarations expressing their deep concern regarding the transshipment of nuclear waste through the Caribbean Sea by third parties, and the dangers that this poses to the Caribbean people.

- *The promotion of small states within the international community* is most visible through the region's active participation in and implementation of the Barbados Program of Action on the Sustainable Development of Small Island Developing States (SIDS). CARICOM member states, along with other SIDS, have formulated common positions on important issues relevant to their sustainable development (including climate change, and coastal and marine resources) and sought cooperation with international partners. In addition, CARICOM often pursues joint lobbying efforts for overseas development assistance, as was the case in the various Lomé Conventions and the Cotonou Agreement signed between the EU and African, Caribbean and Pacific (ACP) states.
- CARICOM's continued *adherence to principles of good governance* is best portrayed in its position on the political crisis in Haiti. In March 2004, heads of government expressed "dismay and alarm over the events leading to the departure from office of President Aristide... [and] called for the immediate return to democratic rule and respect for the Constitution of Haiti" (CARICOM Press Release [2004a]). While declarations on the situation in Haiti are an internal Community matter, CARICOM has been vocal in calling for the return of financial and technical assistance from international donors, while at the same time, coordinating its participation in the UN Stabilization Mission in Haiti.
- CARICOM frequently coordinates positions in order to *maintain the peace, security and territorial integrity of the Community*. Common declarations on international conflicts, such as those in the Balkans and the Middle East, are released to establish a record of supporting peace and stability abroad and in the region. Regarding regional security, collaboration with third parties includes the Third Border Initiative, a partnership with the United States to build safety, stability and prosperity in the region. CARICOM and the United States have pledged to hold regular consultations in pursuit of "a neighborhood built upon mutual confidence and security" (CARICOM Press Release [2004b]). A CARICOM-UK Security Cooperation Plan, finalized in 2004, sets Community priorities and targets cooperation in areas such as law enforcement training, regional intelligence sharing, and border security (CARICOM Press Release [2005a]). With respect to territorial integrity, CARICOM has been united and vocal in its position on the three on-going border disputes involving CARICOM countries (Belize-Guatemala, Guyana-Venezuela, and the Eastern Caribbean-Venezuela regarding Bird Rock). The Community has repeatedly called for a peaceful and speedy resolution to the disputes, while maintaining strong support for the territorial integrity of the member states involved.
- Adherence to the purposes and principles of the *United Nations* is evident in the region's full membership and active participation in this international body.⁵⁸ Furthermore, member state representatives to the UN often declare positions at the General Assemblies on behalf of the entire Community.⁵⁹
- In their foreign policy strategy, CARICOM countries have also pledged to adhere to their *international treaty commitments*. Member states are party to a number of multilateral agreements such as the UN Framework Convention on Climate Change and its Kyoto Protocol.⁶⁰ In addition, CARICOM has played an active role in the establishment of the International Criminal Court, and continues to support its integrity and effective operation.

⁵⁸ Montserrat is a protectorate of the United Kingdom and therefore not a sovereign member of the United Nations.

⁵⁹ Despite numerous joint declarations in this as in other international agencies and fora, CARICOM countries guard their national sovereignty passionately, mainly because it gives them 14 votes as opposed to one at the time of voting.

⁶⁰ All CARICOM member states are party to the UNFCCC; however, Haiti, St. Kitts and Nevis and Suriname are not yet party to the Kyoto Protocol.

The objectives highlighted above are likely to continue to guide the region's foreign policy coordination in the future. This coordination can be credited with elevating CARICOM's stature in a number of international fora. The process, however, appears to be somewhat ad hoc and driven mainly by COFCOR – particularly the Bureau of COFCOR. As the regional integration process goes forward, CARICOM member states may find it necessary to further develop this policy coordination mechanism. There may be a need for more active participation by existing prime-ministerial sub-committees, and/or the establishment of regional technical agencies, to support COFCOR in areas of growing concern such as the external dimension of regional security and the sustainable development of small island states. Coordination might also be strengthened through the establishment of joint diplomatic representations abroad (OECS countries already collaborate in this area). Although some member states have resisted such efforts at coordination in the past, the idea merits renewed attention in light of the impending CSME, the need to expand links with new trade and investment partners, and the high cost for individual member states of maintaining an active diplomatic presence throughout the world.

Coordination of External Economic Policies

The mechanism for foreign economic policy coordination is more developed than the one affecting non-economic areas, with coordination taking place through a variety of channels. Economic policy coordination focuses mainly on the area of trade. Spearheading regional coordination in this area is the Prime Ministerial Sub-committee on External Negotiations, led by the Jamaican Prime Minister, who also heads CARICOM's quasi-cabinet portfolio on External Negotiations. The Sub-committee reports directly to the Conference, but holds "authority to make significant decisions where these cannot await the biennial meeting of the Heads of Government".⁶¹ It is assisted in the decision-making process by COTED, which meets three times a year to coordinate common economic policies.

Coordination of external trade negotiations is supported by the CARICOM Secretariat's Directorate for Foreign Policy and Community Relations (FPCR), through its Work Program #9; and by the Caribbean Regional Negotiating Machinery. The RNM has a general mandate from the heads of government to "develop a cohesive and effective framework for the coordination and management of the Caribbean region's negotiating resources and expertise". A Director-General acts as the RNM's chief negotiator and chief technical advisor, and is supported by a Senior Director, a Director of Technical Cooperation and Partnerships, and a Director of Administration. The Senior Director oversees various technical units, divided by negotiating theater (WTO, EU EPA, FTAA) and technical area (agriculture, market access, services, intellectual property, etc). During its first phase (1997-2002), the RNM focused mainly on establishing the rules and procedures for the region's participation in the three main negotiating theaters. The organization is now in its second phase (2003-2008), focusing on the content of the trade agreements that are under negotiation in order to make full use of its technical expertise and to secure the greatest benefits for the region.⁶²

Regional coordination of external trade negotiations takes place through various processes.

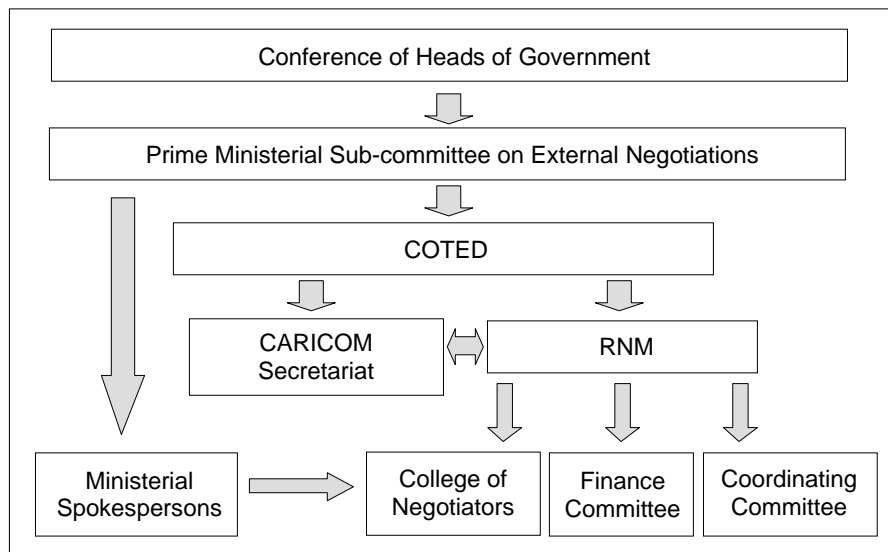
- i. A Coordinating Committee, comprised of the RNM Director-General, the CARICOM Secretary-General and the OECS Secretariat Director-General, collaborates to take note of the special and differential needs of member states in the region.

⁶¹ (RNM [2003]). The Prime-Ministerial Sub-committee on External Negotiations includes the Heads of Government of Jamaica, Barbados, Belize, Guyana and St. Lucia. It is an open committee so other heads of government may also participate in the meetings.

⁶² *Ibid.*

- ii. Collaboration between the CARICOM Secretariat (Directorate-FPCR) and the RNM is guided by their respective work programs, which both emphasize inter-agency cooperation. The Directorate declares explicitly that the "intensification of [trade negotiations] will warrant priority attention and collaboration with the RNM".⁶³ Similarly, the RNM work program stresses the need for collaboration with the Secretariat, especially regarding the implications of the CSME on external negotiations, implementation of existing agreements, and building national capacity to facilitate formulation of regional negotiating positions.
- iii. The RNM and the Secretariat are required to consult with COTED before presenting recommendations to the Prime Ministerial Sub-committee. During these consultations, member states' economic and trade officials have the opportunity to contribute to the design of negotiating positions.
- iv. Ministerial Spokespersons appointed by member states to act as regional advocates in the respective negotiating theaters⁶⁴ are invited to meetings of the Prime-ministerial Sub-committee to "participate meaningfully" in discussions of their respective negotiating theaters (RNM [2003]).
- v. A College of Negotiators led by the RNM acts as an umbrella mechanism to oversee all technical areas. It holds consultations on the various negotiating theaters and areas to coordinate regional positions. These steps have been designed to facilitate coordination in trade negotiations, and are outlined in Figure 5.

**FIGURE 5
COORDINATION OF EXTERNAL TRADE NEGOTIATIONS**



An evaluation of the coordination mechanism yields mixed results. On the one hand, the RNM has produced a significant number of technical studies on the important trade issues affecting the region, including market access in agriculture and services, intellectual property rights, and special and differential treatment. These regional studies are important because they inform national authorities – many of which would probably

⁶³ CARICOM, *Directorate of Foreign Policy and Community Relations Work Program*, at <http://www.caricom.org>.

⁶⁴ Senior Minister Billie Miller of Barbados oversees all external negotiations, and is also responsible for the EU EPA negotiations. The WTO, FTAA and bilateral negotiations are promoted by Minister Clement Rohee of Guyana, Minister K.D. Knight of Jamaica, and Minister Kenneth Valley of Trinidad and Tobago, respectively.

not have the resources to do the studies themselves – and provide crucial background information for the production of negotiating briefs and positions. Coordination in the formulation of common negotiating positions is another benefit the RNM brings to the region. The agency has led technical working groups on market access and agriculture, as well as consultations on issues such as sanitary and phytosanitary (SPS) measures, non-agricultural products and special and differential treatment. Based on these consultations, the agency prepares common negotiating positions and defends them in the negotiations. The RNM has represented CARICOM in many negotiating sessions both in the FTAA and with Europe, and in doing so, has somewhat alleviated the burden of participation for national authorities who often do not have the funds, nor the human resources, to be engaged in all meetings. The RNM has been instrumental in boosting the capacity of member states' preparation for, and engagement in, external negotiations by providing technical assistance in a number of trade-related areas, and by attracting new donor funding for trade-related capacity building in CARICOM.

On the other hand, the coordination mechanism has displayed some weaknesses and faces some important challenges over the medium term. First, member states have been reluctant to cede any sovereignty in their national policy-making processes to a centralized regional institution, illustrated in that the RNM remains a relatively small agency of CARICOM and is considered a "project" rather than an institution with its own legal personality. Since the RNM is not fully institutionalized as the region's negotiating machinery, there appears to be some overlap in mandates with the Secretariat. In theory, the RNM's mandate is limited to negotiation of trade agreements, whereas the Secretariat supports member states in implementation. Often, however, implementation requires further negotiations and so the division of responsibilities is blurred. In addition, the Secretariat appears to have retained some responsibility for negotiating regional trade agreements (that is, bilateral agreements with neighboring countries such as the Dominican Republic and Cuba), while the RNM focuses on the larger negotiations at the hemispheric and extra-regional level. In practice, this division of responsibility is becoming more and more unclear, with the RNM receiving its mandate on a more ad hoc basis, in areas that could be defined as "regional" (negotiations with Canada, and exploratory talks with MERCOSUR, have apparently been led by the RNM).

Second, the process of crafting a common negotiating agenda among multiple member states with disparate interests, on a timely basis and as dictated by a negotiation schedule, is extremely challenging. To arrive at a regional position, member states must first adopt a national strategy of external trade interests and negotiations. This can be challenging for the smaller member states since they often lack the human and technical capacity to gather the information needed to make informed decisions. The RNM has two strategic objectives in its current work program to address these issues: (i) establish an effective program for developing and sustaining technical capacity and negotiating skills within the region; and (ii) develop a framework that will increase the effectiveness of the process of formulating negotiating strategies. These objectives are supported by more specific strategies that should, if implemented, help reduce the challenges of regional coordination and weak national capacity.

Third, the RNM's role in coordinating, facilitating and defending regional positions in international trade negotiations has been constrained by a lack of sufficient funding. Similar to other regional agencies, the unreliability of member state contributions and some delays in disbursements of donor funds have often made it difficult for the RNM to perform relevant research, outreach and negotiating activities. Lack of funding has also resulted in a shortage of staff. This was especially evident in the early years of the RNM when technical staff was forced to spend much of their time writing project proposals for donor funding. Since then, the RNM has created a unit to handle technical cooperation activities, and is currently seeking new sources of funding to improve its services and facilitate the delivery of technical assistance to member states (RNM [2003]). It is unclear whether CARICOM's plans for automatic financing of regional institutions will cover the RNM – given its legal status.⁶⁵

⁶⁵ For a more comprehensive review of the RNM, see Jessen [2004].

The objective of foreign economic policy coordination is to enable CARICOM countries to forge stronger and more beneficial economic linkages with third parties than would be possible without such coordination. This pillar of regional integration is important because as trade agreements become more complex and cover commitments in areas other than market access for goods, member states require more human and technical capacity to negotiate and implement them effectively. CARICOM's joint engagement in a number of highly complex and simultaneous trade negotiations is a testament to regional cooperation. But, has such coordination *really* yielded greater benefits at lower national cost? As stated earlier, this question is difficult to answer given the absence of the counterfactual. In the following, however, we will try to analyze the issue further by briefly reviewing CARICOM's external trade relations – both established and in negotiation – and other areas of economic coordination, in an attempt to assess both the scope and possible benefit of regional coordination in each case.

External Trade Relations

In the last two decades, CARICOM has actively sought to forge stronger external economic relationships through trade agreements. At the *multilateral level*, all CARICOM countries except The Bahamas⁶⁶ and Montserrat are members of the GATT/WTO, which affords them Most Favored Nation (MFN) status with 135 other countries. While CARICOM member states are individual members of the WTO, some aspects of *implementation* are carried out through regional coordination. For example, member states must now implement obligations resulting from the Uruguay Round Agreements. This is a difficult process involving a number of legislative and institutional reforms, some of which are being handled at the regional level rather than by individual countries. Examples of regional action include the development of model legislation, training, and the designation of regional agencies as focal points for certain WTO areas – for example, in standards. Meanwhile, regional coordination of *negotiations* in the WTO has not been very strong.

Launched in 2001, the Doha Round of multilateral negotiations includes a large number of areas, prominent among them agriculture and services, in which countries are seeking substantial improvements in market access and, in agriculture particularly, the elimination of distorting domestic support measures (including export subsidies). Countries also want to achieve further reductions in tariffs and NTBs on industrial goods, and reach agreement on new issues, including trade facilitation. CARICOM has specific interests in the negotiations. The region wants to place the needs and interests of developing countries – in particular SIDS – at the center of the Doha work program, and to ensure that any agreement reached will facilitate the successful integration of these countries into the multilateral trading system. In the view of CARICOM countries, this would involve the establishment of trade rules that – through special and differential treatment – take full account of the difference in size and development among WTO members, and offer adequate periods of adjustment to, and compensation for, the erosion of current market access preferences and the attendant loss in earnings for developing countries.⁶⁷

CARICOM has no formal structure for regional coordination in the WTO. Countries are individual members of the WTO and participate in negotiations as such. There is, however, an "informal" regional coordination process in place. Guyana's Minister of Foreign Trade and International Cooperation, Clement Rohee, acts as the region's Ministerial Spokesperson to the WTO and participates at various levels of the coordination structure. At the technical level, the RNM plays a role of facilitator by holding technical working group meetings on WTO matters, gathering technical information from WTO personnel and other experts, and providing technical advice to CARICOM country missions (the latter through the RNM's presence in

⁶⁶ The Government of the Bahamas formally requested accession to the WTO in May 2001. A Working Party was established, but The Bahamas has not yet submitted a "Memorandum on the Foreign Trade Regime".

⁶⁷ CARICOM positions in the WTO negotiations are summarized in the *Caribbean Declaration on the Fifth WTO Ministerial Conference* presented in Cancún, Mexico. September, 2003.

Geneva). This is a valuable resource for all member states, but especially for those that do not have national representation in Geneva (Belize, Guyana and Suriname), and which therefore have difficulties following the daily, informal exchanges of information in the negotiations. Actual coordination of common positions has nevertheless been limited, and more will be needed in upcoming negotiations, not least in order to satisfy CARICOM's single market objective and ensure consistency between the CSME and what is negotiated by member states externally. In line with the new Doha Work Program (August 2004-), CARICOM will have to agree on key modalities in agriculture and non-agriculture market access, as well as provide market opening offers in services trade in preparation for the Hong Kong Ministerial in December 2005.⁶⁸ The existing mechanism has at least helped the region to participate in the Doha negotiations somewhat more actively. Whether CARICOM receives additional benefits from coordination rests on the final agreement, and whether it takes into account regional interests such as special and differential treatment.

Economic cooperation between CARICOM (as part of the ACP group) and the *European Union* began in 1975, when the first Lomé Convention afforded exports from six Caribbean countries non-reciprocal preferential access to the European market. The remaining CARICOM member states acceded to those benefits through Lomé Conventions in 1979, 1984 and 1990. Economic relations between the two regions are currently governed by the Cotonou Agreement of 2000. This agreement extends ACP countries the unilateral trade preferences of the fourth Lomé Convention, with a view to forging economic partnership agreements (EPAs), including reciprocal trade, between the EU and ACP countries or groups of countries by January 2008. EU-ACP negotiations began in September 2002, and focused on the general objectives and principles of the EPAs and issues of common interest to all ACP countries. Since 2003, negotiations have been conducted on a bi-regional basis between the EU and selected ACP groups: EU-CARIFORUM negotiations were launched in April 2004.

The scope of coordination required in the EPA negotiations is substantial, especially given that regional positions will now include an additional member, the Dominican Republic. To facilitate coordination, CARIFORUM Trade Ministers – via a Special COTED Meeting on External Economic Negotiations – endorsed a three-tiered structure for negotiations. At the Ministerial level, CARIFORUM will be represented by Senior Minister Billie Miller of Barbados and a troika of officials from the Dominican Republic, St. Lucia and Belize. At the level of principal negotiators, discussions will be led by the RNM Director-General, while at the technical level, an EPA College of Negotiators, appointed by CARIFORUM, will lead the subject-specific negotiations. The EPA College includes a lead and alternate negotiator for the four areas established (market access, services and investment, trade-related areas, and institutions). The negotiators formulate regional positions via consultations and technical working groups, and represent the region at technical meetings of the negotiations. While the EPA College is sometimes accompanied by national government officials, it always retains the lead in negotiations.⁶⁹

The principal negotiators for both sides (Caribbean RNM Director-General and European Commission Director of DG-Trade) have so far held three meetings, one in July 2004 to establish the priorities of the EPA negotiations, and the others in November 2004 and May 2005, to advance the regional integration elements of the negotiations. A Ministerial meeting is planned for September 2005, where parties will launch the third phase of negotiations with the aim of producing a draft EPA by December 2006 and a final agreement by December 2007 (RNM Press Release [2004]). The EPA will be a comprehensive agreement covering trade in both goods and services, as well as related areas such as intellectual property rights, technical barriers to trade, and SPS measures.

⁶⁸ RNM, *WTO Negotiating Theater*, <http://www.crnw.org/wto.htm>.

⁶⁹ The Dominican Republic is involved in the coordination mechanism at various levels. At the Ministerial level, it forms part of the troika; in COTED meetings, it participates in those discussions relevant to the EU EPA negotiations; and in the EPA College, it has several representatives (i.e. the lead negotiator for services and investment is from the Dominican Republic).

The stakes in EPA negotiations are high because the resulting agreement will not only provide the basis for trade relations and development assistance between the two parties for years to come, but is also likely to influence any agreement that CARICOM subsequently signs with other developed countries. Since CARICOM countries already enjoy duty-free access to the EU market for most of their merchandise exports, the benefits of the agreement for CARICOM will largely depend on the degree to which remaining non-tariff restrictions to such trade are eliminated; to what extent the EU opens up its services market to CARICOM; the timeframe and scope of reciprocal trade liberalization, which should allow CARICOM countries enough time to adjust to both increased competition and declining tariff revenues; and how generous and effective the EU's financial assistance in support of CARICOM's adjustment to freer trade will be. To achieve a beneficial agreement, it is important that CARICOM continue its regional collaboration throughout the crucial third and final phase of the negotiations.

The region first gained preferential access for its exports to the *United States* in 1976 with the Generalized System of Preferences (GSP). Along with over 100 other developing countries, members of CARICOM receive duty free access in 4,650 products. In 1983, countries of the wider Caribbean gained additional preferences into the United States through the Caribbean Basin Economic Recovery Act (CBERA). CBERA expanded the list of qualifying products covered under the GSP and also relaxed rules of origin requirements. The Caribbean Basin Trade Partnership Act (CBTPA) amended CBERA in 2000, to provide preferential access for petroleum, petroleum products, and apparel produced in the Caribbean with US inputs (USITC [2003]). While CBERA is permanent in duration, CBTPA preferences are set to expire in 2008 unless the FTAA or another comparable trade agreement comes into force earlier. CARICOM did lobby as a group to receive benefits for specific products from the CBTPA agreement, for example, in the textile sector.

Negotiations for a hemisphere-wide *Free Trade Area of the Americas* (FTAA) were officially launched in 1998. Although the original deadline for concluding the agreement has passed, the goal remains the same: a balanced, WTO-consistent agreement covering trade in agriculture and industrial goods, services, investment, government procurement, dispute settlement, intellectual property, competition policy, and subsidies, antidumping and countervailing duties. CARICOM sees the FTAA as an integral component of its regional trade strategy and as the main platform for integration with the wider hemisphere. CARICOM countries negotiate as a group in the FTAA process and have, with a few exceptions, presented joint offers in the negotiations. FTAA negotiations are structured into three tiers – the Ministerial level, where CARICOM is represented by the Jamaican Minister of Foreign Affairs, K.D. Knight; the Trade Negotiations Committee (TNC), where CARICOM is represented by the RNM Director-General; and the nine negotiating groups covering the aforementioned areas, where CARICOM is represented by the College of (FTAA) Negotiators.

Effective coordination in the FTAA negotiations – assuming that they will resume in the near future – is crucial in order to achieve the best possible outcome for the small Caribbean economies. The FTAA has important potential benefits for the region. First, even though exports from CARICOM to North America will face tougher competition because of the erosion of current preferences, access to the US and Canadian markets will be more secure under contractually agreed rules. Second, exports that do not currently enjoy preferences or enter duty-free under MFN rules in the hemispheric market will gain improved access – although competition from other FTAA countries will also be tough. Third, many CARICOM countries have a particular interest in, and the real possibility to secure better market access for their services exports. At the same time, liberalization of CARICOM's import market for both goods and services will have important consequences for import-competing industries and fiscal revenues. Joint negotiation not only increases the negotiating power of CARICOM countries, but is also important to sustain the creation and operation of the CSME.

At a Special COTED Meeting in July 2004, CARICOM trade officials agreed to use the hiatus in the FTAA process to carry out necessary technical work for the negotiations. At the same time, the region has continued its engagement in bilateral trade liberalization processes to avoid being "left out". Other countries in the hemisphere are pushing ahead with trade liberalization plans, and have shown themselves to be quite ready to pursue that goal even outside of the FTAA process. The United States, for example, has concluded FTAs with Chile and with five Central American countries and the Dominican Republic (CAFTA), and has initiated free trade negotiations with three countries of the Andean Community.⁷⁰ At the same time, Canada has signed an FTA with Costa Rica and plans to conclude negotiations with the remaining members of the Central American Common Market (CACM). These agreements could enter into force well before the conclusion of FTAA negotiations, and give Central American countries a "head start" in the US and Canadian markets, to the possible detriment of Caribbean countries. This has encouraged CARICOM to accelerate discussions with Canada and explore a possible trade agreement with MERCOSUR.

Formal economic relations between CARICOM and *Canada* go back to 1986, with the signature of an economic and trade development assistance program called CARIBCAN. This program grants non-reciprocal duty free access to most commodities originating in Commonwealth Caribbean countries. In 2002, the Conference of Heads of Government instructed the RNM to explore an enhanced trade agreement with Canada. The process gained momentum in May 2004, when an RNM-led Technical Working Group met to prepare a draft of the scope of negotiations. Two months later, the Conference granted the RNM a mandate to negotiate a bilateral agreement with Canada.

Since then, representatives of CARICOM⁷¹ and Canada have held consultations that are seen as "the precursor to the commencement of formal negotiations". Both sides have agreed that the arrangement would seek to broaden the scope and coverage of CARIBCAN, namely through the negotiation of improved market access, services, investment and dispute settlement provisions, as well as side agreements on labor and the environment. In addition, CARICOM's objectives include broadening the country coverage to include Haiti and Suriname, the stimulation of Canadian investment flows into the region, and creation of a comprehensive framework for development cooperation (RNM Press Release [2005]). Negotiation of a CARICOM-Canada agreement will require substantial regional coordination – in this case led by the RNM – to produce technical analysis and develop a common approach to the specific negotiating areas. It is possible, but not certain that negotiations will lead to a reciprocal free trade agreement.

CARICOM and *MERCOSUR* have also held Ministerial level consultations to explore the possibility of negotiating a free trade agreement. Both parties have expressed interest in a rapid commencement of negotiations. Technical discussions with MERCOSUR have been led by the RNM and have focused on special and differential treatment, the importance of developing a platform for services trade, particularly in tourism, and the promotion of regional investment (CARICOM Press Release [2005b]). CARICOM has requested another exploratory meeting with officials representing the MERCOSUR countries. A formal decision on whether to pursue a trade agreement should be announced by CARICOM Trade Ministers in the coming months.

CARICOM has already negotiated several bilateral trade agreements with countries in the wider Caribbean region. A preferential partial scope agreement was signed with *Venezuela* in October 1992, and entered into force in January 1993. This arrangement covers goods trade, offering CARICOM exports duty free access into the Venezuelan market. A similar agreement was signed with *Colombia* in July 1994, and entered into force in January 1995. Originally the agreement offered non-reciprocal access to the Colombian market for selected CARICOM products, but it was revised in May 1998 to include reciprocity for CARICOM

⁷⁰ The United States is currently negotiating an agreement with Ecuador, Colombia and Peru. Bolivia is eligible to join the negotiations, but has not yet done so.

⁷¹ CARICOM is represented by the RNM (the lead negotiator), the CARICOM Secretariat and national trade officials.

MDCs. The low levels of trade between CARICOM and these two countries have curbed the parties' interest in expanding the agreements into a CARICOM – Andean Community free trade agreement. In 1996, the Conference of Heads of Government agreed to give increased priority to economic relations with countries in Latin America and the wider Caribbean. Economic relations with the *Dominican Republic* were formalized through a trade agreement signed in August 1998 and ratified in December 2001 that grants reciprocal free trade for CARICOM MDCs and non-reciprocal free trade for LDCs. A Trade and Economic Cooperation Agreement between CARICOM and *Cuba* was signed in July 2000 and implemented in December 2002. This arrangement covers liberalization of mainly goods trade through a positive list approach. The latest agreement was signed with *Costa Rica* in March 2004 and is awaiting ratification. It is a reciprocal free trade agreement with CARICOM MDCs and grants non-reciprocity to LDCs.⁷²

It is difficult to assess the extent of regional coordination and consultation in the negotiation of these five bilateral agreements. All except Costa Rica were negotiated before the adoption of the Revised CARICOM Treaty, when the Community had a very different institutional framework and the RNM did not yet exist. Then, the decision-making process was driven exclusively by the Conference, and the negotiating agenda was led and coordinated by national officials and the Secretariat. The region did coordinate negotiating positions, but it is unclear where this coordination occurred and to what extent all the relevant stakeholders were involved. As the mechanism for economic policy coordination in CARICOM has evolved, it appears to have developed a more inclusive consultation process.

Cooperation in other Areas of External Economic Relations

The Community has also coordinated common positions towards third parties in some economic areas not directly related to trade. CARICOM members took a regional approach in responding to a 2000 OECD report that identified 35 jurisdictions with harmful tax regimes (10 of them CARICOM member states).⁷³ Together, the Commonwealth country "tax havens" began to hold multilateral discussions with the OECD on possible commitments to principles of information-exchange and transparency. As a result, nine CARICOM member states – now labeled "cooperative tax havens" by the OECD – are engaged in negotiating agreements on tax matters; Barbados was subsequently removed from the list after an investigation found that they were compliant (OECD [2004]). While the Conference has issued several joint statements on the issue, it is unclear just how much of this coordination took place within the formal CARICOM coordination mechanism. It may simply be a case of inter-governmental coordination among the member states involved. Also, in the late 1990s, five OECS countries pursued a harmonized approach to reforming their telecommunications sectors.⁷⁴ To do this, the countries engaged in a joint negotiation with the incumbent provider Cable & Wireless. The negotiations concluded in April 2001 with the

⁷² It is important to note that not all CARICOM countries qualify under all these preferential trading arrangements. The US GSP does not benefit The Bahamas, while Antigua & Barbuda and Barbados will lose their beneficiary status in January 2006. CBERA includes Suriname as a potential beneficiary, but the country has not requested beneficiary access. Montserrat is not an ACP member state and therefore is not a beneficiary of EU-ACP agreements. CARIBCAN does not provide preferential access to exports from Haiti and Suriname. The Bahamas is not party to the trade agreements with Colombia, Venezuela, the Dominican Republic, Cuba or Costa Rica; Haiti is also not party to the agreements with Colombia, Venezuela, the Dominican Republic and Costa Rica; and Suriname is not party to the agreement with Colombia and Venezuela.

⁷³ The 10 CARICOM member states identified in the report were Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

⁷⁴ The OECS member states party to the treaty establishing ECTEL are Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

signing of an agreement paving the way for gradual liberalization of the telecommunications sector in the participating countries.⁷⁵

CARICOM member countries also have plans to harmonize their policies regarding foreign direct investment. As noted in Chapter III of this report, a common incentives policy was adopted in 1973, but it was never adhered to by member states who, to this day, compete for FDI by offering varying forms of tax incentives to foreign investors, often on an ad hoc basis and administered through ministerial discretion. While there is clearly a need to coordinate policy in this area, it is uncertain to what extent member states are willing to relinquish their rights to determine national investment policies and, particularly, incentives for foreign investors.

External Trade and Investment Performance

As mentioned in Chapter II, CARICOM's integration goals focus more on fostering international competitiveness through the creation of a harmonized economic area, than on increasing intra-regional trade. The theory is that the free movement of goods, services and other factors of production across the region will facilitate more efficient allocation of resources and inputs, thereby boosting competitiveness in the production of goods and services. Regional integration is, in effect, a way of overcoming the constraints of small size, since it helps introduce competition to domestic markets, realize economies of scale and improve productivity. Coordination of external economic policies through the joint negotiation of trade agreements with third parties is another strategy to improve competitiveness, by securing and/or improving access to traditional markets and opening new markets for the region's exports of goods and services. To assess if the formal integration process – both in terms of the creation of the CSME and the coordination of foreign policies – has affected CARICOM member states' ability to compete in world markets, we look at the region's performance in external trade, both goods and services, and its inflows of foreign direct investment.

Merchandise Trade

CARICOM's merchandise exports accounted for roughly half of its total exports between 1993 and 2003 (40 percent if we subtract Trinidad and Tobago), while the other half are services exports, mainly from tourism. During this period, the region's extra-regional merchandise exports grew at an average 7.4 percent a year – at par with growth in world trade but at a slower rate than CARICOM's intra-regional exports (9.1 percent). Of all external destinations, exports to the EU displayed the worst performance, growing at an annual average of only 3.9 percent; exports to the United States grew much faster, at 8.7 percent a year, primarily because of Trinidad and Tobago's booming fuel exports to that destination. Excluding Trinidadian exports during this period, the region's extra-regional exports grew by just 3 percent a year, a relatively poor export performance given annual growth of over 10 percent in exports from the world's least developed countries.⁷⁶

Apart from analyzing export performance, it is important to look at the balance of external trade to see where the region stands *vis-à-vis* different markets, as either a relative producer (net-exporter) or consumer (net-importer) of goods. CARICOM has a large merchandise trade deficit with the world; in any given year, it imports almost twice as much as it exports. Without Trinidad and Tobago, the deficit is even more pronounced, with the ratio of imports to exports reaching 3:1. The Community has a trade deficit with the United States,

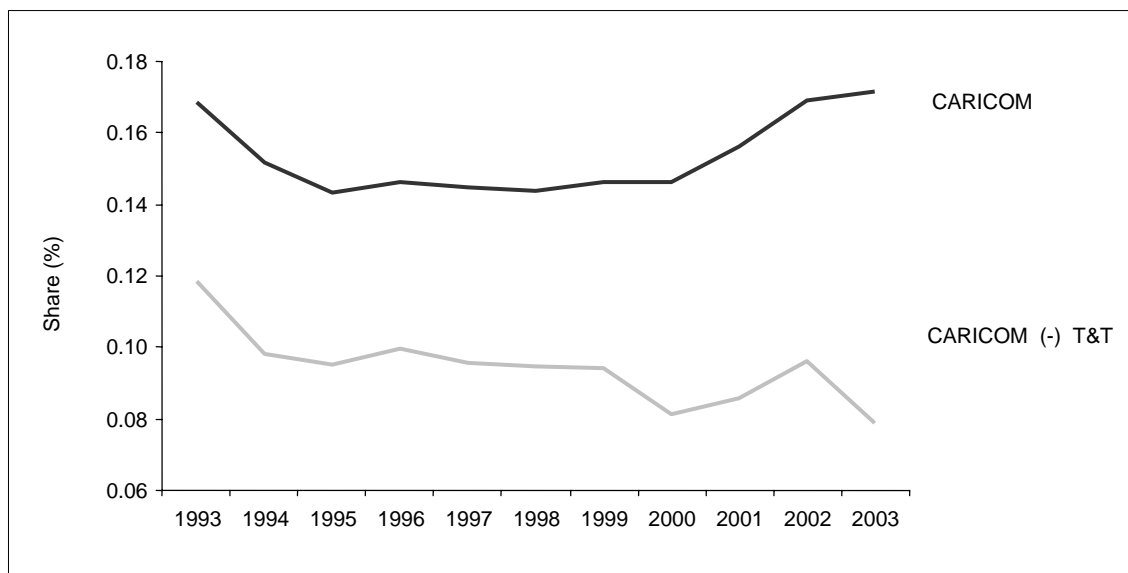
⁷⁵ For more information on the OECS telecommunications reform project see http://www.oecs.org/proj_telecoms.htm or ectel.int/ectelnew/index.html.

⁷⁶ For more detailed data, see Appendix Table 13. "Least Developed Countries" include 48 countries as defined by the WTO International Trade Statistics database.

EU, Latin America and Asia, and a surplus with Canada, dominated by exports of Jamaican alumina and Guyanese gold to that country.

Based on this merchandise export performance, what can we conclude about the region's international competitiveness, or lack thereof? CARICOM's export penetration in the global market deteriorated in the five years leading to 1998; in the five years since, export penetration recovered on the basis of strong growth in Trinidadian petroleum and gas exports. Without Trinidad and Tobago, the region's global market share has deteriorated consistently, resulting in a loss of one third of its market share in the ten-year period (Figure 6). Of the member states with data available, Trinidad and Tobago was the only one to increase its penetration in the global market over this period. Jamaica and Guyana lost about half the market share they held in 1993; the loss was even more pronounced for some of the smaller OECS countries. The trend seen at the global level is also visible in CARICOM's penetration of the US market, the region's top destination, accounting for half of all extra-regional merchandise exports. Excluding Trinidad and Tobago, CARICOM's share in the US import market has declined every year since 1993, and now stands at one half the share it held just a decade earlier.⁷⁷ CARICOM's performance in the EU market – the region's second largest export destination – has been more stable, holding at around 0.11 percent of European imports; without Trinidad this share is around 0.9 percent.

FIGURE 6
SHARE OF WORLD MERCHANDISE IMPORTS, 1993-2003



Source: See Table 13 in the Appendix.

In sum, CARICOM's merchandise export performance versus the world appears to be modest. With the exception of Trinidad and Tobago, there has been little export growth in recent years. Trinidad's improved performance is partly a result of higher international fuel prices, which are determined by changes in the global demand and supply of fuels. It is therefore difficult to conclude that, overall, CARICOM has improved its international competitiveness in merchandise trade or maintained any existing levels of competitiveness as a result of internal economic integration or foreign policy coordination. We can make some observations in

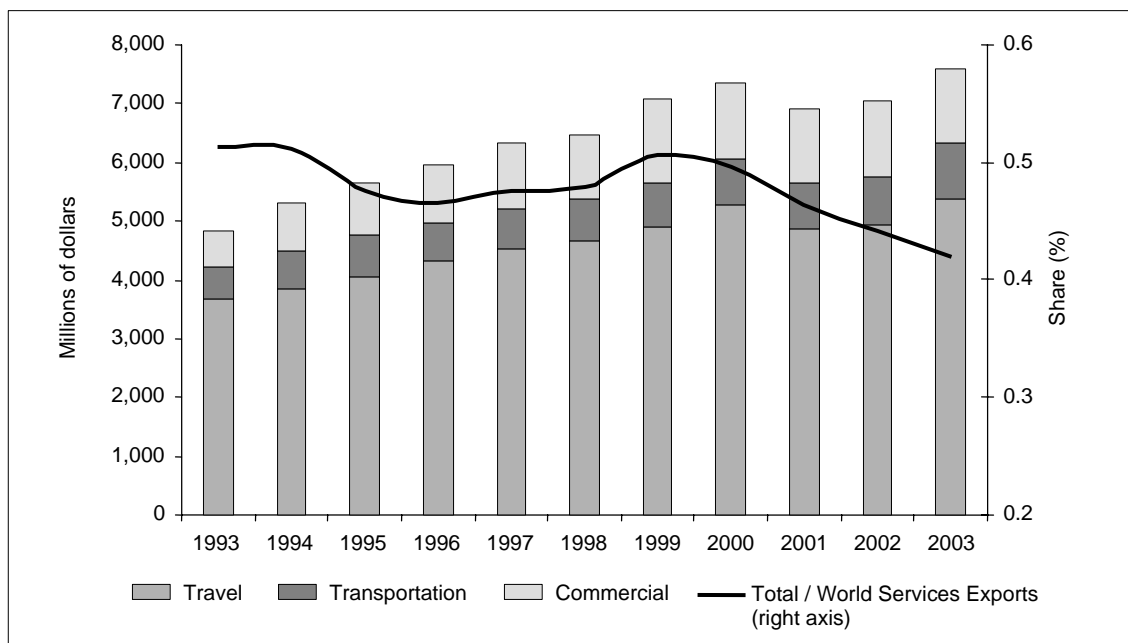
⁷⁷ It should be noted that some of this loss in market share is due to China's extraordinary performance, having doubled its presence – from 6 to 12 percent – of the US market since the mid-1990s.

relation to the specific trading arrangements. First, the WTO Uruguay Round has had implications for CARICOM, namely, the erosion of its preferential access to major markets. If CARICOM had negotiated as a group, it might have obtained a better agreement. Second, the entry into force of CBTPA and Lomé may have helped CARICOM, by perhaps avoiding an even worse export performance. Third, regarding the bilaterals with Latin American countries, it is too early to judge the benefits for CARICOM, but some member states could potentially exploit access to these markets. Finally, while on-going negotiations have not produced benefits yet, joint negotiation saves costs in terms of technical preparation, increases negotiating power and facilitates a multi-arena negotiating agenda. And, as the region continues implementation of the CSME, more provisions should be in place with a potential to impact the region's external competitiveness.

The Provision of Services

International competitiveness in the provision of services is of crucial importance to many CARICOM member states given their dependence on services industries as a source of foreign exchange, employment, and inputs for domestic production of goods. CARICOM services exports (excluding government services) grew by an average 4.6 percent a year between 1993 and 2003, roughly two percentage points lower than the world and LDC growth rates. A weaker performance versus the world translated into a loss of share in the global services market from 0.51 percent in 1993 to 0.42 percent a decade later (Figure 7).⁷⁸

FIGURE 7
CARICOM: SERVICES EXPORTS, 1993-2003



Source: See Table 14 in the Appendix.

OECS services exports grew by just 3.2 percent a year during the same period, as a result of poor export performances by Antigua and Barbuda and St. Kitts and Nevis. As a whole, CARICOM is a net exporter of

⁷⁸ This share is calculated using CARICOM's total services exports, rather than just extra-regional services exports, due to a lack of detailed data.

services to the world. It has traditionally exported 1.5 times the value of its services imports, although its services trade balance has deteriorated slightly over the last decade. The trade balance is better for the OECS countries, with export values more than twice those of imports.

As Figure 7 shows, *travel services* account for more than two-thirds of CARICOM's total services exports, in value terms. The region's travel exports grew more slowly than world exports, at 3.9 percent compared to 5.1 percent a year. Export growth was driven by CARICOM's largest tourism destinations – The Bahamas, Barbados and Jamaica. Belize was the best regional performer, achieving growth of 9 percent a year in the five years to 2003. As a region, CARICOM has lost some of its penetration in the global tourism market: its share currently stands at 1 percent, down from 1.14 percent a decade earlier. A fall in the global demand for tourism services between 2001 and 2003 posed significant challenges to many CARICOM countries, with eleven member states experiencing a contraction in tourism receipts over this period.

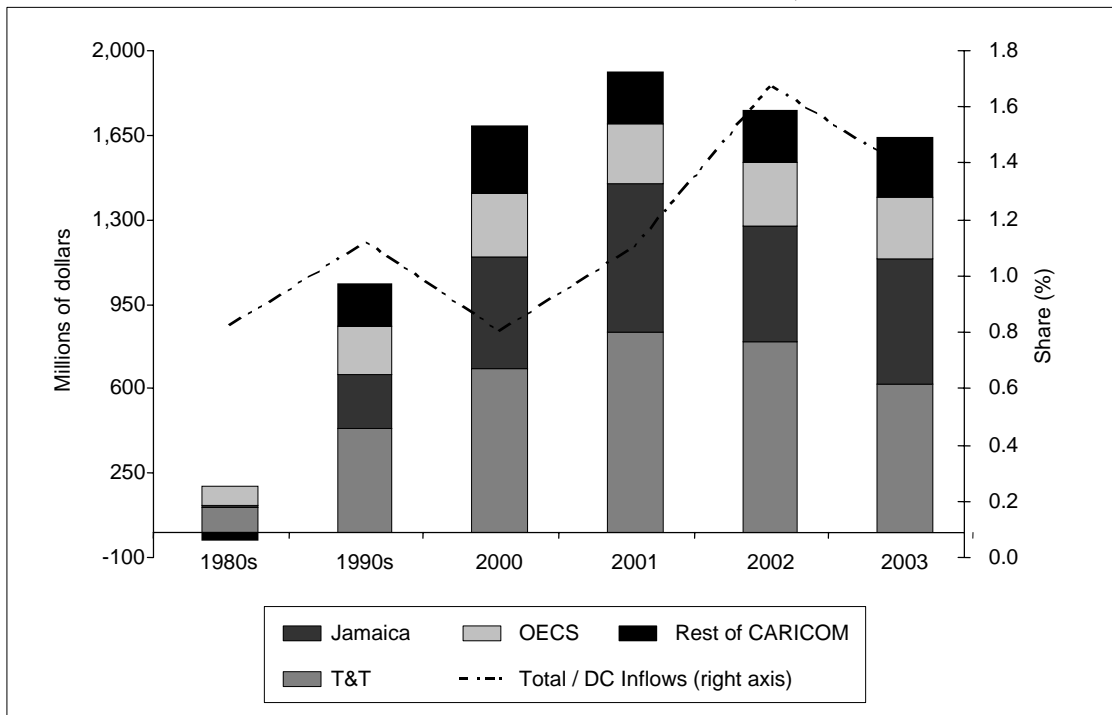
CARICOM's *transport services* exports performed better, with average growth of 6 percent a year between 1993 and 2003. This was a better performance than global and LDC transportation exports (5.3 and 4.3 percent, respectively); hence, there was an improvement in the region's share of the world market (from 0.22 to 0.24 percent). Jamaica, the Community's largest supplier of transportation services, is clearly the driver behind this performance, achieving almost 13 percent annual export growth over the last decade. However, it is important to note that every CARICOM country except Antigua and Barbuda is a net-importer of transportation services (see Appendix, Table 14).

It is difficult to conclude that coordination of external economic policies has affected CARICOM's competitiveness in services trade. Services liberalization is a relatively new issue to external negotiations, and one that has been tackled only at the multilateral level – via the GATS – where CARICOM has achieved little regional coordination thus far. Furthermore, it is difficult to say that CARICOM has improved its international competitiveness in the provision of services. In travel services, the region's share in the global market has been highly volatile and appears to be dictated by global demand rather than regional supply conditions; while in transportation services, the region's positive performance is mainly due to one country (Jamaica). But, as services liberalization gains importance on the negotiating agenda, coordination between CARICOM countries will be critical to secure better access abroad and attract additional investment for services sectors at home. And again, as services provisions of the CSME are implemented, this should have a positive impact on the capacity of countries to export services, particularly in sectors like financial and insurance services.

Foreign Direct Investment

The region has historically been a popular destination for FDI. In the 1980s, CARICOM captured an average 0.8 percent of all FDI inflows destined to developing countries (less China); this measure improved to 1.1 percent in the 1990s, and 1.2 percent between 2000 and 2003. In the last five years, these inflows have primarily targeted Jamaica and Trinidad and Tobago, which together accounted for over 70 percent of FDI inflows into the region (Figure 8). The measure of inward FDI stock as a percent of GDP is also impressive for most CARICOM countries, with all members – except Barbados, Haiti and Suriname – above the developing country mark of 32 percent (see Appendix, Table 15). Moreover, on an annual basis, all OECS countries display an inward stock of FDI equal to or greater than their GDP. So, CARICOM appears to be a competitive destination of FDI, but to what extent is this strong performance linked to the formal integration process?

FIGURE 8
NET FOREIGN DIRECT INVESTMENT INFLOWS, 1980-2003



Note: DC is all developing countries (except China); 1980s and 1990s is a simple average.

Source: See Table 15 in the Appendix.

An evaluation of the extent to which regional integration has affected investment patterns is difficult given the lack of detailed data for the region. Furthermore, integration is an on-going process that arguably has yet to produce real results in terms of free movement of factors of production. What we can do is examine general patterns of investment in the region, separating the analysis by strategies pursued by transnational corporations (TNCs). The first is a *natural resource-seeking strategy* to exploit natural resources and export back home or to other external markets (for example, investments in petroleum, natural gas, ores and metals, and tourism to some extent). Investment following this strategy – the majority of inflows into CARICOM – is probably not integration-driven, since it targets a natural resource in a small amount of sectors and countries.

The second is an *efficiency-seeking strategy* to decrease labor, transport and access costs and to target certain skill types in order to improve competitiveness in external markets (for example, investments in electronics, apparel, and back office services). Some of this investment could be integration-driven, particularly those investing in CARICOM to reap benefits of integration such as preferential access to third markets and movement of skilled labor. The third is a *market-seeking strategy* to tap consumers in the regional market (for example, some investments in telecom). The region should see more of this type of investment as it becomes a larger, single market (CSME) and more competition is introduced, especially in sectors like utilities, food and beverage, and retail commerce. FDI appears to have improved the competitiveness of some countries in some sectors (Jamaican hotels or Trinidadian fuels), but it is less clear whether benefits such as technology transfers, increased production linkages, and human resource development, have spread throughout the region and into other sectors.⁷⁹

⁷⁹ Some of this information is from UN-ECLAC [2005].

Although the region's performance as a destination of foreign direct investment is strong, most of these inflows do not appear to be the result of the formal integration process. FDI appears to focus on a few countries and a few sectors, and probably would have occurred regardless of regional integration. In the future, however, the consolidation of the CSME may attract more efficiency and market-seeking investments for the benefit of the Caribbean region as a whole. While there are a number of conditions related to economic integration that, if implemented, would attract additional foreign investment, the region can also use its (foreign) economic policy coordination to push the investment agenda in external trade negotiations, coordinate the negotiation of bilateral investment treaties and establish rules for incentives to individual investors. This would go a long way towards establishing a set of transparent rules governing cross-border financial flows, which in itself is an attractive incentive for foreign investors.

In sum, regional coordination of foreign policies is taking place through a variety of mechanisms. Coordination in external trade negotiations is perhaps the most active area and one that will become increasingly important for the region in the coming years. CARICOM's international negotiations are becoming more complex, covering new trade issues and including a growing number of negotiating partners. For those countries with the weakest institutional capacity, a pooling of resources will at least bring them into the negotiation process and give them an opportunity to benefit from regional integration and international trade negotiations. For countries with better capacity, regional coordination will increase the technical quality of their positions with potentially greater benefits in the end. And for all countries, regional coordination will allow them to engage more effectively in multiple negotiations simultaneously. So, even if it is difficult to conclude that, overall, member states have gained clear economic benefits from external policy coordination through improved trade and investment linkages with external partners, such coordination appears to be important, if for no other reason than as a strategy to build national – and therefore regional – capacity and negotiating power. Foreign policy coordination is also important to sustain the operation of the CSME: without coordination of foreign trade policies, and increasingly of all foreign economic policies, the CSME cannot operate effectively.

CHAPTER VI. FUNCTIONAL COOPERATION

Functional cooperation, probably an indigenous Caribbean term, can be described as cooperation in areas not directly linked to economic integration. It is similar to foreign policy coordination in that both can cover the same "functional" issues (for example, air and maritime transport or regional security), although we saw in Chapter IV that in the Caribbean, foreign policy coordination has focused mostly on trade. The fundamental difference between them is that foreign policy coordination is designed towards an external party, whereas functional cooperation focuses inward. Many observers agree that Caribbean integration efforts through functional cooperation have been more successful than economic integration. This could be because functional cooperation yields a perception of both equal benefit and lower cost. Equal benefit stems from the idea that once a service is borne of cooperation, all parties involved have equal access to it. The perception of lower cost relates to capacity, in that one regional initiative rather than several national ones is often more efficient and cost-effective, particularly in smaller economies. Contrary to economic integration, moreover, functional cooperation is not perceived as a threat to national sovereignty. It usually evokes little political resistance and is therefore easier to implement.

The Legal Basis for Cooperation

As one of the three pillars of CARICOM integration, functional cooperation aims at: (i) efficient operation of common services and activities for the benefit of the Caribbean people; (ii) greater understanding among Caribbean people and the advancement of their social, cultural and technological development; and (iii) intensified activities in areas such as health, education, transportation and telecommunications.⁸⁰ The CARICOM Treaty has two main institutional provisions linked to functional cooperation. One area is related to the Ministerial Councils, in particular the establishment of the Council for Human and Social Development (COHSOD), which is the Community organ responsible for the promotion of human and social development in CARICOM. More specifically, the treaty calls for COHSOD to promote cooperation to improve and develop the region's health care, education, labor conditions, youth development, gender equality, culture, sports, and environment. In addition, while COTED is primarily tasked with promoting economic development, it also has some responsibility for cooperation in functional areas. For example, while advancing the economic development of the Community, COTED must also promote policies that protect and preserve the environment for future generations.⁸¹

Another area in the treaty linked to functional cooperation is the establishment of *Institutions* and *Associate Institutions* of the Community (see Box 3 in Chapter IV). The former are defined as organizations established directly by or under the auspices of the Community. The majority of these institutions operate in the area of functional cooperation. The treaty also recognizes five associate institutions with which the Community "enjoys important functional relationships".⁸² They include the Caribbean Development Bank (CDB), the University of Guyana (UG), the University of the West Indies (UWI), the Caribbean Law Institute (CLI), and the OECS Secretariat.

The CARICOM Treaty has some additional provisions on functional cooperation that are not directly related to the Community's institutional arrangement. In its Chapter IV, the Treaty includes policies for sectoral development in the areas of agriculture and support measures. While these focus mainly on economic integration, some specific provisions related to functional cooperation exist in agriculture (for

⁸⁰ CARICOM Treaty, Article 6.

⁸¹ *Ibid*, Articles 15 and 16.

⁸² *Ibid*, Article 22.

example, the promotion of cooperation between member states and regional organizations in the development of regional agriculture policies, the management of natural resources, and cooperation in managing and conserving fisheries resources on a sustainable basis); and in support measures (for example, the adoption of "measures to develop the Community's human resources").⁸³ In addition, Chapter VI of the Treaty highlights the need for cooperation in transport-related areas such as search and rescue, intra-community air and maritime transport services, and accident investigation.⁸⁴ There is little reference in the treaty to the important areas of health and education.

While the institutional framework for functional cooperation is relatively developed, the actual mechanism for cooperation is not. As described earlier in the report, there are certain quasi-cabinet portfolios designed to spearhead action in different areas of the regional integration process. Two portfolios focus exclusively on areas of functional cooperation – *health and human resource development* (St. Kitts and Nevis) and *community and cultural cooperation* (Suriname); other portfolios cover areas with at least some aspect of functional cooperation, along with economic integration or foreign policy coordination – *agriculture, security, transport, labor, justice and governance, science and technology, and sustainable development*. It is unclear how active the Prime Ministerial Sub-committees within each of these portfolios really are in spearheading cooperation. The mechanism for cooperation – that is, the process of consultation and decision-making – appears to be more within the Ministerial Councils. The CARICOM Secretariat supports this process through its Directorate of Human and Social Development (Directorate-HSD). It has three Work Programs: #12 Human Resource Development, which focuses on projects in education, culture and labor, and manpower development; #13 Health Sector Development, covering projects such as the Caribbean Cooperation in Health Initiative (CCH) and the Pan Caribbean Partnership against HIV/AIDS (PANCAP); and #14 Participation in the Development of the Community, which focuses on cooperation in gender development, youth and sports.

In the following sections, we examine some of the most important regional efforts in functional cooperation, and try to assess the performance of related initiatives and institutions, based on their stated objectives. To be successful, an initiative of functional cooperation must fulfill a combination of the following criteria:

- The service generated by the initiative is perceived as necessary and valuable;
- It is provided in an efficient and competitive manner;
- It is delivered via an effective institutional structure and management;
- The initiative is built on existing regional institutions as a cost-cutting measure;
- It enjoys political support in the region;
- It enjoys the support of international donors and/or technical agencies;
- And, there is reliable funding from member states.

Efforts of functional cooperation that do not fulfill a combination of these criteria will find it difficult to succeed. The Caribbean Food Corporation (CFC) is a case in point. Established in 1976 to assist CARICOM members achieve greater self-sufficiency in food production, the CFC did not have a clear mission, failed to operate efficiently and competitively, and lacked reliable funding.⁸⁵ In the mid-1990s the CFC was

⁸³ *Ibid*, Articles 57-58, 60 and 63, respectively.

⁸⁴ *Ibid*, Articles 136-140.

⁸⁵ In more detail, the CFC lacked a clear mandate and emphasized production for both intra-regional consumption and extra-regional export. The organization also began focusing on equity investments in production of non-traditional commodities, a risky venture that became evident on its balance sheet. See CARICOM Secretariat [2000b].

dismantled because it was not meeting its objectives or financial obligations. Some other functional cooperation efforts have suffered similar defeats.⁸⁶ Conversely, the Caribbean is host to a number of successful cooperation efforts in functional areas. In this chapter, we highlight three of the more developed areas of cooperation – health (HIV/AIDS), education and natural disaster risk management, and comment on five other areas – the environment, security, agriculture, transportation and regional development.

Health: The Fight against HIV/AIDS

There is little doubt that the HIV/AIDS epidemic is not only a health issue, but also a major obstacle to development. In the Caribbean, it is estimated that HIV/AIDS is prevalent in 2.3 percent of persons aged 15 to 44 – the second most affected region behind Sub-Saharan Africa – and is now the leading cause of death for this age group. Given that HIV has no cure and spreads quickly with roughly 1,000 newly infected persons per week in the Caribbean, it imposes a severe economic burden on societies in the form of less savings and productivity, and more health related costs. A study by UWI and the Caribbean Epidemiology Centre (CAREC) estimates that in 2005, the epidemic's economic cost will equal approximately 6 percent of the region's GDP (UNAIDS/CARICOM Secretariat [2004]).

In the Caribbean, the HIV/AIDS epidemic must be confronted through regional collective action. High rates of population mobility within and into the region tend to eliminate national boundaries, result in higher infection rates, and make the disease difficult to contain unilaterally. In addition, small Caribbean countries often lack the capacity to adequately respond to the epidemic within their territories. Experiences from around the world have shown that this issue is best confronted through a multi-sector, multi-level, multi-partner approach, further increasing the need for regional collaboration (UNAIDS/CARICOM Secretariat [2004]). A partnership is underway to address the HIV/AIDS crisis and avert this obstacle to development in the Caribbean region.

The Pan Caribbean Partnership against HIV/AIDS

In 1998, an attempt to confront the HIV/AIDS crisis led to the creation of the Caribbean Task Force on HIV/AIDS. Under the leadership of the CARICOM Secretariat and in consultation with other regional institutions, governments, national programs, donors and people living with the disease, the Task Force formed the Pan Caribbean Partnership against HIV/AIDS in 2001. The Partnership is an umbrella mechanism coordinating the work of international aid agencies such as the Red Cross, UNICEF and UNAIDS; regional institutions such as CAREC/PAHO and UWI; and NGOs like the Caribbean Network of People Living with HIV/AIDS (CRN+) and the Caribbean Federation of Youth (CFY). PANCAP's fundamental objective is to "curtail the spread of HIV/AIDS and to reduce sharply the impact of AIDS on human suffering and on the development of the human, social and economic capital of the region".

PANCAP's mandate to "scale up" the regional response to the HIV/AIDS epidemic has resulted in the development of the Caribbean Regional Strategic Framework for HIV/AIDS 2002-2006. The Framework's overall objective is to provide a basis for reducing the spread and impact of the disease in the region. It identifies seven priority areas aimed at promoting a stronger, more effective and coordinated regional response. Work in these areas has begun and will continue to unfold in 2005 as additional funding reaches implementing agencies. The priority areas include:

⁸⁶ In January 2002, the Caribbean Media Corporation (CMC) was forced to suspend operations due to financial constraints. CARICOM Ministers responsible for Information, Communication and Technology agreed to review the CMC's status and announce possible steps to bring it back online. It is unclear if this review ever occurred.

- Advocacy, policy development and legislation, led by the CARICOM Secretariat.
- Care, treatment and support for people living with HIV/AIDS, led by CRN+.
- Prevention of HIV Transmission, with a focus on young people, led by CFY with support from the Red Cross and UNICEF.
- Prevention of HIV transmission among especially vulnerable groups, led by UNAIDS.
- Prevention of mother to child transmission, led by CAREC/PAHO.
- Strengthening of national and regional capacities for analysis, program design, implementation, management and evaluation, led by UWI.
- Resource mobilization, led by the CARICOM Secretariat (PANCAP [2002]).

A comprehensive assessment of this regional response to HIV/AIDS would be premature given the program's nascent stage. We can, however, list some of the highlights since PANCAP's creation in 2001. First, the Partnership has grown to over 70 members⁸⁷ and has kept the AIDS issue high on the region's policy agenda. Second, the response is now operational, with an approved mission and structure that includes a Steering Committee of 17 membership representatives, a Coordinating Unit of five professional staff housed at the CARICOM Secretariat, and technical working groups that collaborate with national programs. Third, the Partnership's information sharing and communication between partners and with the public has improved markedly as a result of the increased capacity of the Coordinating Unit and its annual meetings, a key component for the long-term sustainability of the initiative. Fourth, PANCAP has successfully mobilized resources to confront the issue, with AIDS funding in the region growing three-fold since 2000. In 2004, grants of US\$ 9 million and US\$ 12.6 million were secured from the World Bank and the Global Fund to Fight AIDS, Tuberculosis and Malaria, respectively. Implementation of activities in the seven priority areas funded by these grants began in January 2005. Other donors also provide assistance to the wide network of partners.

Will PANCAP succeed in achieving its objectives? It appears to have several of the criteria identified for a successful cooperation effort. First, PANCAP is perceived as necessary and valuable in that it addresses a serious problem seen as a major constraint to social and economic development in the region. Second, it has retained regional political support – the Prime Minister of St. Kitts and Nevis drives this initiative through the quasi-cabinet and as the Chair of PANCAP. Finally, the Partnership has a coherent institutional structure and it appears to have secured adequate support from international donors and technical agencies. However, it is important to note that challenges still exist. PANCAP must maintain the AIDS issue on the regional policy agenda; produce quick results that are visible at the country level to keep member states on board; and given that it is only as strong as its weakest partner, continue to strengthen coordination among a growing and diverse membership (UNAIDS/CARICOM Secretariat [2004]).

Education: Training the Region's Human Resources

Education is important in order to strengthen the region's human resources, meet the regional market's demand for skilled labor, and facilitate economic growth. To be effective, an education system should strive for quality, affordability and accessibility. One way to reach these goals in small countries is through a regional approach, since regional cooperation can assist in setting and reaching higher education standards, help bring together and thus promote regional intellectual capital and facilitate access, all at a lower individual

⁸⁷ PANCAP's membership categories include member states, regional NGOs, academic institutions, the private sector, faith-based organizations, networks of people living with or affected by HIV and AIDS, regional inter-governmental organizations, networks of national AIDS programs, UN entities, and bilateral donors and governments.

and national cost. In the Caribbean, the Caribbean Examinations Council (CXC) and UWI are following this regional approach at the secondary and tertiary levels.

The Caribbean Examinations Council

The CXC was established in 1972 to formulate syllabi and administer examinations in education for the English-speaking Caribbean region. It provides two examinations: the Caribbean Secondary Education Certificate or CSEC for secondary students (required for entry to tertiary education and for employment in many member states) and the Caribbean Advanced Proficiency Examination or CAPE for post-secondary students (available for tertiary-level matriculation and credits). The exams are administered by local registrars in participating states, which include Anguilla, British Virgin Islands, Cayman Islands, Turks and Caicos Islands, and all English-speaking members of CARICOM (except The Bahamas, which has its own system). The CXC's structure includes a Council – the decision-making organ – composed of the Vice-Chancellors of UWI and UG as well as other regional representatives. It also has several sub-committees that implement policies emerging from the Council's annual meetings. The organization's headquarters in Barbados has about 100 staff members and is responsible for daily operations, while a staff of 25 in a Jamaica satellite office is charged with syllabus creation and research.

The CXC is a regional institution borne of functional cooperation. Following independence, Caribbean leaders of the former British territories increasingly believed that the existing UK examination system no longer applied to the region, and decided to form an institution that would directly serve the needs of Caribbean students. The organization reports directly to Ministers of Education and its certification is recognized throughout the world. It has experienced continued growth and by 2002, was administering 48 subjects (30 at general proficiency, 14 at basic proficiency and four at vocational proficiency) for over 122,000 candidates per year. The CXC is a regional autonomous institution and receives no direct funding from the CARICOM Secretariat. In 2003, all of its US\$ 26 million budget was funded by participating government contributions and examination fees. Overall, the CXC appears to be a successful initiative of functional cooperation. In its three decades in operation, it has grown in scope to offer valuable services in curricula formulation and certification in a variety of secondary-level subjects, and more recently in vocational studies. The provision of these services is important, and it makes sense for the Community to adopt a regional approach in this area. The need for vocational skills should grow in importance, since the creation of a single market will demand specific skill sets (particularly in services industries) as a catalyst for growth.

The University of the West Indies

The University of the West Indies is the Caribbean's second oldest regional "affiliated" institution – after West Indies Cricket – and as such stands as a symbol of regional unity. UWI was established as an affiliate to the University College London in 1948, and then became an independent institution in 1962. It enjoys a presence throughout the region with campuses in Mona-Jamaica, St. Augustine-Trinidad, and Cave Hill-Barbados, as well as university centers in all non-campus Caribbean countries.⁸⁸ The University is governed by a central administration located in Jamaica and a University Council – headed by the Chancellor – as the decision-making body responsible for institutional development. UWI has programs in Humanities and Education, Science and Agriculture, Engineering, and Medical and Social Sciences, taught by over 1,000 faculty members; it is one of the region's principal sources of research in these areas.

UWI reflects both the strengths and weaknesses of regional functional cooperation. On the one hand, it is a highly valued institution. As the region's principal provider of tertiary education, it is a vital contributor

⁸⁸ University Centers offer certificates in a variety of disciplines including computer literacy, clerical assistance, and social work. Some centers also house the UWI Distance Education programs.

to human resource development, a focal point for intellectual activity, and a promoter of cultural exchange in the region. In 1989, CARICOM member states recognized UWI's value and pledged their support by declaring it a "regional institution indefinitely".⁸⁹ The University has also maintained regional political and financial support. Approximately 60 percent of its US\$ 250 million annual income is derived from government contributions, the rest comes from tuition fees and special project funds (UWI [2003]).

On the other hand, the university has displayed some weaknesses and faces some important challenges in the future. One weakness is the system's heavy dependence on government contributions, which tend to sway with the fiscal position of Caribbean countries and have, at times, translated into periods of serious financial hardship. To diversify its income sources, UWI has focused on creating income-generating measures like summer school programs, business development offices on each campus, and a Development Endowment (Howe [2003]). In addition, demographic evidence shows that UWI is becoming less "regional" in terms of its student bodies at each campus, which unlike in earlier periods, are overwhelmingly drawn from the country in which the campus is located rather than from the Caribbean region more broadly. In other words, UWI consists increasingly of a series of national campuses – rather than regional ones – within a Caribbean-wide university system. This has implications for the regional integration process (the new generation of Caribbean leaders no longer "know each other" from UWI as much as the older generation did) and eliminates one of the system's strengths, namely its regional diversity. Possible solutions to this problem include reforms in admission policies and a reduction of the costs of intra-regional movement by students.

In the future, UWI will also face increased foreign competition. In the Doha negotiations, the United States, the world's leading provider of higher education services, has requested from all 145 WTO members "full commitments for market access and national treatment in Modes 1, 2 and 3 for higher education and training services, for adult education, and for other education" (Hosein, *et al.* [2004]). This is likely to lead Caribbean countries to further open their education markets to foreign providers, yielding increased competition for UWI in the provision of higher education services at home (it is already facing competition abroad in the form of many Caribbean students opting to pursue university degrees in Britain, Canada and the United States). To address this challenge, UWI has a Strategic Plan 2002-2007 in place, which focuses on reorganizing inefficient administrative systems, adopting new technologies to keep up with changing models of learning, and diversifying income sources (UWI [2003]). A regional university system in the Caribbean makes sense for cost-saving reasons. Political and university leaders should therefore promote the necessary reforms to make the institution more competitive.

Natural Disasters: Towards a Regional Risk Management Strategy

Natural disasters have devastating effects on a region's development agenda. The impact is two-fold in that: (i) funds originally earmarked for development projects are diverted into reconstruction efforts; and (ii) disasters affect natural resources and cripple productive sectors in the economy, leading to diminished growth. On average, one hurricane and several tropical storms pass over the Caribbean region every year. The effects of these natural disasters can be devastating, as was experienced in 2004 when four hurricanes hit the region in six weeks (see Table 3 below). Therefore, regional cooperation in forecasting, tracking, and managing the risk of natural disasters is vital. The Caribbean Meteorological Organization and the Caribbean Disaster Emergency Response Agency are two regional institutions working to help prepare for and respond to natural disasters in the region.

⁸⁹ See Annex I of the Declaration of Grand Anse, CARICOM [1989].

TABLE 3
MAIN NATURAL DISASTERS IN THE CARIBBEAN, 2000-2004

Year	Natural Hazard	Countries Affected	Persons Dead	Persons Affected
2000	Floods	Cuba, Haiti	19	1,875
2001	Iris	Dominica	3	175
2001	Michelle	The Bahamas, Cuba, Jamaica	6	5,900,200
2001	Floods	Haiti, Puerto Rico	28	14,370
2002	Isidoro	Jamaica, Cuba		42,500
2002	Lili	Barbados, Cayman Islands, Cuba, Haiti, Jamaica, St. Vincent & the Grenadines	307	285,220
2002	Floods	Cuba, Dominican Republic (D.R.), Haiti, Jamaica	40	100,085
2003	Odette	D.R., Puerto Rico	8	10,100
2003	Earthquake	Dominican Republic (D.R.)	3	2,000
2003	Drought	Haiti		35,000
2003	Floods	Cuba, D.R., Haiti, Puerto Rico	75	213,055
2003	Wind Storm	Haiti	26	150
2004	Charley	Cayman Islands, Cuba, Jamaica	5	200,120
2004	Frances	The Bahamas, D.R., Puerto Rico, Turks & Caicos Islands	2	8,450
2004	Ivan	Barbados, Cayman Isl., Cuba, D.R., Grenada, Haiti, Jamaica, St. Lucia, St. Vincent & the Grenadines, T&T.	64	419,860
2004	Jeanne	The Bahamas, D.R., Haiti, Puerto Rico, US Virgin Islands	2,763	348,537
2004	Floods	D.R., Haiti, Puerto Rico	3,353	39,040
All Hazards (2000-2004)		Caribbean Region	6,702	7,620,737

Source: OFDA/CRED International Disaster Database (EM-DAT).

The Caribbean Meteorological Organization

The Caribbean Meteorological Organization was established in 1973 to promote and coordinate regional activities in the fields of meteorology and allied sciences. The organization's foundation lies in the old British Caribbean Meteorological Service, thus its membership of sixteen English-speaking countries.⁹⁰ The CMO has four branches: a Council made up of Ministers responsible for meteorology; a training and research arm (the Caribbean Institute for Meteorology and Hydrology or CIMH); a Foundation to promote studies in meteorology; and a Headquarters Unit.⁹¹ The Institute is located in Barbados, has 40 staff members and an annual budget of Bds\$ 3.5 million (US\$ 1.7 million) to run the meteorology program at UWI-Cave Hill. It also provides training for the region's active meteorologists. The CMO's headquarters in Trinidad has six staff members managing an annual budget of roughly TT\$ 2.5 million (US\$ 400,000). Almost all this income is derived from direct member government contributions.

⁹⁰ The CMO members include CARICOM countries (except for The Bahamas, Haiti and Suriname), Anguilla, the British Virgin Islands (BVI), Cayman Islands, and the Turks and Caicos Islands. Note that The Bahamas is not an official member, but it does train some of its meteorologists at the CIMH.

⁹¹ CIMH, Background Information, <http://www.cimh.edu.bb>.

The CMO is an autonomous regional institution in the Caribbean region. It works closely with other regional organizations and national meteorological services on issues of natural disaster preparedness and response. CMO members collaborate in operating an early-warning system for severe weather in the region, using tools such as weather satellites and radars, ocean buoys, ships, aircraft and land stations. Other activities include meteorological services to civil aviation and the provision of meteorological information to members. This type of cooperation is providing a crucial regional public service in forecasting and tracking meteorological hazards through a cost-saving regional approach.

The Caribbean Disaster Emergency Response Agency

CDERA is a regional disaster management organization and a specialist agency of the CARICOM Secretariat. It reports to the Community directly through COTED. It is unclear why CDERA does not report to COHSOD (human and social development); it may be because COTED is a more active Community organ, or because natural disasters are seen in the region as an economic (rather than social) development problem. Established in 1991, CDERA's primary function is to respond immediately and in a coordinated way to disasters in any member state that determines an emergency response necessary. The Agency's responsibilities are to develop and share disaster intelligence, mobilize and coordinate disaster relief, mitigate disaster consequences, and promote establishment and maintenance of adequate disaster response capabilities. CDERA is composed of four entities: a Council that acts as the supreme decision making body; a Coordinating Unit of 25 professional staff in Barbados that acts as administrative headquarters; National Disaster Organizations in each of the sixteen member states; and a Board of Directors comprised of the National Disaster Coordinators.⁹²

Regional cooperation in natural disaster response and relief is important because, in cases of severe damage, national capacity to respond is often crippled. A good example is the devastation caused by Hurricane Ivan in Grenada. Following the disaster, Grenada's communications capabilities were destroyed. CDERA played a crucial role in reestablishing communications for emergency services coordination, and placing the technical people on the ground to facilitate relief efforts. CDERA provides these services with the support of 16 Caribbean member states and a number of international donors. Roughly 10 percent of its US\$ 5 million budget comes from government contributions (which contribute according to the CARICOM formula). The remainder is funded by international donors.

CDERA's current work program is based on the Comprehensive Disaster Management Strategy (CDM) in the Caribbean. Developed in 2001 in consultation with regional and international stakeholders, CDM is an innovative approach to natural disaster management. Traditional disaster preparedness and response mechanisms attempt to mitigate damage by having action plans for implementation immediately before, during, and shortly after the individual disaster event. CDM, on the other hand, views the hazard exposure as an on-going process that must be addressed by reducing vulnerabilities in all sectors of society and the economy. This is accomplished by incorporating three risk management actions into the economic and development planning process. The first is risk identification, in order to understand the existing vulnerabilities, their location and severity. The second is risk reduction, through activities that mitigate damage (for example, retrofitting, strengthening and relocation). The third is risk transfer, carried out in areas where the risk against disasters cannot be totally removed, with efforts to establish the financial safety nets needed to offset any potential losses (CGCED [2002]).

The benefits of establishing CDERA are already visible. First, the Agency collaborates closely with the CDB and other institutions on how to improve natural disaster risk management in the region. Institutional

⁹² CDERA member states include CARICOM countries (except Haiti and Suriname), Anguilla, the British Virgin Islands and Turks and Caicos Islands; the Cayman Islands is considering membership. See CDERA website at <http://www.cdera.org>.

cooperation with the CDB has resulted in the CDB's Disaster Mitigation Facility for the Caribbean (DMFC), which focuses on the incorporation of hazard risk management into the decision-making process within the bank, its borrowing members, and other regional institutions.⁹³ Second, CDERA acts as a focal point for information sharing between donors and member states in the event of a natural disaster. For example, the agency played a pivotal role as information hub during the recent flooding in Guyana. Third, the organization's work is putting natural disaster risk management on the regional and national agendas. CDERA has executed projects in the past that include the drafting of model disaster management legislation for implementation at the national level. Finally, CDERA is actively engaged in national capacity building through training and equipment, which helps to ensure the sustainability of regional natural disaster risk management initiatives.

Other Areas of Functional Cooperation

Tourism and the Environment

The importance of regional cooperation in managing the environment is greatest in fragile ecosystems like the Caribbean Sea. While the tourism industry depends on a pristine marine environment as its competitive advantage, the Caribbean islands are increasingly dependent on tourism for economic growth and prosperity. Therefore, it is crucial that any tourism development strategy incorporate a collaborative framework to preserve the region's natural assets. One example of successful cooperation involves the cruise industry. Cruise ships generate seven different types of waste while in operation, including 10 gallons of sewage per passenger per day (Lester and Weeden [2004]). In the early 1990s, the Eastern Caribbean islands identified these waste discharges as a clear case of environmental degradation. When individual islands moved to impose a disposal charge to cover cleanup costs and safeguard their waters and coastlines, the cruise lines threatened to boycott the islands as destinations. In a show of cooperation, the countries of the OECS, with support from external donors, implemented a plan to improve waste management systems in their ports, along with a US\$ 1.50 fee per passenger (Schiff and Winters [2002]). Together, they were able to detract cruise industry opposition and help preserve the marine environment.

There are several other environment-related cooperation initiatives in the region. In 1980, CARICOM Ministers of Health drafted the Caribbean Environmental Health Strategy and created the Caribbean Environmental Health Institute (CEHI), which is now located in St. Lucia. As a regional institution of CARICOM, CEHI reports directly to COHSOD. The Institute provides technical and advisory services to 16 member states in areas of environmental management such as quality monitoring, impact assessment, resource management, waste management, and laboratory services (the latter is the only service in the Eastern Caribbean).⁹⁴ CEHI's annual budget of US\$ 650,000 is financed by government contributions, technical cooperation projects and income-generating services. Since 2002 (a year that marked the end of sustained German financial support), CEHI's income has depended mostly on member state contributions. This has posed some challenges to the institution given that many member state contributions are in arrears (CEHI [2004]). And while the Institute appears to provide a valuable service, it lacks visibility throughout the wider Caribbean Community. An increase in the institution's profile, that is, a demonstration of its past achievements and current efforts to preserve a healthy environment may increase regional and international support.

⁹³ A hazard mitigation policy model has been developed in collaboration with CDERA to support implementation of such strategies at the national level. Thus far, national hazard mitigation policies have been developed in Belize, Grenada, Jamaica and St. Lucia. While these four models move into the implementation phase, CDERA and the CDB will look to develop national policies for the remaining member states.

⁹⁴ CEHI is located in St. Lucia. Its member states include CARICOM countries (except Haiti and Suriname), Anguilla, the British Virgin Islands and Turks and Caicos Islands. See CEHI website at <http://www.cehi.org.lc>.

Security and Crime

Security threats and crime are destabilizing forces. Communities throughout the Caribbean are increasingly facing more violent crimes, often the result of drug consumption and trafficking. This is a critical issue given its impact on the economic and social welfare of the region. It is very difficult for individual Caribbean states to tackle this problem alone, because drugs are a transnational phenomenon and require large amounts of resources to contain (Griffith [2000]). Further, unilateral steps can result in a ballooning effect, with containment in one country or region leading to proliferation in another. Regional cooperation in combating drug and security problems is becoming more prevalent due to Trinidad and Tobago's leadership of the Prime Ministerial Sub-committee on Security. A CARICOM Regional Task Force on Crime and Security was established in 2001 to examine the problems of crime, illicit drugs, firearms and terrorism. It has made a number of recommendations, including the creation of a Caribbean Drug Control and Crime Prevention Commission to implement initiatives against crime and for increased security, and a Regional Rapid Response Mechanism to respond to any threats in member status (OSCE [2004]). These are steps in the right direction, but more cooperation is needed to eliminate the negative impact of potential threats. The region's progress in these areas will be tested in the upcoming Cricket World Cup 2007, which will bring with it important border security challenges. At their July 2005 meeting, heads of government endorsed a new Management Framework for Crime and Security, which provides for a Council of Ministers responsible for national security and law enforcement, a Security Policy Advisory Committee and an Implementation Agency for Crime and Security.

Agriculture

Agriculture is one of those areas where regional cooperation cannot clearly be defined as either "functional" or "economic integration" or "foreign policy" related. Regional cooperation initiatives in agriculture, especially those related to food security and health issues, are led by the Caribbean Agricultural Research and Development Institute (CARDI). Located on the UWI Trinidad campus, CARDI provides technical services and research in agriculture-related areas. Most of its US\$ 3 million core budget comes from member state contributions, while its project operations are financed by donor agencies (roughly US\$ 650,000 a year) (CARDI [2004]). Like many regional institutions, though, CARDI has faced financial constraints in the last few years, as some member states have failed to pay their dues. There is also some regional cooperation in aquaculture. In 1991, CARICOM member states signed an Agreement on Cooperation in the Development and Management of the Living Resources of the Exclusive Economic Zone. Subsequently, member states established the Caribbean Regional Fisheries Mechanism – located in Belize – to oversee regional fisheries management and provide technical services to member states. More cooperation is needed to develop a common fisheries policy, illustrated by the recent fisheries dispute between Barbados and Trinidad and Tobago.

Transportation

Transportation is another cross-cutting issue within the regional integration process, containing elements of both functional cooperation and economic integration. As regards regional cooperation in this area, the CARICOM Treaty calls for a "Community Transport Policy" to organize efficient, reliable, and affordable transport services throughout the region. While this Community policy is not in place, some progress has been achieved in specific transport areas, including air transportation. In 1998, the CARICOM Multilateral Air Services Agreement entered into force, which provides the formal framework for establishing a single market in air transportation. In the same year, COTED approved the establishment of the Regional Aviation Safety Oversight System (RASOS). RASOS stems from an effort by CARICOM member states to create a "cost effective and efficient regional mechanism for the delivery of the required quality of airworthiness and flight operations services". It appears that RASOS will eventually evolve into a Regional Civil Aviation Authority (CARICOM Secretariat [2004a]). While these are important efforts, further regional cooperation

is needed in maritime services, search and rescue and other such areas in order to improve the efficiency, quality and affordability of transportation-related services. Inefficient transport systems are widely seen as one of the most important obstacles to economic development in the region.

Financing Regional Development: the CDB

One of the most distinguished regional institutions in CARICOM is the Caribbean Development Bank, a regional financial institution charged with promoting economic and social development in its borrowing member countries.⁹⁵ Its structure includes a Board of Governors represented by each member state, a Board made up of eighteen Directors, a President, two Vice-Presidents, and 200 staff members. Its headquarters are in Barbados. The CDB's financial resources include Ordinary Capital Resources of US\$ 730 million and Special Development Funds totaling US\$ 870 million. Since its creation in 1970, the CDB has disbursed US\$ 2.4 billion in loans, contingent loans, equity, and grants to its borrowing members. As an associate institution of CARICOM, perhaps its most important function is the technical and financial assistance it provides to member states in all areas of functional cooperation. The CDB has played an important role in funding development efforts in education, especially through UWI and within the OECS (CDB [2004]). Throughout the last 35 years, the bank has played a critical role in advancing the region's efforts of functional and economic integration.

Achieving Success in Functional Cooperation

In the previous sections, we have examined some of the most important efforts of functional cooperation. As indicated earlier, the success of a functional cooperation initiative depends on the fulfillment of a number of criteria, among them the provision of a valued service, efficient provision of that service, effective management, use of pre-existing institutions as a cost-saving measure, political support, international support, and reliability of regional funding. While not all of these criteria must be met, three are identified as critical for success.

- *Recipients of the service must perceive it as necessary and valuable.* The support granted to regional institutions involved in natural disaster risk management is derived from this premise. Governments and citizens of the small-island countries in the Caribbean understand that the region is susceptible to severe weather, and their country's capacity to manage a natural disaster is often challenged. For this reason, regional institutions like CDERA have been established and supported in order to provide a valued service at the time of most need.
- *Regional political support is critical.* Regional leaders have identified the HIV/AIDS epidemic as a major obstacle to regional development. As a result, CARICOM and associated institutions have taken on this issue with a real sense of ownership. This is essential to provide the sustained support needed in initiatives of functional cooperation.
- *The effort must have reliable funding from member states.* Funding is a major constraint of regional institutions involved in functional cooperation. A reliable system of support from member states is important for three reasons. First, some form of member state contribution must exist in order to create ownership and foster sustainable practices. Second, regional participation usually encourages

⁹⁵ CDB borrowing member countries include CARICOM countries (except Haiti and Suriname), Anguilla, BVI, Cayman Islands, and Turks and Caicos Islands. Its non-borrowing member countries are Colombia, Mexico, Venezuela, Canada, China, Germany, Italy and the United Kingdom.

participation by international donors, and can lead to financial and technical assistance. Third, a reliable stream of income is important for regional institutions to implement their work plans.

Functional cooperation in the Caribbean has already yielded positive results in a number of areas. As efforts to integrate the region continue, further technical work to define priorities for, and evaluate, functional cooperation in CARICOM would be beneficial. There is room to intensify cooperation in a number of areas that are crucial to the region's sustainable development but which have not received sufficient regional attention, or funding, for example, security and environmental management. The region must also find avenues for cooperation in areas that, to our knowledge, have not yet been addressed in any significant way, including youth development, gender equality and poverty alleviation.

SUMMARY AND CONCLUSIONS

The constraints of small size, a common history and certain cultural affinities have combined with external pressures to move Caribbean countries towards ever-closer regional integration. At the same time, the complexity of the process, the scarcity of resources to support it, difficult past integration experiences, high levels of economic disparity and divergence among member states, limited popular support for and knowledge of the process, perceptions and fears of unequal distribution of the benefits and costs of integration, institutional inefficiencies, weaknesses in regional governance and, above all, a fierce dedication to preserving national sovereignty have contributed to very slow implementation of CARICOM's ambitious integration program. The prevailing economic context in which Caribbean countries are seeking to build a single market and economy – sluggish growth, weak export performance, high unemployment and growing crime levels across the region, coupled with eroding trade preferences and ever-harsher competition in world markets – not only complicates the integration process, but also highlights the importance of achieving real progress so that the expected benefits of the CSME can materialize as soon as possible.

In the last ten years, CARICOM member states have taken numerous steps to perfect their free trade area in goods, implement a common external tariff, and move towards a single market, including the free movement of services, capital and skilled people across the region. The Community has grown to include Suriname and Haiti as well as some new associate members, but not all members have signed on to the CSME. Currently, CARICOM can be characterized as an imperfect customs union, but with some added elements of much deeper economic integration (for example, the free movement of skilled labor). Barbados, Jamaica and Trinidad and Tobago have implemented the core single market provisions of the CARICOM Treaty; other member states are expected to do so by early next year -although the deadline may slip, as it has in the past. Important new institutions, prominent among them the CCJ, have been created to facilitate economic integration, but despite some efforts, there has been little progress in addressing the institutional inefficiencies and financing problems of existing regional agencies, raising public awareness of the CSME, and tackling the serious problem of regional governance, which continues to be hampered by cumbersome decision-making procedures and weak enforcement of Community decisions. Until these matters are solved, the single economy, the "E" in the CSME, will likely remain an elusive goal.

Meanwhile, there has been some notable progress in foreign policy coordination, the second pillar of Caribbean integration. Such coordination is most developed in the area of external trade negotiations. Preparation for the various negotiations in which CARICOM is currently engaged has clearly improved with the creation of the RNM, and by speaking with one voice, member states have acquired stronger negotiating power *vis-à-vis* their trade partners. Inefficiencies nevertheless remain in terms of overlapping mandates between the RNM and the CARICOM Secretariat, organization of the regional coordination and consultation process, and scarcity of resources to engage effectively in several large negotiations at the same time. The region's not so common CET and less than common trade policy pose additional problems to the joint negotiating endeavor, while also compromising the effective implementation of the CSME.

Functional cooperation, the third pillar of regional integration, is an area where CARICOM is much more advanced than other sub-regional groups in the western hemisphere. This is because the constraints of small size act as a powerful incentive for governments to pool resources for the provision of efficient, cost-effective common services. Functional cooperation is often easier to implement and less controversial than economic integration because it seldom entails loss of national sovereignty and because its benefits often materialize even in the short term. There have been some clear successes in functional cooperation in CARICOM, not least in the areas of education, health and natural disaster preparedness and mitigation. But some efforts have also failed because they were not perceived as very important, did not have the necessary political support, suffered from scarce funding, or were badly managed. Perceived value, political

support, availability of funding and effective delivery of common services are important criteria for ensuring the long-term viability of a functional cooperation initiative. There is much potential for further developing this area of regional integration.

Throughout the report, we repeatedly ask the question: has regional integration benefited CARICOM? Has it contributed to increased welfare in the region? In the area of economic integration, the impact so far does not appear to be very strong. Intra-regional trade has grown but most of this growth is not linked to the formal integration process. Intra-regional market liberalization and preferences have moreover failed to lead to greater product innovation or specialization, except in a few isolated cases. Meanwhile, efforts to improve the international competitiveness of Caribbean firms through regional economic integration and to conclude trade agreements with new external partners have not prevented CARICOM's share in world markets from declining quite significantly over the past decade, both for goods (excluding Trinidad and Tobago) and services (including tourism). With respect to foreign investment, the region has done relatively well, but to date, most FDI inflows have not been related to the regional integration process.

All this is likely to change, however, once the CSME is fully operational. Because it is still in its early stages of implementation, the economic benefits of this integration effort have yet to materialize for most member states. Those benefits will be derived mainly from more integrated production and service systems. Curiously, quite a bit of real economic integration is already happening in the region despite the slow progress in the formal integration process; it is driven mainly by the larger businesses in the region. Full implementation of the CSME is likely to boost this trend, by making it easier for small and medium-sized enterprises to take advantage of the new business opportunities created by deeper market integration. As we have argued, however, deeper integration is unlikely to happen until member states are ready and willing to "pool" their national sovereignty at the regional level to a much greater degree than they have done so far. This means transferring at least some decision-making power to supra-national entities in some important areas of the process. This, in turn, requires a clear sense among countries that the benefits of deeper integration outweigh the costs. More technical work is needed to document past success stories of integration at the firm level, assess the costs of non-integration and explain the potential benefits of the CSME in concrete, practical terms. Support for the CSME may also grow if governments succeed in designing and implementing an efficient mechanism for sharing adjustment-related costs across the region.

As regards the economic impact of foreign policy coordination, one might argue that CARICOM's share in global trade could have declined even further if not for the region's coordinated efforts to lobby for NAFTA parity (resulting in better access to the North American market through the CBTPA), and for the preservation of trade preferences in successive cooperation agreements with Europe. One might also argue that, if there had been stronger coordination among CARICOM member states during the GATT Uruguay Round negotiations, the region might have secured a better outcome from these talks.

A coordinated approach to external trade negotiations can certainly save costs and provide significant benefit in terms of improved negotiating power and quality of technical preparation. A stronger negotiating position makes it easier to influence the outcome of negotiations, which, in turn, determines the long-term economic benefits that the region can gain from a trade agreement. A perceived negotiating "success", however, may not always yield clear benefits. EU preferences for Caribbean bananas and sugar, for example, may have prevented an even steeper decline in CARICOM merchandise exports in recent years. But many argue that the preferences have been a mixed blessing for the region, softening the blow from competition in the short run while preserving inefficient production structures that are now proving difficult and painful to dismantle. Thus, while negotiating together can help, what ultimately matters is what is negotiated. The current EPA negotiations may result in a "tougher" agreement for CARICOM in terms of greater reciprocity, but also potentially more lasting gains in terms of productivity enhancements at home and improved market access for

CARICOM services exports to the EU. By encouraging further integration in CARICOM through a specific "integration" agenda, these negotiations, and the eventual agreement, could also help strengthen the CSME.

With respect to its western hemisphere partners, CARICOM faces tough decisions ahead, particularly if the FTAA negotiations continue to stall. Even as a group, there will be a limit to how many bilateral negotiations CARICOM member states can sustain simultaneously. They have recently initiated joint talks with Canada, and are exploring a possible trade agreement with MERCOSUR, but have not yet agreed to pursue bilateral talks with the United States.⁹⁶ It is worth noting in this regard that some recent analytical studies of regional and bilateral trade agreements conclude that North-South agreements may offer potentially greater gains for developing countries than South-South agreements.⁹⁷ Whatever the agenda for future trade negotiations, the outcome of those negotiations will be strongly influenced by the level of progress that the region achieves in the CSME – and *vice versa*. The two processes, regional integration and extra-regional liberalization, are closely linked and need to be carefully coordinated in order to complement, rather than disrupt one another.

While it may take some time for member states to address the major bottlenecks of their integration process – governance and finance – there are a number of less sensitive issues that could be tackled in the short term to facilitate integration. A clearer definition and prioritization of short-term integration goals and activities, improved monitoring of implementation, better statistics and stronger efforts at building public awareness are among the issues that deserve greater attention from policy-makers in the region. Business facilitation is another area that needs urgent attention, both at the national and regional level. The single market can never be a dynamic one unless serious inefficiencies in customs processes, transport, skill development and ICT are addressed. To reap the benefits of the single market, and of future trade agreements with third partners, Caribbean governments will have to undertake a host of economic reforms at the national level. Indeed, while it has many potential benefits, regional integration can never replace, nor should it detract from, the need for domestic reform.

⁹⁶ The language of the most recent Communiqué issued by CARICOM heads of government is quite vague: "Heads of Government [...] agreed that the Community would continue to explore options for structured trade arrangements with other countries or groups within the hemisphere" (CARICOM [2005c]),

⁹⁷ See, for example, IDB [2002] and World Bank [2004].

APPENDIX: STATISTICAL OVERVIEW

TABLE 1
CARICOM MEMBER STATES: BASIC INDICATORS, 2004

Country	Population ('000)	Area (km sq)	GDP		GDP per capita	
			Constant US\$ mn	AAGR (%) 1984-2004	Current US\$	AAGR (%) 1994-2004
Antigua & Barbuda	79	440	676	4.4	11,482	4.4
The Bahamas	317	14,000	4,385	1.8	17,432	3.2
Barbados	271	430	2,233	1.4	10,381	4.5
Belize	274	22,960	1,018	6.5	3,977	3.4
Dominica	71	750	225	2.1	3,643	1.9
Grenada	105	340	375	3.7	4,386	4.4
Guyana	769	215,000	747	2.3	1,034	3.6
Haiti	8,440	27,750	3,010	-0.4	557	6.0
Jamaica	2,643	10,990	5,471	1.4	2,986	0.2
Montserrat	9	102	38	...	4,111	...
St. Kitts & Nevis	47	270	316	4.5	8,195	4.8
St. Lucia	161	620	602	3.8	4,021	2.0
St. Vincent & the Grenadines	109	390	327	3.9	3,512	4.8
Suriname	438	163,300	905	1.4	2,760	6.4
Trinidad & Tobago	1,313	5,130	9,111	2.3	9,545	9.6
CARICOM	15,044	462,472	29,440	1.8	2,628	4.1
OECS	580	2,912	2,558	3.8	5,248	3.5

Note: Real GDP measured in 1995 dollars; AAGR is average annual growth rate; GDP and GDP per capita for Montserrat measured in 2002 (latest year available).

Source: IDB Integration and Regional Programs Department using IMF-WEO [2004].

TABLE 2
CARICOM MEMBER STATES: COMPOSITION OF EXPORTS, 2002

Country	Share of Total Exports (%)	
	Goods	Services
Antigua & Barbuda	8.8	91.2
The Bahamas	28.1	71.9
Barbados	19.5	80.5
Belize	62.8	37.2
Dominica	36.7	63.3
Grenada	30.6	69.4
Guyana	74.2	25.8
Haiti	66.9	33.1
Jamaica	40.5	59.5
Montserrat	16.2	83.8
St. Kitts & Nevis	41.6	58.4
St. Lucia	12.8	87.2
St. Vincent & the Grenadines	22.9	77.1
Suriname	90.6	9.4
Trinidad & Tobago	87.2	12.8
CARICOM	52.8	47.2
CARICOM (-) T&T	38.3	61.7
OECS	20.3	79.7

Source: IDB Integration and Regional Programs Department estimates using ECCB, WB, UN and IMF data.

TABLE 3
CARICOM MEMBER STATES: DIRECTION OF MERCHANDISE EXPORTS, 2001-2003

Shares (%)	European Union	US and Canada	CARICOM	Other	World
Antigua & Barbuda	21.7	22.9	45.0	10.4	100.0
The Bahamas	13.4	83.0	0.4	3.1	100.0
Barbados	16.0	17.4	43.6	23.1	100.0
Belize	32.9	42.4	7.5	17.2	100.0
Dominica	27.7	7.5	60.6	4.3	100.0
Grenada	35.4	34.5	26.5	3.6	100.0
Guyana	27.9	48.3	18.8	5.0	100.0
Haiti	4.3	87.0	0.1	8.6	100.0
Jamaica	31.0	47.6	4.8	16.7	100.0
Montserrat	12.1	22.3	58.1	7.5	100.0
St. Kitts & Nevis	15.9	79.4	2.4	2.3	100.0
St. Lucia	40.2	19.9	37.7	2.3	100.0
St. Vincent & the Grens.	36.6	7.2	53.0	3.2	100.0
Suriname	26.0	28.8	6.3	39.0	100.0
Trinidad & Tobago	9.0	51.2	20.9	18.9	100.0
CARICOM	18.9	47.9	15.2	18.0	100.0
CARICOM (-) T&T	29.9	44.2	8.9	17.0	100.0
OECS	31.1	27.8	38.2	2.9	100.0

Notes: The Bahamas is for 2001 only, and Antigua & Barbuda is for 1999-2000 (latest years available).

Source: IDB Integration and Regional Programs Department estimates using IMF and UN data.

TABLE 4
CARICOM CET AND NATIONAL APPLIED TARIFFS, 2003

HS Section	Simple Average (%) Description	CET	Antigua & Barbuda	Barbados	Belize	Dominica	Grenada	Guyana
01	Live Animals/Products	24.9	20.8	53.3	26.8	21.1	23.8	27.1
02	Vegetable Products	18.2	14.5	28.0	16.9	20.0	18.1	18.4
03	Animal/Vegetable Fats	26.7	23.2	32.1	21.6	36.0	25.4	25.8
04	Processed Foods/Tobacco	19.7	15.2	34.2	20.2	25.1	16.9	25.0
05	Mineral Products	4.8	3.2	6.9	6.5	5.5	6.2	6.2
06	Chemical/Industrial Products	5.4	6.1	6.6	6.0	6.8	6.3	6.1
07	Plastics/Rubber	7.4	5.7	9.1	7.2	7.5	8.6	8.7
08	Animal Hides/Skin	8.2	7.9	9.6	9.2	7.0	9.2	9.2
09	Wood/Wood Articles	9.6	9.6	10.6	12.3	8.9	9.5	9.5
10	Paper/Cellulose Material	7.3	6.7	8.9	8.2	6.8	8.0	8.0
11	Textiles	10.4	10.4	10.8	10.7	9.5	10.7	10.8
12	Footwear/Misc. Articles	16.6	15.5	16.2	15.2	20.0	15.9	16.0
13	Stone/Glassware	8.8	9.0	9.6	9.1	8.2	8.9	8.8
14	Precious/Semi-Precious Metals	20.1	17.3	29.7	28.6	16.4	19.2	28.6
15	Base Metals	5.6	6.4	6.8	5.9	5.7	6.7	6.7
16	Machinery/Electrical Equipment	6.5	7.8	7.8	7.3	5.4	7.7	7.5
17	Motor Vehicles/Vessels	9.6	9.7	10.0	9.3	8.7	8.9	9.4
18	Precision Instruments	11.5	10.8	14.4	13.9	9.4	11.5	14.2
19	Arms/Munitions	38.1	45.6	47.7	45.6	31.6	26.0	44.7
20	Misc. Manufactured Articles	16.2	15.8	16.2	15.8	16.2	15.7	15.8
21	Art/Antiques	20.5	20.0	20.0	20.0	20.0	20.0	20.0
	Average Tariff (%)	10.1	9.6	13.1	10.5	9.9	10.5	11.0
	Standard Deviation	14.7	10.0	26.4	12.0	18.8	10.3	12.9

TABLE 4 (continued)

HS Section	Simple Average (%) Description	Haiti	Jamaica	St. Kitts & Nevis	St. Lucia	St. Vincent & Grens.	Suriname	Trinidad & Tobago
01	Live Animals/Products	...	25.3	11.5	19.7	19.3	24.5	24.3
02	Vegetable Products	...	16.4	13.2	16.4	18.5	25.6	16.2
03	Animal/Vegetable Fats	...	23.9	21.9	25.3	25.1	40.0	24.0
04	Processed Foods/Tobacco	...	15.5	16.1	17.3	15.9	21.2	16.2
05	Mineral Products	...	2.6	2.4	4.6	5.9	9.3	3.0
06	Chemical/Industrial Products	...	2.0	5.6	5.9	6.1	6.4	2.3
07	Plastics/Rubber	...	5.6	6.7	7.1	7.1	13.4	6.3
08	Animal Hides/Skin	...	5.6	7.6	7.0	9.3	20.0	5.8
09	Wood/Wood Articles	...	6.8	9.7	9.2	9.3	13.4	6.9
10	Paper/Cellulose Material	...	4.8	8.1	5.7	8.0	6.8	5.2
11	Textiles	...	7.6	11.1	11.0	10.7	13.8	7.9
12	Footwear/Misc. Articles	...	15.4	18.5	18.3	16.0	10.6	15.2
13	Stone/Glassware	...	6.2	9.8	7.6	8.9	12.0	8.4
14	Precious/Semi-Precious Metals	...	16.8	14.4	14.4	14.4	37.0	14.7
15	Base Metals	...	2.7	6.2	3.4	6.1	11.6	4.6
16	Machinery/Electrical Equipment	...	3.5	7.7	4.1	7.2	6.9	4.9
17	Motor Vehicles/Vessels	...	6.4	9.7	12.7	9.0	12.3	7.2
18	Precision Instruments	...	8.9	10.8	8.4	11.5	16.2	9.9
19	Arms/Munitions	...	22.7	46.8	56.2	26.0	23.8	22.9
20	Misc. Manufactured Articles	...	15.2	19.3	15.7	15.8	11.8	15.7
21	Art/Antiques	...	20.0	25.0	20.4	20.0	...	20.0
Average Tariff (%)		2.9	7.2	9.4	8.9	9.8	17.5	7.9
Standard Deviation		4.8	12.4	12.1	12.6	10.1	15.1	12.3

Notes: Haiti tariff data using WTO Trade Policy Review, October 2003; Suriname data is for 2000 (latest year available); The Bahamas does not participate in the CET; and comparable data for Montserrat is not available.

Source: IDB Integration and Regional Programs Department -- CET using FTAA-HDB Report; applied tariffs using UN-TRAINS.

TABLE 5
INTRA-REGIONAL MERCHANDISE TRADE, 1993-2003

Intra-regional Exports												AAGR (%)
US\$ mn	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993-2003
The Bahamas	...	...	...	...	...	...	...	...	...	...	...	...
Barbados	71	65	91	103	102	112	119	121	111	102	103	3.7
Belize	5	5	6	5	8	12	10	9	12	11	18	13.9
Guyana	35	39	48	47	56	44	61	76	72	90	99	11.1
Haiti	0.0	0.0	0.0	0.3	0.1	0.3	0.5	0.4	0.3	0.2	0.2	...
Jamaica	62	62	62	57	49	46	45	52	54	52	63	0.0
Suriname	8	10	12	24	27	25	24	21	26	34	40	17.5
Trinidad & Tobago	370	395	552	636	663	690	756	1,022	1,080	825	1,059	11.1
OECS ^{1/}	72	68	73	67	74	84	80	80	78	79	85	1.6
CARICOM (-) T&T	254	249	290	302	315	324	340	359	353	368	408	4.9
CARICOM ^{2/}	624	644	843	938	978	1,014	1,095	1,381	1,433	1,194	1,467	8.9
Share of CARICOM Intra-regional Exports												Share (%)
Share (%)	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993-2003
The Bahamas	...	...	...	...	...	...	...	...	...	...	...	...
Barbados	11	10	11	11	10	11	11	9	8	9	7	9.5
Belize	1	1	1	1	1	1	1	1	1	1	1	0.9
Guyana	6	6	6	5	6	4	6	5	5	8	7	5.8
Haiti	0	0	0	0	0	0	0	0	0	0	0	0.0
Jamaica	10	10	7	6	5	5	4	4	4	4	4	5.2
Suriname	1	2	1	3	3	2	2	2	2	3	3	2.2
Trinidad & Tobago	59	61	66	68	68	68	69	74	75	69	72	69.3
OECS	12	11	9	7	8	8	7	6	5	7	6	7.2
CARICOM	100	100	100	100	100	100	100	100	100	100	100	100.0
Intra-regional Imports												AAGR (%)
US\$ mn	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993-2003
The Bahamas	...	...	...	...	...	...	...	...	...	...	...	...
Barbados	110	117	123	124	124	163	163	230	218	158	285	10.0
Belize	11	11	13	11	11	11	13	14	21	15	15	3.5
Guyana	75	79	109	117	99	91	80	98	107	105	166	8.3
Haiti	3	2	11	10	11	9	10	29	31	33	40	...
Jamaica	116	153	240	289	318	311	368	401	434	400	484	15.4
Suriname	71	67	51	70	76	65	82	63	74	80	94	2.9
Trinidad & Tobago	60	52	54	85	97	106	132	125	121	92	95	4.7
OECS ^{1/}	176	181	194	206	224	235	249	261	242	238	271	4.4
CARICOM (-) T&T	561	611	741	826	863	884	966	1,095	1,126	1,030	1,356	9.2
CARICOM ^{2/}	620	663	795	911	960	990	1,097	1,221	1,248	1,122	1,450	8.9

TABLE 5 (continued)

Share of CARICOM Intra-regional Imports												Share (%)
Share (%)	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993-2003
The Bahamas	...	...	...	...	...	...	...	...	...	...	...	...
Barbados	18	18	15	14	13	16	15	19	18	14	20	16.4
Belize	2	2	2	1	1	1	1	1	2	1	1	1.3
Guyana	12	12	14	13	10	9	7	8	9	9	11	10.2
Haiti	0	0	1	1	1	1	1	2	2	3	3	1.7
Jamaica	19	23	30	32	33	31	34	33	35	36	33	31.7
Suriname	11	10	6	8	8	7	8	5	6	7	6	7.2
Trinidad & Tobago	10	8	7	9	10	11	12	10	10	8	7	9.2
OECS	28	27	24	23	23	24	23	21	19	21	19	22.4
CARICOM	100	100	100	100	100	100	100	100	100	100	100	100.0

Notes: OECS excludes Antigua & Barbuda. CARICOM excludes Antigua & Barbuda and The Bahamas.

Source: IDB Integration and Regional Programs Department estimates using IMF and UN data.

TABLE 6
SHARE OF INTRA-REGIONAL EXPORTS IN TOTAL EXPORTS, 1993-2003

CARICOM ^{1/}	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Exports (US\$ mn)	4,107	4,733	5,517	5,697	5,869	5,506	6,122	7,634	8,288	6,835	8,575	7.6
Extra-regional (E-R)	3,482	4,089	4,675	4,759	4,891	4,492	5,027	6,252	6,854	5,641	7,108	7.4
Intra-regional (I-R)	624	644	843	938	978	1,014	1,095	1,381	1,433	1,194	1,467	8.9
I-R / Total Exports (%)	15.2	13.6	15.3	16.5	16.7	18.4	17.9	18.1	17.3	17.5	17.1	
OECS ^{2/}	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Exports (US\$ mn)	275	236	254	222	226	244	224	256	223	216	210	-2.6
Extra-regional (E-R)	202	168	181	156	153	161	144	176	145	138	125	-4.7
Intra-regional (I-R)	72	68	73	67	74	84	80	80	78	79	85	1.6
I-R / Total Exports (%)	26.4	28.7	28.8	30.0	32.6	34.2	35.8	31.3	35.0	36.4	40.5	
CARICOM (-) T&T ^{3/}	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Exports (US\$ mn)	2,444	2,779	3,050	3,128	3,300	3,242	3,316	3,360	3,174	2,981	3,334	3.2
Extra-regional (E-R)	2,191	2,530	2,760	2,826	2,984	2,919	2,977	3,001	2,821	2,613	2,926	2.9
Intra-regional (I-R)	254	249	290	302	315	324	340	359	353	368	408	4.9
I-R / Total Exports (%)	10.4	8.9	9.5	9.6	9.6	10.0	10.2	10.7	11.1	12.4	12.2	
Barbados	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Exports (US\$ mn)	181	182	238	279	283	259	251	273	259	215	250	3.3
Extra-regional (E-R)	110	117	147	177	181	146	132	152	148	113	147	3.0
Intra-regional (I-R)	71	65	91	103	102	112	119	121	111	102	103	3.7
I-R / Total Exports (%)	39.5	35.6	38.1	36.7	36.0	43.4	47.5	44.2	42.9	47.3	41.1	
Belize	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Exports (US\$ mn)	127	143	162	168	176	162	176	200	182	164	203	4.8
Extra-regional (E-R)	122	138	156	163	169	151	166	191	170	153	185	4.3
Intra-regional (I-R)	5	5	6	5	8	12	10	9	12	11	18	13.9
I-R / Total Exports (%)	3.9	3.5	3.4	2.8	4.3	7.1	5.7	4.5	6.6	6.9	8.9	
Guyana	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Exports (US\$ mn)	414	456	455	517	644	484	523	498	477	493	515	2.2
Extra-regional (E-R)	379	417	407	470	588	440	462	422	405	403	416	0.9
Intra-regional (I-R)	35	39	48	47	56	44	61	76	72	90	99	11.1
I-R / Total Exports (%)	8.4	8.6	10.5	9.1	8.7	9.1	11.7	15.2	15.1	18.3	19.3	

TABLE 6 (continued)

Jamaica	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Exports (US\$ mn)	1,075	1,211	1,424	1,387	1,386	1,316	1,239	1,308	1,220	1,114	1,195	1.1
Extra-regional (E-R)	1,013	1,149	1,362	1,330	1,337	1,270	1,194	1,256	1,166	1,062	1,133	1.1
Intra-regional (I-R)	62	62	62	57	49	46	45	52	54	52	63	0.0
I-R / Total Exports (%)	5.8	5.1	4.3	4.1	3.5	3.5	3.7	4.0	4.4	4.6	5.2	
Suriname	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Exports (US\$ mn)	326	537	483	502	523	480	587	501	520	492	591	6.1
Extra-regional (E-R)	318	527	471	478	496	455	563	480	494	458	551	5.6
Intra-regional (I-R)	8	10	12	24	27	25	24	21	26	34	40	17.5
I-R / Total Exports (%)	2.5	1.9	2.5	4.8	5.1	5.3	4.0	4.3	5.1	6.9	6.8	
Trinidad & Tobago	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Exports (US\$ mn)	1,662	1,954	2,467	2,569	2,570	2,264	2,806	4,273	5,113	3,853	5,241	12.2
Extra-regional (E-R)	1,292	1,559	1,915	1,933	1,906	1,574	2,050	3,251	4,033	3,028	4,183	12.5
Intra-regional (I-R)	370	395	552	636	663	690	756	1,022	1,080	825	1,059	11.1
I-R / Total Exports (%)	22.3	20.2	22.4	24.8	25.8	30.5	26.9	23.9	21.1	21.4	20.2	

Notes: ^{1/} CARICOM excludes Antigua & Barbuda, The Bahamas and Montserrat.

^{2/} OECS excludes Antigua & Barbuda and Montserrat.

^{3/} Analysis takes Trinidad & Tobago completely out of the regional block.

Source: IDB Integration and Regional Programs Department estimates using WTO, IMF and UN data.

TABLE 7
SHARE OF INTRA-REGIONAL IMPORTS IN TOTAL IMPORTS, 1993-2003

CARICOM ^{1/}	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Imports (US\$ mn)	6,746	6,323	8,415	9,080	10,532	10,456	10,262	11,514	12,329	12,147	13,455	7.1
Extra-regional (E-R)	6,126	5,660	7,620	8,169	9,572	9,466	9,165	10,293	11,082	11,025	12,005	7.0
Intra-regional (I-R)	620	663	795	911	960	990	1,097	1,221	1,248	1,122	1,450	8.9
I-R / Total Imports (%)	9.2	10.5	9.4	10.0	9.1	9.5	10.7	10.6	10.1	9.2	10.8	
OECS ^{2/}	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Imports (US\$ mn)	770	775	820	890	962	1,010	1,043	1,100	994	1,030	1,214	4.7
Extra-regional (E-R)	594	594	625	685	738	775	794	839	753	792	943	4.7
Intra-regional (I-R)	176	181	194	206	224	235	249	261	242	238	271	4.4
I-R / Total Imports (%)	22.8	23.4	23.7	23.1	23.3	23.2	23.9	23.7	24.3	23.1	22.3	
CARICOM (-) T&T ^{3/}	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Imports (US\$ mn)	5,283	5,189	6,691	6,875	7,472	7,445	7,519	8,206	8,397	8,486	9,513	6.1
Extra-regional (E-R)	4,722	4,578	5,950	6,049	6,610	6,561	6,553	7,111	7,271	7,456	8,158	5.6
Intra-regional (I-R)	561	611	741	826	863	884	966	1,095	1,126	1,030	1,356	9.2
I-R / Total Imports (%)	10.6	11.8	11.1	12.0	11.5	11.9	12.8	13.3	13.4	12.1	14.2	
Barbados	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Imports (US\$ mn)	574	614	766	829	995	1,022	1,067	1,156	1,068	997	1,195	7.6
Extra-regional (E-R)	464	497	643	705	872	859	904	926	850	838	910	7.0
Intra-regional (I-R)	110	117	123	124	124	163	163	230	218	158	285	10.0
I-R / Total Imports (%)	19.1	19.0	16.1	14.9	12.4	15.9	15.3	19.9	20.5	15.9	23.9	
Belize	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Imports (US\$ mn)	281	260	259	256	286	292	366	447	520	527	396	3.5
Extra-regional (E-R)	270	249	246	245	275	282	353	433	499	512	381	3.5
Intra-regional (I-R)	11	11	13	11	11	11	13	14	21	15	15	3.5
I-R / Total Imports (%)	3.9	4.3	4.9	4.2	3.9	3.7	3.6	3.1	4.0	2.9	3.9	
Guyana	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Imports (US\$ mn)	507	395	517	622	602	540	480	573	586	564	557	0.9
Extra-regional (E-R)	432	315	409	505	504	449	400	475	480	459	391	-1.0
Intra-regional (I-R)	75	79	109	117	99	91	80	98	107	105	166	8.3
I-R / Total Imports (%)	14.8	20.1	21.0	18.9	16.4	16.8	16.6	17.1	18.2	18.6	29.8	

TABLE 7 (continued)

Jamaica	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Imports (US\$ mn)	2,189	2,221	2,773	2,916	3,113	2,985	2,904	3,192	3,402	3,543	4,115	6.5
Extra-regional (E-R)	2,073	2,068	2,533	2,628	2,795	2,674	2,535	2,790	2,968	3,143	3,631	5.8
Intra-regional (I-R)	116	153	240	289	318	311	368	401	434	400	484	15.4
I-R / Total Imports (%)	5.3	6.9	8.7	9.9	10.2	10.4	12.7	12.6	12.8	11.3	11.8	
Suriname	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Imports (US\$ mn)	525	543	583	464	529	552	501	480	647	603	694	2.8
Extra-regional (E-R)	454	476	532	394	453	487	419	417	573	523	600	2.8
Intra-regional (I-R)	71	67	51	70	76	65	82	63	74	80	94	2.9
I-R / Total Imports (%)	13.5	12.3	8.8	15.1	14.3	11.8	16.4	13.1	11.4	13.3	13.5	
Trinidad & Tobago	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAGR (%)
Total Imports (US\$ mn)	1,463	1,134	1,724	2,204	3,059	3,012	2,744	3,308	3,932	3,661	3,942	10.4
Extra-regional (E-R)	1,403	1,082	1,670	2,120	2,962	2,905	2,612	3,183	3,811	3,569	3,847	10.6
Intra-regional (I-R)	60	52	54	85	97	106	132	125	121	92	95	4.7
I-R / Total Imports (%)	4.1	4.6	3.1	3.8	3.2	3.5	4.8	3.8	3.1	2.5	2.4	

Notes: ^{1/} CARICOM excludes Antigua & Barbuda, The Bahamas and Montserrat.

^{2/} OECS excludes Antigua & Barbuda and Montserrat.

^{3/} Analysis takes Trinidad & Tobago completely out of the regional block.

Source: IDB Integration and Regional Programs Department estimates using WTO, IMF and UN data.

TABLE 8
GROWTH AND EXTERNAL PROTECTION OF INTRA-REGIONAL IMPORTS, 1997-2002

CARICOM: All goods for which intra-regional imports performed better than extra-regional imports

Level of Protection	# Products 2002	Share 2002	Value 1997	Value 2002	Share 2002	AAGR 1997-2002
Low Protection (tariff<=5%)	354	59%	111,817	203,883	46%	12.8%
Medium Protection (5%<t<=10%)	58	10%	16,877	28,744	6%	11.2%
High Protection (t>10%)	188	31%	158,632	213,394	48%	6.1%
<i>All Products</i>	600	100%	287,326	446,021	100%	9.2%

CARICOM: All goods for which intra-regional imports performed worse than extra-regional imports

Level of Protection	# Products 2002	Share 2002	Value 1997	Value 2002	Share 2002	AAGR 1997-2002
Low Protection (tariff <= 5%)	310	54%	216,100	206,619	42%	-0.9%
Medium Protection (5%<t<=10%)	43	7%	63,292	61,586	13%	-0.5%
High Protection (t>10%)	222	39%	233,337	218,587	45%	-1.3%
<i>All Products</i>	575	100%	512,730	486,793	100%	-1.0%

CARICOM (-) T&T: All goods for which intra-regional imports performed better than extra-regional imports

Level of Protection	# Products 2002	Share 2002	Value 1997	Value 2002	Share 2002	AAGR 1997-2002
Low Protection (tariff<=5%)	247	52%	7,453	19,443	11%	21.1%
Medium Protection (5%<t<=10%)	44	9%	7,770	16,595	10%	16.4%
High Protection (t>10%)	186	39%	99,300	133,775	79%	6.1%
<i>All Products</i>	477	100%	114,522	169,814	100%	8.2%

CARICOM (-) T&T: All goods for which intra-regional imports performed worse than extra-regional imports

Level of Protection	# Products 2002	Share 2002	Value 1997	Value 2002	Share 2002	AAGR 1997-2002
Low Protection (tariff<=5%)	247	50%	50,804	31,428	27%	-9.2%
Medium Protection (5%<t<=10%)	50	10%	19,982	11,051	9%	-11.2%
High Protection (t>10%)	194	40%	99,710	74,677	64%	-5.6%
<i>All Products</i>	491	100%	170,495	117,156	100%	-7.2%

TABLE 8 (continued)

Trinidad and Tobago: All goods for which intra-regional imports performed better than extra-regional imports

Level of Protection	# Products 2002	Share 2002	Value 1997	Value 2002	Share 2002	AAGR 1997-2002
Low Protection (tariff<=5%)	328	57%	102,494	187,134	63%	12.8%
Medium Protection (5%<t<=10%)	55	10%	9,788	16,435	6%	10.9%
High Protection (t>10%)	195	34%	57,924	93,443	31%	10.0%
<i>All Products</i>	<i>578</i>	<i>100%</i>	<i>170,206</i>	<i>297,012</i>	<i>100%</i>	<i>11.8%</i>

Trinidad and Tobago: All goods for which intra-regional imports performed worse than extra-regional imports

Level of Protection	# Products 2002	Share 2002	Value 1997	Value 2002	Share 2002	AAGR 1997-2002
Low Protection (tariff<=5%)	242	52%	167,424	172,497	49%	0.6%
Medium Protection (5%<t<=10%)	40	9%	42,629	46,248	13%	1.6%
High Protection (t>10%)	185	40%	135,070	130,087	37%	-0.7%
<i>All Products</i>	<i>467</i>	<i>100%</i>	<i>345,123</i>	<i>348,832</i>	<i>100%</i>	<i>0.2%</i>

Notes: In CARICOM (-) T&T, we exclude Trinidad & Tobago as the origin of intra-regional imports, but not as a destination. Absolute values are in thousands of dollars, and "t" means tariff (the applied CET).

Source: IDB Integration and Regional Programs Department using UN-COMTRADE and TRAINS data.

TABLE 9
CARICOM MEMBER STATES: SHARE OF CARICOM MARKET, 1993-2003

Share of Total CARICOM Imports												
Share (%)	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993-2003
Barbados	1.1	1.0	1.1	1.1	1.0	1.1	1.2	1.0	0.9	0.8	0.8	1.0
Belize	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Dominica	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Grenada	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Guyana	0.5	0.6	0.6	0.5	0.5	0.4	0.6	0.7	0.6	0.7	0.7	0.6
Haiti	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jamaica	0.9	1.0	0.7	0.6	0.5	0.4	0.4	0.4	0.4	0.4	0.5	0.5
St. Kitts & Nevis	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
St. Lucia	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
St. Vincent & Grens.	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.2
Suriname	0.1	0.2	0.1	0.3	0.3	0.2	0.2	0.2	0.2	0.3	0.3	0.2
Trinidad & Tobago	5.5	6.3	6.6	7.0	6.3	6.6	7.4	8.9	8.8	6.8	7.9	7.2
Total CARICOM	9.3	10.2	10.0	10.3	9.3	9.7	10.7	12.0	11.6	9.8	10.9	10.4
OECS + Barbados	2.1	2.1	1.9	1.9	1.7	1.9	1.9	1.7	1.5	1.5	1.4	1.7
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: Antigua & Barbuda, The Bahamas and Montserrat are excluded due to lack of comparable data.

Source: IDB Integration and Regional Programs Department estimates using WB, IMF and UN data.

TABLE 10
COMPOSITION OF INTRA-REGIONAL MERCHANDISE TRADE, 1993-2003

CARICOM Exports												
Share (%)	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993-2003
Food	24.5	21.5	21.1	22.9	27.3	28.6	27.3	21.6	22.5	28.0	22.4	24.4
Ag. Raw Materials	0.1	0.3	0.1	0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.6	0.4
Ores & Metals	0.8	0.4	0.4	0.3	0.4	0.5	0.6	0.5	0.4	0.4	0.3	0.4
Fuels	27.6	30.0	34.7	37.2	33.1	32.8	35.2	48.4	46.5	36.3	50.2	39.2
Manufact. Goods	46.9	40.7	36.5	39.6	38.9	37.7	36.4	28.9	29.4	34.1	26.3	34.5
Goods n.e.s.	0.1	7.2	7.1	0.0	0.0	0.1	0.1	0.1	0.6	0.6	0.1	1.1
Total Goods	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

CARICOM (-) T&T Exports												
Share (%)	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993-2003
Food	37.1	33.5	33.2	31.6	42.6	44.5	44.2	39.4	46.4	47.1	46.5	41.3
Ag. Raw Materials	0.2	0.8	0.3	0.2	0.6	1.0	1.3	1.7	2.4	2.3	2.6	1.3
Ores & Metals	1.9	0.9	1.0	0.5	0.8	0.8	1.3	1.5	2.0	0.9	0.7	1.1
Fuels	2.3	6.0	6.9	10.2	8.3	9.9	3.5	10.5	3.0	4.4	6.2	6.6
Manufact. Goods	58.3	58.2	58.4	57.5	47.7	43.5	49.4	46.8	44.0	43.5	43.3	49.1
Goods n.e.s.	0.1	0.6	0.1	0.1	0.1	0.1	0.2	0.2	2.2	1.9	0.6	0.6
Total Goods	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: Composition based on SITC 2 aggregates: Food is SITC 0+1+22+4, Agricultural Raw Materials is SITC 2-22-27-28, Ores & Metals is SITC 27+28+68, Fuels is SITC 3, Manufactured Goods is SITC 5+6-68+7+8, and Goods not elsewhere specified is SITC 9. CARICOM (-) T&T data excludes Trinidad & Tobago as a reporter but not as a partner.

Source: IDB Integration and Regional Programs Department estimates using UN-COMTRADE data.

TABLE 11A
CARICOM: TOP 20 INTRA-REGIONAL MERCHANDISE EXPORTS, 1990-1992 AND 2000-2002

SITC Code	1990-1992 Product	US\$ mn	Share (%)	Acc. (%)	SITC Code	2000-2002 Product	US\$ mn	Share (%)	Acc. (%)
3343	Gas oils	109.3	7.5	7.5	3344	Fuel oils, n.e.s.	735.5	18.8	18.8
33411	Motor spirit, including aviation spirits	102.0	7.0	14.5	33411	Motor spirit, including aviation spirits	484.8	12.4	31.2
3344	Fuel oils, n.e.s.	93.9	6.5	21.0	33421	Kerosene	265.8	6.8	38.0
33421	Kerosene	72.2	5.0	26.0	11102	Lemonade, flavoured spa waters	132.0	3.4	41.4
6612	Portland cement, ciment fondu, slag	41.4	2.9	28.8	34139	Liquefied gaseous hydrocarbons, n.e.s.	95.8	2.4	43.8
5542	Organic surface-active agents, n.e.s.	37.9	2.6	31.4	6612	Portland cement, ciment fondu, slag	70.5	1.8	45.6
11102	Lemonade, flavoured spa waters	32.5	2.2	33.7	34131	Liquefied propane and butane	62.3	1.6	47.2
1123	Beer made from malt (inc. ale, stout)	31.3	2.2	35.8	11249	Spirits and distilled alcoholic bevs	61.8	1.6	48.8
66511	Carboys ,bottles, jars, pots	23.9	1.6	37.5	5542	Organic surface-active agents, n.e.s.	61.7	1.6	50.4
33451	Lubricating petrol.oils	23.8	1.6	39.1	04212	Rice, husked but not further prep.	57.8	1.5	51.8
54179	Medicaments containing other subs	22.9	1.6	40.7	09809	Food preparations, n.e.s.	54.9	1.4	53.2
09809	Food preparations, n.e.s.	22.2	1.5	42.2	0611	Sugars, beet and cane, raw, solid	54.9	1.4	54.6
89399	Other articles, n.e.s. of mat.	19.7	1.4	43.6	64285	Sanitary towels & tampons of paper	51.1	1.3	56.0
11249	Spirits and distilled alcoholic bevs	18.9	1.3	44.9	33451	Lubricating petrol. oils	47.5	1.2	57.2
53342	Other paints & enamels; varnishes	18.5	1.3	46.2	04601	Flour of wheat or of meslin	42.8	1.1	58.3
5911	Insecticides packed for sale etc.	17.2	1.2	47.3	5541	Soap; organic surface-active product	40.8	1.0	59.3
5541	Soap; organic surface-active product	14.1	1.0	48.3	54179	Medicaments containing other subs	40.6	1.0	60.3
64285	Sanitary towels & tampons of paper	13.8	1.0	49.3	04842	Pastry, biscuits, cakes	37.5	1.0	61.3
89283	Unused postage, revenue	13.0	0.9	50.2	8931	Art. for the conveyance or packing	36.7	0.9	62.2
56216	Urea	12.4	0.9	51.0	66511	Carboys, bottles, jars, pots	33.6	0.9	63.1
Top 20 Exports		741	51.0		Top 20 Exports		2,469	63.1	
Total Exports (1,269 products)		1,452			Total Exports (1,347 products)		3,912		

Source: IDB Integration and Regional Programs Department using UN-COMTRADE data.

TABLE 11B
CARICOM (-) T&T: TOP 20 INTRA-REGIONAL MERCHANDISE EXPORTS,
1990-1992 AND 2000-2002

SITC Code	1990-1992 Product	US\$ mn	Share (%)	Acc. (%)	SITC Code	2000-2002 Product	US\$ mn	Share (%)	Acc. (%)
5542	Organic surface-active agents, n.e.s	21.1	3.9	3.9	04212	Rice, husked but not further prep	56.3	5.3	5.3
1123	Beer made from malt (inc. ale, stout)	19.2	3.6	7.5	0611	Sugars, beet and cane, raw, solid	54.8	5.2	10.5
09809	Food preparations, n.e.s.	17.6	3.3	10.8	09809	Food preparations, n.e.s.	50.1	4.7	15.3
54179	Medicaments cont. other substance	17.6	3.3	14.1	54179	Medicaments cont. other substance	37.3	3.5	18.8
33451	Lubricating petrol. oils	16.6	3.1	17.2	04601	Flour of wheat or of meslin	34.7	3.3	22.1
5911	Insecticides packed for sale etc.	15.6	2.9	20.1	5541	Soap; organic surface-active prod.	31.2	3.0	25.1
69241	Casks, drums, boxes of sheet or plate	11.3	2.1	22.2	3344	Fuel oils, n.e.s.	28.6	2.7	27.8
53342	Other paints & enamels; varnishes	10.6	2.0	24.2	5911	Insecticides packed for sale etc.	26.3	2.5	30.3
11102	Lemonade, flavoured spa waters	10.3	1.9	26.1	3330	Petrol. oils & crude oils	25.7	2.4	32.7
6251	Tyres, pneumatic, new	10.1	1.9	28.0	0342	Fish, frozen (excluding fillets)	24.7	2.3	35.0
11249	Spirits and distilled alcoholic bev	9.6	1.8	29.8	1123	Beer made from malt (inc. ale, stout)	22.8	2.2	37.2
6612	Portland cement, ciment fondu, slag	7.2	1.3	31.2	6612	Portland cement, ciment fondu, slag	22.6	2.1	39.3
89399	Other articles, n.e.s. of mat. of div.	6.4	1.2	32.4	53342	Other paints & enamels; varnishes	19.8	1.9	41.2
09141	Margarine	6.3	1.2	33.6	24831	Wood of non-conif. spec. sawn	17.2	1.6	42.8
0730	Chocolate & other food preps.	6.2	1.2	34.7	69241	Casks, drums, boxes of sheet or plate	16.2	1.5	44.4
8931	Art. for the conveyance or packing	6.1	1.1	35.9	11102	Lemonade, flavoured spa waters	13.4	1.3	45.7
6252	Tyres, pneumat., new, of a kind used	6.0	1.1	37.0	11249	Spirits and distilled alcoholic bev	13.1	1.2	46.9
3343	Gas oils	5.6	1.0	38.1	6342	Plywood consisting of sheets wood	12.8	1.2	48.1
6912	Structures & parts of struc.; alum.	5.5	1.0	39.1	09141	Margarine	12.2	1.2	49.3
7731	Insulated, elect. wire, cable, bars	5.2	1.0	40.1	5542	Organic surface-active agents, n.e.s	11.7	1.1	50.4
Top 20 Exports		214	40.1		Top 20 Exports		532	50.4	
Total Exports (1,128 products)		535			Total Exports (1,174 products)		1,055		

Note: CARICOM (-) T&T data excludes Trinidad & Tobago as a reporter but not as a partner.

Source: IDB Integration and Regional Programs Department using UN-COMTRADE data.

TABLE 12A
TECHNOLOGY CONTENT OF INTRA-REGIONAL EXPORTS, BY REGION, 1992-2002

CARICOM Intra-regional Exports ^{1/, 2/}				AAGR (%) ^{3/}
Shares (%)	1993	1997	2002	1993-2002
Primary Products	9.0	7.9	8.0	5.7
Resource Based Manufactures	52.0	59.2	62.8	9.3
Resource Based Manufactures - Agriculture	20.8	21.2	21.6	7.5
Resource Based Manufactures - Others	31.2	38.0	41.2	10.4
Low Tech Manufactures	20.0	17.5	15.8	4.3
Low Tech Manufactures - Other	17.3	15.3	13.6	4.3
Low Tech Manufactures - Textile	2.7	2.2	2.2	4.7
Medium Tech Manufactures	15.3	13.2	10.1	2.3
Medium Tech Manufactures - Autos	0.3	0.1	0.2	0.2
Medium Tech Manufactures - Engineering Industry	2.3	1.6	1.2	-0.1
Medium Tech Manufactures - Processing Industry	12.7	11.5	8.8	2.7
High Tech Manufactures	2.1	1.2	1.4	2.3
High Tech Manufactures - Electronics	1.0	0.5	0.7	2.9
High Tech Manufactures - Other	1.0	0.7	0.6	1.6
Other Transactions	1.8	1.1	1.9	8.1
Total Trade	100.0	100.0	100.0	7.1
CARICOM (-) T&T Intra-regional Exports ^{1/, 2/}				AAGR (%) ^{3/}
Shares (%)	1993	1997	2002	1993-2002
Primary Products	15.7	14.9	15.8	1.1
Resource Based Manufactures	35.1	34.5	42.0	3.1
Resource Based Manufactures - Agriculture	30.6	27.9	32.3	1.7
Resource Based Manufactures - Others	4.6	6.7	9.8	10.0
Low Tech Manufactures	22.6	21.0	15.7	-2.9
Low Tech Manufactures - Other	19.9	18.2	14.0	-2.8
Low Tech Manufactures - Textile	2.7	2.8	1.7	-3.8
Medium Tech Manufactures	23.0	25.8	19.1	-1.0
Medium Tech Manufactures - Autos	0.2	0.1	0.1	-3.8
Medium Tech Manufactures - Engineering Industry	2.2	2.0	1.0	-7.1
Medium Tech Manufactures - Processing Industry	20.7	23.7	18.0	-0.5
High Tech Manufactures	2.2	2.0	2.6	2.6
High Tech Manufactures - Electronics	0.4	0.2	0.1	-12.9
High Tech Manufactures - Other	1.9	1.7	2.5	4.2
Other Transactions	1.3	1.8	4.8	17.1
Total Trade	100.0	100.0	100.0	1.1

TABLE 12A (continued)

OECS Exports to CARICOM ^{2/, 4/}				AAGR (%) ^{3/}
Shares (%)	1993	1997	2002	1993-2002
Primary Products	27.2	24.2	24.0	-0.6
Resource Based Manufactures	33.6	27.3	31.0	-0.1
Resource Based Manufactures - Agriculture	32.8	26.3	30.4	-0.1
Resource Based Manufactures - Others	0.7	1.0	0.5	-2.5
Low Tech Manufactures	16.4	16.6	15.6	0.2
Low Tech Manufactures - Other	13.5	13.4	13.5	0.7
Low Tech Manufactures - Textile	2.9	3.1	2.1	-2.5
Medium Tech Manufactures	22.7	31.7	29.1	3.6
Medium Tech Manufactures - Autos	0.1	0.1	0.1	5.9
Medium Tech Manufactures - Engineering Industry	3.3	0.6	0.6	-16.8
Medium Tech Manufactures - Processing Industry	19.3	31.0	28.4	5.2
High Tech Manufactures	0.0	0.1	0.1	27.5
High Tech Manufactures - Electronics	0.0	0.1	0.0	7.3
High Tech Manufactures - Other	0.0	0.0	0.1	46.0
Other Transactions	0.2	0.0	0.1	-1.6
Total Trade	100.0	100.0	100.0	0.8

Notes: ^{1/} CARICOM excludes Antigua & Barbuda, The Bahamas, Guyana, Haiti and Suriname.

^{2/} Excludes re-exports.

^{3/} AAGR is average annual growth rate of absolute values.

^{4/} OECS excludes Antigua & Barbuda.

Source: IDB Integration and Regional Programs Department using UN-COMTRADE data.

TABLE 12B
TECHNOLOGY CONTENT OF INTRA-REGIONAL EXPORTS, SELECTED COUNTRIES, 1983-2003

Barbados Exports to CARICOM ^{1/}				AAGR (%) ^{2/}
Shares (%)	1983	1993	2003	1983-2003
Primary Products	7.4	7.4	21.5	7.2
Resource Based Manufactures	13.5	23.1	33.6	6.4
Resource Based Manufactures - Agriculture	9.4	21.9	20.4	5.7
Resource Based Manufactures - Others	4.1	1.2	13.2	7.8
Low Tech Manufactures	55.4	34.5	17.4	-4.0
Low Tech Manufactures - Other	33.7	32.7	16.4	-1.9
Low Tech Manufactures - Textile	21.7	1.8	1.0	-12.9
Medium Tech Manufactures	20.5	29.0	14.8	0.0
Medium Tech Manufactures - Autos	0.4	0.0	0.1	-4.0
Medium Tech Manufactures - Engineering Industry	0.9	0.7	0.4	-2.7
Medium Tech Manufactures - Processing Industry	19.3	28.2	14.3	0.2
High Tech Manufactures	1.7	3.0	7.0	9.2
High Tech Manufactures - Electronics	0.8	0.8	1.0	2.7
High Tech Manufactures - Other	0.9	2.2	6.0	11.8
Other Transactions	1.4	3.0	5.8	9.1
Total Trade	100.0	100.0	100.0	1.7

Jamaica Exports to CARICOM ^{1/}				AAGR (%) ^{2/}
Shares (%)	1983	1993	2002	1983-2002
Primary Products	2.9	10.0	8.7	1.5
Resource Based Manufactures	37.4	47.9	60.8	-1.7
Resource Based Manufactures - Agriculture	17.3	35.7	41.3	0.3
Resource Based Manufactures - Others	20.1	12.2	19.5	-4.4
Low Tech Manufactures	35.5	18.4	15.1	-8.4
Low Tech Manufactures - Other	26.5	14.6	12.3	-8.0
Low Tech Manufactures - Textile	9.0	3.7	2.8	-9.9
Medium Tech Manufactures	18.1	19.1	13.8	-5.5
Medium Tech Manufactures - Autos	0.0	0.4	0.1	5.2
Medium Tech Manufactures - Engineering Industry	3.7	2.7	2.4	-6.3
Medium Tech Manufactures - Processing Industry	14.4	16.0	11.4	-5.4
High Tech Manufactures	4.9	3.9	1.6	-9.8
High Tech Manufactures - Electronics	2.3	0.3	0.0	-27.9
High Tech Manufactures - Other	2.6	3.6	1.6	-6.8
Other Transactions	1.2	0.6	0.1	-17.1
Total Trade	100.0	100.0	100.0	-4.2

TABLE 12B (continued)

Trinidad & Tobago Exports to CARICOM ^{1/}				AAGR (%) ^{2/}
Shares (%)	1983	1993	2003	1983-2003
Primary Products	2.4	5.5	4.7	9.7
Resource Based Manufactures	84.3	60.5	77.6	5.6
Resource Based Manufactures - Agriculture	6.3	15.8	13.6	10.2
Resource Based Manufactures - Others	77.9	44.7	64.0	5.0
Low Tech Manufactures	6.3	18.6	11.8	9.4
Low Tech Manufactures - Other	5.3	16.0	10.9	10.0
Low Tech Manufactures - Textile	1.0	2.6	0.8	5.1
Medium Tech Manufactures	6.6	11.3	4.4	3.9
Medium Tech Manufactures - Autos	0.1	0.3	0.1	1.7
Medium Tech Manufactures - Engineering Industry	1.4	2.4	0.8	2.9
Medium Tech Manufactures - Processing Industry	5.1	8.7	3.6	4.2
High Tech Manufactures	0.2	2.0	0.4	9.5
High Tech Manufactures - Electronics	0.1	1.4	0.4	14.9
High Tech Manufactures - Other	0.1	0.6	0.0	-3.3
Other Transactions	0.3	2.0	1.1	12.6
Total Trade	100.0	100.0	100.0	6.0

Notes: ^{1/} Excludes re-exports.

^{2/} AAGR is average annual growth rate of absolute values.

See Table 12c of the Statistical Appendix for a breakdown of the technological classification of exports.

Source: IDB Integration and Regional Programs Department using UN-COMTRADE.

TABLE 12C
TECHNOLOGICAL CLASSIFICATION OF EXPORTS

Classification	Examples
1. Primary products	
	Fresh fruit, meat, rice, cocoa, tea, coffee, wood, coal, crude petroleum, gas, ore concentrates and scrap
2. Resource based manufactures	
Agro/forest based products	Prepared meats/fruits, beverages, wood products, vegetable oils
Other resource based products	Base metals (exc. steel), petroleum/rubber products, cement, cut gems, glass
3. Low technology manufactures	
Textile/fashion cluster	Textile fabrics, clothing, headgear, footwear, leather manufactures, travel goods
Other low technology	Pottery, simple metal parts/structures, furniture, jewelry, toys, plastic products
4. Medium technology manufactures	
Automotive products	Passenger vehicles and parts, commercial vehicles, motorcycles and parts
Medium technology process industries	Synthetic fibres, chemicals and paints, fertilizers, plastics, iron and steel, pipes/tubes
Medium technology engineering industries	Engines, motors, industrial machinery, pumps, switchgear, ships, watches
5. High technology manufactures	
Electronics and electrical products	Office/data processing/telecom equip, TVs, transistors, turbines, power generation equipment
Other high technology	Pharmaceuticals, aircraft, optical/measuring instruments, cameras
6. Other transactions	
	Electric current, cinema film, printed matter, special transactions, gold, works of art, coins, pets

Source: Lall [2000].

TABLE 13
MERCHANDISE TRADE BY SELECTED DESTINATIONS, 1993-2003

CARICOM Exports												AAGR (%)		
US\$ mn	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993-2003	1993-2003	1998-2003
World	5,039	5,359	6,168	6,321	6,094	6,085	6,931	8,541	9,187	8,011	9,758	6.8	3.8	9.9
Extra-regional	3,491	4,090	4,677	4,764	4,896	4,493	5,027	6,253	6,854	5,640	7,110	7.4	5.2	9.6
EU	1,223	1,223	1,500	1,560	1,395	1,375	1,710	1,918	1,667	1,632	1,799	3.9	2.4	5.5
US	1,955	1,908	2,131	2,340	2,208	2,211	2,509	3,550	3,591	3,351	4,495	8.7	2.5	15.2
Canada	302	426	361	428	411	408	404	389	508	467	491	5.0	6.2	3.8
Latin America	220	344	401	475	452	424	439	592	995	606	634	11.1	14.0	8.4
Asia	129	96	126	88	108	33	36	83	102	158	218	5.4	-23.8	45.7

CARICOM (-) T&T Exports												AAGR (%)		
US\$ mn	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993-2003	1993-1998	1998-2003
World	3,377	3,405	3,701	3,752	3,524	3,822	4,126	4,268	4,074	4,157	4,517	2.9	2.5	3.4
Extra-regional	2,191	2,530	2,760	2,826	2,984	2,919	2,977	3,001	2,821	2,611	2,926	2.9	5.9	0.0
EU	1,148	1,072	1,257	1,321	1,087	1,147	1,405	1,411	1,226	1,199	1,388	1.9	0.0	3.9
US	1,163	1,001	1,072	1,086	1,080	1,308	1,348	1,559	1,426	1,410	1,620	3.4	2.4	4.4
Canada	268	352	315	371	388	381	361	333	409	375	395	3.9	7.3	0.7
Latin America	70	115	103	211	122	142	111	112	107	222	183	10.0	15.1	5.2
Asia	94	68	109	85	104	32	30	71	95	138	196	7.6	-19.5	44.0

CARICOM Imports												AAGR (%)		
US\$ mn	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993-2003	1993-1998	1998-2003
World	8,029	7,728	10,008	10,819	12,585	12,719	12,453	13,691	14,456	14,118	15,308	6.7	9.6	3.8
EU	2,744	1,871	2,026	2,556	1,712	2,630	2,897	2,832	2,590	3,471	4,062	4.0	-0.9	9.1
US	3,746	3,783	4,804	4,873	5,930	5,790	5,525	5,962	6,086	5,805	6,280	5.3	9.1	1.6
Canada	260	247	317	310	308	336	388	338	324	357	370	3.6	5.3	1.9
Latin America	796	647	780	1,296	1,219	1,269	1,415	2,196	2,097	2,064	2,314	11.3	9.8	12.8
Asia	435	440	514	613	459	632	643	718	1,138	1,156	1,391	12.3	7.7	17.1

TABLE 13 (continued)

CARICOM (-) T&T Imports												AAGR (%)		
US\$ mn	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993-2003	1993-1998	1998-2003
World	6,566	6,594	8,284	8,614	9,525	9,708	9,709	10,383	10,524	10,457	11,366	5.6	8.1	3.2
EU	2,458	1,693	1,705	2,186	1,268	2,157	2,548	2,461	1,885	2,862	3,353	3.2	-2.6	9.2
US	3,167	3,235	3,932	4,033	4,333	4,436	4,420	4,792	4,732	4,563	5,077	4.8	7.0	2.7
Canada	187	182	229	230	228	231	254	251	232	254	252	3.0	4.3	1.7
Latin America	495	525	620	749	712	690	785	1,118	1,037	1,296	1,448	11.3	6.9	16.0
Asia	373	371	418	504	336	485	489	606	1,002	1,010	1,202	12.4	5.4	19.9

CARICOM Balance											
US\$ mn	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
World	-2,990	-2,368	-3,839	-4,498	-6,491	-6,634	-5,521	-5,150	-5,268	-6,107	-5,550
EU	-1,521	-648	-527	-996	-317	-1,255	-1,187	-914	-923	-1,839	-2,263
US	-1,791	-1,875	-2,674	-2,533	-3,722	-3,580	-3,016	-2,413	-2,495	-2,454	-1,786
Canada	42	179	44	118	102	71	16	52	184	110	120
Latin America	-575	-304	-379	-821	-767	-845	-977	-1,604	-1,102	-1,458	-1,681
Asia	-306	-345	-388	-525	-351	-599	-607	-635	-1,035	-998	-1,173

CARICOM (-) T&T Balance											
US\$ mn	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
World	-3,189	-3,189	-4,583	-4,863	-6,001	-5,886	-5,583	-6,115	-6,450	-6,299	-6,849
EU	-1,310	-621	-448	-865	-181	-1,010	-1,142	-1,050	-659	-1,664	-1,965
US	-2,004	-2,234	-2,860	-2,947	-3,253	-3,128	-3,072	-3,233	-3,306	-3,153	-3,458
Canada	81	170	85	141	160	150	108	82	177	122	142
Latin America	-425	-410	-517	-539	-590	-549	-674	-1,006	-930	-1,074	-1,266
Asia	-279	-304	-308	-419	-232	-454	-459	-535	-907	-871	-1,007

Note: Extra-regional exports exclude Antigua & Barbuda and The Bahamas due to lack of comparable data.

Source: IDB Integration and Regional Programs Department estimates using WTO, IMF and UN data.

TABLE 14
SERVICES TRADE BY AREA, 1993-2003

CARICOM Exports												AAGR (%)		
US\$ mn	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993-2003	1993-1998	1998-2003
Travel	3,672	3,860	4,063	4,327	4,529	4,648	4,887	5,276	4,867	4,939	5,363	3.9	4.8	2.9
Transportation	538	629	703	635	689	726	754	784	797	823	967	6.0	6.2	5.9
Commercial	616	816	893	990	1,103	1,107	1,435	1,298	1,252	1,272	1,255	7.4	12.4	2.5
Total Services	4,826	5,305	5,659	5,952	6,320	6,481	7,076	7,357	6,915	7,033	7,583	4.6	6.1	3.2

OECS Exports												AAGR (%)		
US\$ mn	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993-2003	1993-1998	1998-2003
Travel	679	752	727	758	803	845	846	853	789	773	914	3.0	4.5	1.6
Transportation	98	102	103	104	114	112	103	113	129	127	132	3.0	2.8	3.2
Commercial	100	104	117	138	161	203	266	231	200	187	157	4.6	15.2	-5.0
Total Services	877	958	948	1,000	1,078	1,160	1,215	1,197	1,118	1,087	1,203	3.2	5.7	0.7

CARICOM Imports												AAGR (%)		
US\$ mn	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993-2003	1993-1998	1998-2003
Travel	529	553	655	755	791	790	925	971	937	990	1,046	7.1	8.4	5.8
Transportation	1,140	1,236	1,396	1,366	1,574	1,583	1,536	1,717	1,676	1,667	1,836	4.9	6.8	3.0
Commercial	1,073	1,258	1,288	1,349	1,517	1,651	1,635	1,743	1,805	1,885	1,829	5.5	9.0	2.1
Total Services	2,743	3,046	3,339	3,470	3,881	4,025	4,098	4,431	4,418	4,543	4,711	5.6	8.0	3.2

OECS Imports												AAGR (%)		
US\$ mn	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993-2003	1993-1998	1998-2003
Travel	65	71	74	83	84	89	97	101	100	103	108	5.3	6.6	4.0
Transportation	171	177	183	194	205	212	219	217	210	212	241	3.5	4.3	2.7
Commercial	140	155	195	201	232	238	269	215	223	247	229	5.0	11.1	-0.8
Total Services	376	403	453	478	521	538	585	532	533	562	578	4.4	7.4	1.4

TABLE 14 (continued)

CARICOM Balance											
US\$ mn	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Travel	3,143	3,307	3,408	3,572	3,738	3,858	3,962	4,305	3,931	3,949	4,316
Transportation	-602	-607	-693	-731	-885	-857	-783	-933	-880	-844	-869
Commercial	-458	-442	-395	-359	-414	-544	-200	-444	-552	-613	-574
Total Services	2,083	2,259	2,320	2,482	2,439	2,457	2,978	2,926	2,497	2,490	2,872
OECS Balance											
US\$ mn	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Travel	614	680	653	674	720	756	749	752	690	670	806
Transportation	-73	-74	-80	-89	-92	-99	-116	-103	-81	-85	-110
Commercial	-40	-50	-78	-63	-71	-35	-3	16	-24	-60	-72
Total Services	501	556	495	522	557	621	630	665	585	525	624
Memorandum: CARICOM Share in Global Services Exports											
Percent (%)	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Travel	1.14	1.11	1.00	0.99	1.03	1.05	1.07	1.11	1.05	1.02	1.01
Transportation	0.22	0.24	0.23	0.21	0.22	0.23	0.23	0.23	0.23	0.23	0.24
Commercial	0.16	0.19	0.19	0.19	0.19	0.19	0.23	0.20	0.18	0.17	0.15
Total Services	0.51	0.51	0.48	0.47	0.48	0.48	0.51	0.50	0.46	0.44	0.42

Note: Commercial services include financial, insurance and professional services; total services exclude government services.

Source: IDB Integration and Regional Programs Department using WTO data.

TABLE 15
CARICOM MEMBER STATES: NET FDI INFLOWS AND INWARD FDI STOCK, 1980-2003

Net FDI Inflows															
US\$ mn	1980s	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Antigua & Barbuda	23	61	55	20	15	25	32	19	23	23	31	28	44	48	57
The Bahamas	6	-17	-1	0	27	23	107	88	210	147	149	250	101	200	145
Barbados	6	11	7	14	9	13	12	13	15	16	17	19	19	17	121
Belize	6	19	15	18	14	19	21	17	12	19	60	30	60	25	40
Dominica	6	13	15	20	13	23	54	18	21	7	18	11	12	14	17
Grenada	6	13	15	23	20	19	20	17	34	49	42	37	59	58	59
Guyana	1	8	12	147	70	107	74	93	53	47	48	67	56	44	26
Haiti	8	8	14	-2	-2	-3	-2	4	4	11	30	13	4	6	8
Jamaica	8	175	171	190	139	130	147	184	203	369	524	469	614	479	520
Montserrat	3	10	8	5	5	7	3	0	3	3	8	3	1	2	2
St. Kitts & Nevis	11	49	21	13	14	15	21	35	20	32	58	96	88	82	53
St. Lucia	21	49	58	41	34	33	33	18	48	83	83	55	22	31	32
St. Vincent & the Grenadines	4	8	8	14	31	47	31	43	93	89	56	29	21	32	38
Suriname	-56	77	19	-54	-47	-10	-21	19	-9	38	-24	-97	-27	-74	-92
Trinidad & Tobago	111	109	169	178	379	516	299	355	999	730	643	680	835	791	616
CARICOM	162	591	586	626	722	964	830	923	1,727	1,661	1,742	1,691	1,909	1,755	1,641
Share of CARICOM Net FDI Inflows															
Share (%)	1980s	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Antigua & Barbuda	14	10	9	3	2	3	4	2	1	1	2	2	2	3	3
The Bahamas	4	-3	0	0	4	2	13	10	12	9	9	15	5	11	9
Barbados	4	2	1	2	1	1	1	1	1	1	1	1	1	1	7
Belize	4	3	3	3	2	2	3	2	1	1	3	2	3	1	2
Dominica	4	2	3	3	2	2	7	2	1	0	1	1	1	1	1
Grenada	3	2	3	4	3	2	2	2	2	3	2	2	3	3	4
Guyana	1	1	2	23	10	11	9	10	3	3	3	4	3	2	2
Haiti	5	1	2	0	0	0	0	0	0	1	2	1	0	0	0
Jamaica	5	30	29	30	19	13	18	20	12	22	30	28	32	27	32
Montserrat	2	2	1	1	1	1	0	0	0	0	0	0	0	0	0
St. Kitts & Nevis	7	8	4	2	2	2	2	4	1	2	3	6	5	5	3
St. Lucia	13	8	10	7	5	3	4	2	3	5	5	3	1	2	2
St. Vincent & the Grenadines	2	1	1	2	4	5	4	5	5	5	3	2	1	2	2
Suriname	-35	13	3	-9	-6	-1	-2	2	-1	2	-1	-6	-1	-4	-6
Trinidad & Tobago	68	19	29	28	53	54	36	39	58	44	37	40	44	45	38
CARICOM	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

TABLE 15 (continued)

FDI Inward Stock as a percent of GDP															
Percent (%)	1980s	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Antigua & Barbuda	47	75	84	86	84	81	89	85	83	81	82	84	87	91	94
The Bahamas	29	19	19	18	19	19	21	22	26	28	29	32	34	37	39
Barbados	11	10	11	12	12	13	13	12	12	12	12	12	13	14	18
Belize	10	22	24	25	26	28	27	27	29	30	37	38	44	42	44
Dominica	14	43	48	56	60	66	90	91	96	94	97	100	106	117	123
Grenada	11	32	35	43	51	56	61	63	69	78	82	85	102	112	125
Guyana	7	11	16	55	60	70	72	77	80	90	99	107	115	121	126
Haiti	6	5	5	8	9	8	5	6	5	5	5	6	6	6	6
Jamaica	19	19	24	32	28	30	30	25	27	32	40	45	51	57	62
Montserrat	15	56	80	84	87	95	105	130	174	190	275	360	278	268	269
St. Kitts & Nevis	35	101	110	107	105	101	106	113	109	115	127	147	166	184	189
St. Lucia	93	80	87	87	92	94	92	94	100	103	112	117	125	127	126
St. Vincent & the Grenadines	10	24	26	30	42	61	68	80	107	127	139	145	146	150	155
Suriname	-13	-168	-141	-167	-195	-222	-93	-72	-69	-54	-70	-81	-98	-86	-81
Trinidad & Tobago	28	41	44	46	62	67	69	72	86	94	93	86	86	93	92

Note: 1980s column shows simple average.

Source: IDB Integration and Regional Programs Department using UNCTAD data.

BIBLIOGRAPHY

BERNAL, RICHARD. "The Caribbean's Future is not what it was", in *Social and Economic Studies* 52:1. University of the West Indies. Sir Arthur Lewis Institute of Social and Economic Studies (SALISES). 2003.

BREWSTER, HAVELOCK. *The Caribbean Single Market and Economy: Is it Realistic without Commitment to Political Unity?*, (mimeo). <http://www.caricom.org/speeches/csme-politicalunity-brewster.htm>. 2003a.

_____. *Review of the Rosehall Declaration Provisions on Regional Governance* (mimeo), Washington DC, July 2003b.

_____. *Mature Regionalism and the Rose Hall Declaration on Regional Governance*. Speech delivered at the CARICOM 30th Anniversary Conference on Regional Governance and Integrated Development, University of the West Indies, Mona Campus, October 2003c.

_____ (Coordinator), L. Abugattas; T. Dolan; T. Stewart and N. Watson. *CARICOM Single Market and Economy: Assessment of the Region's Support Needs*. Report prepared for the CARICOM Secretariat, June 2003d.

_____. "New Vistas for the Caribbean Community" (1995), in Kenneth O. Hall (Ed.), *The Caribbean Community: Beyond Survival*. Jamaica: Ian Randle Publishers. 2001.

CARIBBEAN AGRICULTURAL RESEARCH AND DEVELOPMENT INSTITUTE - CARDI. *Annual Report 2003*. Trinidad and Tobago. December, 2004.

CARIBBEAN CENTRE FOR MONETARY STUDIES - CCMS. *Report on the Economic Performance and Convergence of the CARICOM Region*. Various semiannual issues. Trinidad and Tobago: University of the West Indies.

CARIBBEAN DEVELOPMENT BANK - CDB. *Caribbean Development Bank: Its Role, Purpose and Functions*. Barbados. April, 2004.

CARIBBEAN ENVIRONMENTAL HEALTH INSTITUTE - CEHI. *2003 Annual Report*. St. Lucia. 2004.

CARIBBEAN COMMUNITY - CARICOM. *Regional Integration: Carrying the Process Forward. Report of the Expert Group of Heads of Government on the Establishment of a CARICOM Commission or other Executive Mechanism, Automatic Resource Transfers and the Assembly of Caribbean Community Parliamentarians*. Available at <http://www.caricom.org>. February, 2005a.

_____. *Report of the Caribbean Commission on Health and Development (Executive Summary)*. Available at <http://www.caricom.org>. July 2005b.

_____. *Communiqué issued at the Conclusion of the 26th Meeting of the Heads of Government of the Caribbean Community*, July 3-7, 2005, Castries, St. Lucia. Available at <http://www.caricom.org>. July 2005c.

CARIBBEAN COMMUNITY - CARICOM. *Recommendations of the Think-Tank on Options for Governance* (draft mimeo). University of the West Indies, St. Augustine Campus, February 2004a.

_____. *Establishment of the Regional Aviation Safety Oversight System (RASOS) in the Caribbean*. May, 2004b.

_____. *Work Program to Complete Establishment of the CSME*. August, 2004c.

_____. *Regional Integration: Carrying the Process Forward. Report of the Expert Group of Heads of Government on the Establishment of a CARICOM Commission or other Executive Mechanism*. <http://www.caricom.org/archives/governance/caricomcommission.htm>. November, 2003a.

_____. *Report of the Technical Sub Group on the Assembly of Caribbean Community Parliamentarians (ACCP)*. Available at <http://www.caricom.org>. 2003b.

_____. *Draft Report of the Technical Group on Automatic Financing*. Available at <http://www.caricom.org>. 2003c.

_____. *Revised Treaty of Chaguaramas Establishing the Caribbean Community Including the CARICOM Single Market and Economy*. 2001.

_____. *Declaration of Grand Anse*. July, 1989.

CARICOM PRESS RELEASE. *Communiqué issued at the Conclusion of a Special Meeting of CARICOM Ministers Responsible for National Security and Law Enforcement*. May, 2005a.

_____. *Joint Communiqué: CARICOM and MERCOSUR hold Ministerial level meeting*. N° 56/2005. February, 2005b.

_____. *Statement issued by CARICOM Heads of Government at the conclusion of an Emergency Session on the Situation in Haiti*. Jamaica. March, 2004a.

_____. *Joint Statement issued by the Caribbean Community, the Dominican Republic and the United States of America on the Third Border Initiative*. January, 2004b.

_____. *Communiqué issued at the Conclusion of the Fifth Meeting of the Council for Foreign and Community Relations (COFCOR)*. St. Lucia. May, 2002.

CARICOM SECRETARIAT. *Establishment of the CARICOM Single Market and Economy: Summary of Status of Key Elements*. March, 2005.

_____. *Work Program to Complete the Establishment of the CSME*. August, 2004a.

_____. *Program for the Removal of Restrictions to Movement of Services, Capital and the Rights of Establishment in CARICOM*. Report by Erriah, K.; L. Joseph-Brown; D. Leander-Watson and N. Watson. March, 2004b.

CARICOM SECRETARIAT. *Macro-economic Policy Status with Respect to CARICOM Single Economy Issues*. Available at <http://www.caricom.org>. 2004c.

_____. *The Caribbean Court of Justice: What it is, what it does*. Available at <http://www.caricom.org>. 2000a.

_____. *Caribbean Trade and Investment Report: Dynamic interface of regionalism and globalization*. Guyana. 2000b.

_____. *Overview of the Work Program 2003 and Thrust for 2004-2005*. Directorate of Foreign Policy and Community Relations.

_____. *A Comprehensive Review of the Programs, Institutions and Organizations of the Caribbean Community*. Report by Mills, G.; C. Burton; J. O'Neil Lewis and C. Sorhaindo. 1990.

_____. *CARICOM Single Market and Economy: Free Movement and Competitiveness*. Information Booklet. Available at <http://www.caricom.org>.

CARIBBEAN GROUP FOR COOPERATION IN ECONOMIC DEVELOPMENT - CGCED. *Natural Hazard Risk Management in the Caribbean: Revisiting the Challenge*. Report N° 24166-LAC. World Bank. June, 2002.

COMMONWEALTH SECRETARIAT AND WORLD BANK. *Small States: Meeting Challenges in the Global Economy*. Joint Task Force on Small States. April, 2000.

FARRELL, TREVOR. *Caribbean Economic Integration - What is Happening Now; What Needs to be Done*, (monograph). October, 2003.

_____. "Five Major Problems for CARICOM" (1981), in Kenneth O. Hall (Ed.), *The Caribbean Community: Beyond Survival*. Jamaica: Ian Randle Publishers. 2001.

GIRVAN, NORMAN. "Whither CSME?", in *Journal of Caribbean International Relations*, N° 1, pp. 13-32. April, 2005.

_____. *Reflections on the CSME*. Keynote Address to the SALISES Conference on the CSME. <http://www.uwi.tt/salises/workshop/csme/paper/ngirvan.pdf>. March, 2004.

GRIFFITH, IVELAW L. "Drugs and the Emerging Security Agenda in the Caribbean", in J. Tulchin and R. Espach (Eds.), *Security in the Caribbean Basin*. Washington D.C.: Woodrow Wilson Center. 2000.

HOSEIN, ROGER; TOMMY CHEN AND REANTI SINGH. *The International Supply of Tertiary Education and Services Trade Negotiations: Implications for CARICOM*. Report prepared for the RNM. St. Augustine, Trinidad: University of the West Indies. October, 2004.

HOWE, GLENFORD D. *Contending with Change: Reviewing Tertiary Education in the English-Speaking Caribbean*. International Institute for Higher Education in Latin America and the Caribbean. UNESCO. January, 2003.

INSTITUTE FOR THE INTEGRATION OF LATIN AMERICA AND THE CARIBBEAN - INTAL. *CARICOM Report N° 1*. Gonzales, Anthony Peter (Author). Sub-regional Integration Report Series. Buenos Aires: IDB-INTAL. September, 2002.

INTER-AMERICAN DEVELOPMENT BANK - IDB. *Beyond Borders: The New Regionalism in Latin America*. Economic and Social Progress in Latin America. Report. 2002.

JESSEN, ANNEKE. "Regional Public Goods and Small Economies: The Caribbean Regional Negotiating Machinery" in *Regional Public Goods: From Theory to Practice*. Inter-American Development Bank and Asian Development Bank. Washington and Manila. 2004.

_____ AND CHRISTOPHER VIGNOLES. *Trinidad and Tobago: Trade Performance and Policy Issues in an Era of Growing Liberalization*. INTAL-ITD Occasional Paper 23. Buenos Aires: IDB-INTAL. March, 2004.

JOINT UNITED NATIONS PROGRAMME ON HIV/AIDS - UNAIDS AND CARICOM SECRETARIAT. *A Study of the PANCAP: Common goals, shared responses*. UNAIDS Best Practice Collection. December, 2004.

LALL, SANJAYA. *Export Performance, Technological Upgrading and FDI Strategies in Asian NIEs: with special reference to Singapore*. UN-ECLAC, Serie Desarrollo Productivo, N° 88. Santiago de Chile, Chile. 2000.

LESTER, JO-ANNE AND CLARE WEEDEN. *Stakeholders, the Natural Environment and the Future of Caribbean Cruise Tourism*. International Journal of Tourism Research, Vol. 6. 2004.

ORGANIZATION FOR SECURITY AND CO-OPERATION IN EUROPE - OSCE. *The Role of the CARICOM Secretariat in Strengthening Practical Cooperation in between Regional and Institutional Organizations in the Common Effort against Global Terrorism*. March, 2004.

ORGANIZATION OF ECONOMIC CO-OPERATION AND DEVELOPMENT - OECD. *The OECD's Project on Harmful Tax Practices: The 2004 Progress Report*. February, 2004.

PAN CARIBBEAN PARTNERSHIP AGAINST HIV/AIDS - PANCAP. *Caribbean Regional Strategic Framework for HIV/AIDS 2002-2006*. Guyana: CARICOM Secretariat. March, 2002.

RAJACK, ROBIN AND SHRIKANT BARHATE. *Urban Poverty and Habitat Precariousness in the Caribbean*. UN-ECLAC. August, 2004.

RNM. *Draft Five-Year Strategic Plan 2003/04 - 2007/08*. Available at <http://www.crn.org>. 2003.

_____. *WTO Negotiating Theater*. Found at <http://www.crn.org/wto.htm>.

RNM PRESS RELEASE. *CARICOM and Canadian trade officials optimistic about a way forward in trade talks*. March, 2005.

_____. *CARIFORUM and European Commission Advance Regional Integration Elements of EPA Negotiations*. November, 2004.

SCHIFF, MAURICE AND L. ALAN WINTERS. *Regional Cooperation, and the Role of International Organizations and Regional Integration*. World Bank. Policy Research Working Paper 2872. July, 2002.

TINDIGARUKAYO, JIMMY K. *Perceptions and Opinions of Jamaicans on the CSME*. Paper presented to the 5th Annual Conference of SALISES. See <http://www.uwi.tt/salises/workshop/csme/people.html>. University of the West Indies. March 31-April 2, 2004.

UNITED NATIONS - ECLAC. *Foreign Investment in Latin America and the Caribbean 2004*. Santiago, Chile. March, 2005.

_____. *The Development of Services in the Caribbean*. Report N° LC/CAR/G.717. Port of Spain, Trinidad. <http://www.eclac.org/publicaciones/PortOfSpain/7/LCCARG717/lcarg717.pdf>. January, 2003.

UNITED NATIONS DEVELOPMENT PROGRAMME - UNDP. *Caribbean Regional Report on the Implementation of the Millennium Development Goals*. Prepared by a team from the University of the West Indies. Mona, Jamaica. June, 2004.

UNITED STATES INTERNATIONAL TRADE COMMISSION - USITC. *The Impact of the CBERA*. Sixteenth Report 2001-2002. September, 2003.

UNIVERSITY OF THE WEST INDIES - UWI. *UWI Strategic Plan II 2002-2007*. University Strategy Committee. April, 2003.

WINTERS, L. ALAN. *Beautiful but Costly: Business Costs in Small Economies*. Report for the Commonwealth Secretariat. 2000.

WORLD BANK. *Global Economic Prospects 2005: Trade, Regionalism and Development*. November, 2004.

WORRELL, DELISLE. *A Currency Union for the Caribbean*. IMF Working Paper 03/35, International Monetary Fund. February, 2003.

DATA SOURCES

EASTERN CARIBBEAN CENTRAL BANK (ECCB).

INTERNATIONAL LABOUR ORGANIZATION. *Caribbean Labour Statistics* (CLS) Database.

INTERNATIONAL MONETARY FUND. *World Economic Outlook* (WEO) Database. April, 2004.

_____. *Direction of Trade Statistics* (DOTS) Database.

OFFICE OF U.S. FOREIGN DISASTER ASSISTANCE - OFDA AND CENTER FOR RESEARCH ON THE EPIDEMIOLOGY OF DISASTERS - CRED. *International Disaster Database* (EM-DAT).

UNCTAD. *Foreign Direct Investment* (FDI) Database.

UNITED NATIONS. *World Integrated Trade Solution* (WITS) - COMTRADE and TRAINS Databases.

WORLD BANK. *World Development Indicators* (WDI) Database.

WORLD TRADE ORGANIZATION. *International Trade Statistics* Database.

INTAL PUBLICATIONS

REGULAR PUBLICATIONS

Integration & Trade. Two journal issues (English and Spanish) by subscription or individual issue purchase.

INTAL Monthly Newsletter (English, Portuguese and Spanish - Internet).

SUB-REGIONAL INTEGRATION REPORTS

ANDEAN Report. Annual publication (Spanish). English version: Internet.

CARICOM Report. Annual publication (English).

CENTRAL AMERICAN Report. Annual publication (Spanish). English version: Internet.

MERCOSUR Report. Annual publication (English, Portuguese and Spanish).

SPECIAL REPORTS

Solución de Controversias Comerciales e Inter-Gubernamentales: Enfoques Regionales y Multilaterales (Spanish). Julio Lacarte and Jaime Granados. INTAL-ITD Serie. 2004.

Tributación en el MERCOSUR: Evolución, comparación y posibilidades de coordinación (Spanish). Alberto Barreix and Luiz Villela. 2003.

MERCOSUR: Impacto Fiscal de la Integración Económica (Spanish and Portuguese). Luiz Villela, Alberto Barreix and Juan José Taccone (eds.). 2003.

Perspectivas y Desafíos del Proceso de Integración Argentino-Chileno a Diez Años del ACE 16 (Spanish). 2002.

América Latina a principios del Siglo XXI: Integración, Identidad y Globalización. Actitudes y expectativas de las elites latinoamericanas. Spanish (Internet).

INTAL: 35 años de Compromiso con la Integración Regional. Spanish.

Impacto del TLCAN en las exportaciones de prendas de vestir de los países de América Central y República Dominicana. Spanish (Internet).

El impacto sectorial de la integración en el MERCOSUR (Spanish and Portuguese). Juan José Taccone and Luis Jorge Garay (Eds.) 1999.

Integración en el Sector Transporte en el Cono Sur (Spanish):

Transporte Terrestre. José Alex Sant'Anna. 1997.

Puertos y vías navegables. Martín Sgut. 1997.

Los ferrocarriles y su contribución al comercio internacional. Ian Thomson. 1997.

Integración energética en el Cono Sur (Spanish). Mario A. Wieggers. 1996.

WORKING PAPERS

Las relaciones de comercio e inversión entre Colombia y Venezuela (Spanish). Eglé Iturbe de Blanco. INTAL DT-03. 1997.

MERCOSUL e Comércio Agropecuario (Portuguese). Ives Chaloult and Guillermo Hillcoat. INTAL DT-02. 1997.

The Integration Movement in the Caribbean at Crossroads: Towards a New Approach of Integration (English). Uziel

Nogueira. INTAL WP-01. 1997.

DISSEMINATION PAPERS

El Tratado de Libre Comercio entre el Istmo Centroamericano y los Estados Unidos de América. Oportunidades, desafíos y riesgos (Spanish). Eduardo Lizano and Anabel González. INTAL DD-09. 2003.

Los países pequeños: Su rol en los procesos de integración (Spanish). Lincoln Bizzozero - Sergio Abreu. INTAL DD-08. 2000.

Capital social y cultura. Claves olvidadas del desarrollo (Spanish). Bernardo Kliksberg. INTAL DD-07. 2000.

La dimensión cultural: base para el desarrollo de América Latina y el Caribe: desde la solidaridad hacia la integración. (Spanish) Alejandra Radl. INTAL DD-06. 2000.

Cómo expandir las exportaciones de los países dentro de una economía globalizada (Spanish). Rubens Lopes Braga. INTAL DD-05. 1999.

Comercio Electrónico: conceptos y reflexiones básicas (Spanish). Gerardo Gariboldi. INTAL DD-04. 1999.

Evolución institucional y jurídica del MERCOSUR (Spanish). Vicente Garnelo. INTAL DD-03. 1998.

Estado de evolución en la elaboración e implementación de las Normas ISO 14.000 y CODEX Alimentarius (Spanish). Laura Berón. INTAL DD-02. 1997.

Integración y democracia en América Latina y el Caribe (Spanish). Alvaro Tirado Mejía. INTAL DD-01. 1997.

DATABASES - SOFTWARE

DATAINTAL (CD-ROM) Sistema de estadísticas de comercio de América

Base INTAL MERCOSUR (BIM)

Base de datos bibliográficos (INTEG)

Directorio de las Relaciones Económicas de América Latina y el Caribe con Asia-Pacífico (CD-ROM)

Instrumentos básicos de integración económica en América Latina y el Caribe. Updated to November, 2004.

Rueda de Negocios

Red INT SERIES

THE INTEGRATION RESEARCH CENTERS NETWORK (REDINT)

Second Call:

Visión microeconómica de los impactos de la integración regional en las inversiones inter e intrarregionales: El caso de la CAN (only in Spanish- Short and Full version). 2003.

Integración regional e Inversión Extranjera Directa: El caso del MERCOSUR (only in Spanish- Short and Full version). 2002.

Condiciones y efectos de la IED y del proceso de integración regional en México durante los años noventa: Una perspectiva macroeconómica (only in Spanish) (short version). 2003.

First Call:

El impacto sectorial del proceso de integración subregional en la Comunidad Andina: sector lácteo y sector textil (only in Spanish). 2000.

El impacto sectorial del proceso de integración subregional en Centroamérica: sector lácteo y sector metalmeccánico (aparatos eléctricos) (only in Spanish). 2000.

El impacto sectorial del proceso de integración subregional en el MERCOSUR: sector calzado y sector farmacéutico (only in Spanish). 2000.

La industria láctea de México en el contexto del Tratado de Libre Comercio de América del Norte (TLCAN) (only in Spanish). 2000.

INTAL/ITD PUBLICATIONS

WORKING PAPERS - SPECIAL INITIATIVE ON TRADE AND INTEGRATION (SITI)

Building Regional Infrastructure in Latin America (English). Vito Tanzi. INTAL-ITD WP-SITI-10. 2005.

The European Window: Challenges in the Negotiation of Mexico's Free Trade Agreement with the European Union (English and Spanish). Jaime Zabludovsky y Sergio Gómez Lora. INTAL-ITD WP-SITI-09. 2004.

Trade Liberalization and the Political Economy of Protection in Brazil since 1987 (English). Marcelo de Paiva Abreu. INTAL-ITD WP-SITI-08B. 2004.

The Political Economy of High Protection in Brazil before 1987 (English). Marcelo de Paiva Abreu. INTAL-ITD WP-SITI-08A. 2004.

The Food Industry in Brazil and the United States: The Effects of the FTAA on Trade and Investment (English). Paulo F. Azevedo, Fabio R. Chaddad and Elizabeth M.M.Q. Farina. INTAL-ITD WP-SITI-07. 2004.

MERCOSUR: IN SEARCH OF A NEW AGENDA. MERCOSUR's Institutionalization Agenda: The Challenges of a Project in Crisis.(English and Spanish). Pedro da Motta Veiga. INTAL-ITD WP-SITI-06E. 2003.

MERCOSUR: IN SEARCH OF A NEW AGENDA. Exchange Rate Instability in MERCOSUR: Causes, Problems and Possible Solutions (English and Spanish). José Luis Machinea. INTAL-ITD WP-SITI-06D. 2003.

MERCOSUR: IN SEARCH OF A NEW AGENDA. MERCOSUR: Dilemmas and Alternatives for the Trade Agenda (English and Spanish). Sandra Polónia Rios. INTAL-ITD WP-SITI-06C. 2003.

MERCOSUR: IN SEARCH OF A NEW AGENDA. MERCOSUR's Insertion into a Globalized World (English and Spanish). Juan Ignacio García Pelufo. INTAL-ITD WP-SITI-06B. 2003.

MERCOSUR: IN SEARCH OF A NEW AGENDA. Rapporteur's Report (English and Spanish). Andrew Crawley. INTAL-ITD WP-SITI-06A. 2004.

Estudio sobre las condiciones y posibilidades políticas de la integración hemisférica (Spanish). Adalberto Rodríguez Giavarini. INTAL-ITD DT-IECI-05. 2003.

The Impacts of US Agricultural and Trade Policy on Trade Liberalization and Integration via a US-Central American Free Trade Agreement (inglés). Dale Hathaway. INTAL-ITD WP-SITI-04. 2003.

Agricultural Liberalization in Multilateral and Regional Trade Negotiations (English). Marcos Sawaya Jank, Ian Fuchsloch and Géraldine Kutas. INTAL-ITD-STA WP-SITI-03. 2003.

Reciprocity in the FTAA: The Roles of Market Access, Institutions and Negotiating Capacity (English). Julio J. Nogués. INTAL-ITD-STA WP-SITI-02. 2003.

Free Trade Area of the Americas: The Scope of the Negotiations (English and Spanish). Herminio Blanco M. and Jaime Zabludovsky K. INTAL-ITD-STA WP-SITI-01. 2003.

WORKING PAPERS

Improving the Access of MERCOSUR's Agriculture Exports to US: Lessons from NAFTA (English). Pablo Sanguinetti and Eduardo Bianchi. INTAL-ITD WP-18. 2004.

Premio INTAL - Segundo Concurso de Ensayos. La coordinación macroeconómica y la cooperación monetaria, sus costos, beneficios y aplicabilidad en acuerdos regionales de integración (Spanish, English and Portuguese). Mauricio de la Cuba; Diego Winkelried; Igor Barenboim; Louis Bertone; Alejandro Jacobo and James Loveday Laghi. INTAL-ITD DT-17. 2004.

Agricultural Exporters in a Protectionist World: Review and Policy Implications of Barriers Against Mercosur (English). Julio J. Nogués. INTAL-ITD WP-16. 2004.

Rules of Origin in FTAs in Europe and in the Americas: Issues and Implications for the EU-Mercosur Inter-Regional Association Agreement (English). Antoni Esteveordal and Kati Suominen. INTAL-ITD WP-15. 2004.

Regional Integration and Productivity: The Experiences of Brazil and Mexico (English). Ernesto López-Córdova and Mauricio Mesquita Moreira. INTAL-ITD-STA WP-14. 2003.

Regional Banks and Regionalism: A New Frontier for Development Financing (English). Robert Devlin and Lucio Castro. INTAL-ITD-STA WP-13. 2002.

Métodos casuísticos de evaluación de impacto para negociaciones comerciales internacionales (Spanish). Antonio Bonet Madurga. INTAL-ITD-STA DT-12. 2002.

Las trabas no arancelarias en el comercio bilateral agroalimentario entre Venezuela y Colombia (Spanish). Alejandro Gutiérrez S. INTAL-ITD-STA DT-11. 2002.

The Outlier Sectors: Areas of Non-Free Trade in the North American Free Trade Agreement (English). Eric Miller. INTAL-ITD-STA WP-10. 2002.

A ALCA no limiar do século XXI: Brasil e EUA na negociação comercial hemisférica (Portuguese). Antonio José Ferreira Simões. INTAL-ITD-STA DT-09. 2002.

Metodología para el análisis de regímenes de origen. Aplicación en el caso de las Américas (Spanish). Luis J. Garay S. y Rafael Cornejo. INTAL-ITD-STA DT-08. 2001.

Qué hay de Nuevo en el Nuevo Regionalismo de las Américas? (Spanish). Robert Devlin and Antoni Esteveordal. INTAL-ITD-STA DT-07. 2001.

What's New in the New Regionalism in the Americas? (English and Spanish). Robert Devlin and Antoni Esteveordal. INTAL-ITD-STA WP-06. 2001.

The New Regionalism in the Americas: The Case of MERCOSUR. (English). Antoni Esteveordal, Junichi Goto and Raúl Saez. INTAL-ITD WP-05. 2000.

El ALCA y la OMC: Especulaciones en torno a su interacción (Spanish). Jaime Granados. INTAL-ITD DT-04. 1999.

Negotiating Preferential Market Access: The Case of NAFTA (English). Antoni Esteveordal. INTAL-ITD WP-03. 1999.

Towards an Evaluation of Regional Integration in Latin America in the 1990s (English). Robert Devlin and Ricardo Ffrench-Davis. INTAL-ITD WP-02. 1998.

Una evaluación de la homogeneidad macroeconómica y del desarrollo de la región centroamericana (Spanish). Florencio Ballester. INTAL-ITD DT-01. 1998.

OCCASIONAL PAPERS - SPECIAL INITIATIVE ON TRADE AND INTEGRATION (SITI)

Principales retos de la negociación de un tratado de libre comercio con Estados Unidos: disciplinas en materia de inversión (Spanish). Jaime Zabludovsky and Sergio Gómez Lora. INTAL-ITD OP-IECI-09. 2005.

The Production and Financing of Regional Public Goods. (English). Vito Tanzi. INTAL-ITD OP-SITI-08. 2005.

The Harmonization of Indirect Taxes in the Andean Community. (English and Spanish). Luis A. Arias, Alberto Barreix, Alexis Valencia and Luiz Villela. INTAL-ITD OP-SITI-07. 2005.

Globalization and the Nedd for Fiscal Reform in Developing Countries (English). Vito Tanzi. INTAL-ITD OP-SITI-06. 2004.

Latin American Industrial Competitiveness and the Challenge of Globalization (English and Spanish). Sanjaya Lall, Manuel Albaladejo and Mauricio Mesquita Moreira. INTAL-ITD OP-SITI-05. 2004.

El nuevo interregionalismo trasatlántico: La asociación estratégica Unión Europea-América Latina (Spanish). Luis Xavier Grisanti. INTAL-ITD/SOE IECI-DD-04. 2004.

A Key to Hemispheric Integration (English and Spanish). Herminio Blanco M., Jaime Zabludovsky K. and Sergio Gómez Lora. INTAL-ITD OP-SITI-03. 2004.

A New Approach to Trade Development in Latin America (English and Spanish). Martín Redrado and Hernán Lacunza. INTAL-ITD OP-SITI-02. 2004.

La coordinación y negociación conjunta de los países de la Comunidad Andina en el marco del ALCA y la OMC (Spanish). Victor Rico. INTAL-ITD DD-IECI-01. 2004.

OCCASIONAL PAPERS

Jamaica: Trade, Integration and the Quest for Growth (English). Anneke Jessen and Christopher Vignoles. INTAL-ITD OP-30. 2005.

Trade Related Capacity Building: An Overview in the Context of Latin American Trade Policy and the Mercosur-EU Association Agreement (English). Robert Devlin and Ziga Vodusek. INTAL-ITD OP-29. 2004

Barbados: Trade and Integration as a Strategy for Growth (English). Anneke Jessen and Christopher Vignoles. INTAL-ITD OP-28. 2004

Mirando al MERCOSUR y al mundo: estrategia de comercio e integración para Paraguay (Spanish). Paolo Giordano. INTAL-ITD DD-27. 2004

El tratamiento de las asimetrías en los acuerdos de integración regional (Spanish). Paolo Giordano, Mauricio

Mesquita Moreira y Fernando Quevedo. INTAL-ITD DD-26. 2004.

Centroamérica: La programación regional (2001) y las actividades del Banco (2001-2003) (Spanish). Ennio Rodríguez. INTAL-ITD DD-25. 2004.

Brazil's Trade Liberalization and Growth: Has it Failed? (English). Mauricio Mesquita Moreira. INTAL-ITD OP-24. 2004.

Trinidad and Tobago: Trade Performance and Policy Issues in an Era of Growing Liberalization (English). Anneke Jessen and Christopher Vignoles. INTAL-ITD OP-23. 2004.

The Trade and Cooperation Nexus: How Does Mercosur-EU Process Measure Up? (English). Robert Devlin, Antoni Estevadeordal and Ekaterina Krivonos. INTAL-ITD-STA OP-22. 2003.

Desigualdad regional y gasto público en México (Spanish). Rafael Gamboa and Miguel Messmacher. INTAL-ITD-STA DD-21. 2003.

Export Processing Zones and Other Special Regimes in the Context of Multilateral and Regional Trade Negotiations (English and Spanish). Jaime Granados. INTAL-ITD-STA DD-20. 2003.

The External Dimension of MERCOSUR: Prospects for North-South Integration with the European Union (English). Paolo Giordano. INTAL-ITD-STA OP-19. 2003.

Regional Aspects of Brazil's Trade Policy (English). Eduardo A. Haddad (coord.), Edson P. Domínguez and Fernando S. Perobelli. INTAL-ITD-STA OP-18. 2002.

El proceso de integración Argentina-Brasil en perspectiva: El ciclo cambiario y la relación público-privada en Argentina (Spanish). Ricardo Rozemberg and Gustavo Svarzman. INTAL-ITD-STA DD-17. 2002.

A Study on the Activities of IFIs in the Area of Export Credit Insurance and Export Finance (English). Malcom Stephens and Diana Smallridge. INTAL-ITD-STA OP-16. 2002.

Diseños institucionales y gestión de la política comercial exterior en América Latina (Spanish). Jacint Jordana and Carles Ramió. INTAL-ITD-STA DD-15. 2002.

Mercosul em sua primeira década (1991-2001): Uma avaliação política a partir do Brasil (Portuguese). Paulo Roberto de Almeida. INTAL-ITD-STA DD-14. 2002.

The Trade Policy-Making Process Level One of the Two Level Game: Country Studies in the Western Hemisphere (English and Spanish). INTAL-ITD-STA OP-13. 2002.

Search for a New Partnership in Trade and Investment between Latin America and Asia-Pacific (English). Mikio Kuwayama. INTAL-ITD-STA OP-12. 2001. Spanish version: Internet.

Regional Public Goods in Official Development Assistance (English). Marco Ferroni. INTAL-ITD-STA OP-11. 2001.

Breaking from Isolation: Suriname's Participation in Regional Integration Initiatives (English). Anneke Jessen and Andrew Katona. INTAL-ITD-STA OP-10. 2001.

NAFTA and the Mexican Economy: Analytical Issues and Lessons for the FTAA (English). J. Ernesto López-Córdova. INTAL-ITD-STA OP-09. 2001.

La integración comercial centroamericana: Un marco interpretativo y cursos de acción plausible (Spanish). Jaime Granados. INTAL-ITD DD-08. 2001.

Negotiating Market Access between the European Union and MERCOSUR: Issues and Prospects (English). Antoni Estevadeordal and Ekaterina Krivonos. INTAL-ITD OP-07. 2000.

The Free Trade Area of the Americas and MERCOSUR-European Union Free Trade Processes: Can they Learn

from Each Other? (English). Robert Devlin. INTAL-ITD OP-06. 2000.

The FTAA: Some Longer Term Issues (English). Robert Devlin, Antoni Esteveordal and Luis Jorge Garay. INTAL-ITD OP-05. 1999.

Financial Services in the Trading System: Progress and Prospects (English). Eric Miller. INTAL-ITD OP-04. 1999.

Government Procurement and Free Trade in the Americas (English). Jorge Claro de la Maza and Roberto Camblor. INTAL-ITD OP-03. 1999.

The Caribbean Community: Facing the Challenges of Regional and Global Integration (English). Anneke Jessen and Ennio Rodríguez. INTAL-ITD OP-02. 1999.

ALCA: Un proceso en marcha (Spanish). Nohra Rey de Marulanda. INTAL-ITD DD-01. 1998.

INTAL/ITD /SOE PUBLICATIONS

EURO-LATIN STUDY NETWORK ON INTEGRATION AND TRADE (ELSNIT)

Issues Papers. First Annual Conference. (English). INTAL-ITD-SOE. 2004

INT/ITD PUBLICATIONS

WORKING PAPERS

MERCOSUR: Achievements and Challenges. Carlos Sepúlveda and Arturo Vera Aguirre. Working Paper # 222. September 1997 (also available in Spanish).

Transport Infrastructure in Latin America. Arturo Vera Aguirre. Working Paper # 221. July 1997 (also available in Spanish).

Convergence and Divergence Between NAFTA, Chile, and MERCOSUR: Overcoming Dilemmas of North and South American Economic Integration. Raúl A. Hinojosa-Ojeda, Jeffrey D. Lewis and Sherman Robinson. Working Paper # 219. May 1997.

Towards Free Trade in the Western Hemisphere: The FTAA Process and the Technical Support of the Inter-American Development Bank. Enrique V. Iglesias. Working Paper # 217. July 1997 (also available in Spanish)

Economic Integration and Equal Distribution. Willem Molle. Working Paper # 216. May 1997.

What can European Experience Teach Latin America About Integration. L. Alan Winters. Working Paper # 215. May 1997.

Facts, Fallacies and Free Trade: A Note on Linking Trade Integration to Labor Standards. Donald J. Robbins. Working Paper # 214. May 1997.

From Miami to Cartagena: Nine Lessons and Nine Challenges of the FTAA. Robert Devlin and Luis Jorge Garay. Working Paper # 211. July 1996 (also available in Spanish).

Common Market of the Southern Cone: MERCOSUR. Martin Arocena. Working Paper # 204. September 1995 (also available in Spanish).

SPECIAL PUBLICATIONS

Periodic Note on Integration and Trade in the Americas, July 1995; February, August and December 1996; July and December 1997; August and December 1998; February and October 1999; October and December 2000; May 2002; December 2002; December 2003; January 2004; May 2004; December 2004 (also available in Spanish and 1997 versions also in Portuguese).

The Euro and its Effect on the Economy and the Integration of Latin America and the Caribbean. Roberto Zahler. Paper presented at the Seminar "Euro and its International Impact" on occasion of the Annual Meetings of the Boards of Governors. France, March 16, 1999 (also available in Spanish).

Extract from the Bank's 1996 Report on Economic and Social Progress in Latin America, Part II, Chapter 2: Trade Liberalization, 1996 (also available in Spanish).

European Economic and Monetary Union: Recent Progress and Possible Implications for Latin America and the Caribbean. March 1997 (also available in Spanish).

Globalization and Regional Integration: Consequences for Latin America. Speech delivered by Enrique V. Iglesias at the Seminar on "A Critical View of Globality". Mexico City, November 1997 (also available in Spanish).

Protection, Preferential Tariff Elimination and Rules of Origin in the Americas - An Overview. Luis Jorge Garay and Antoni Estevadeordal. June 1995 (also available in Spanish).

The New Face of Regional Integration in Latin America and the Caribbean. Speech delivered by Enrique V. Iglesias at The Annual World Bank Conference on Development in Latin America and the Caribbean. Montevideo, July 1997 (also available in Spanish).

Free Trade Area of the Americas: From Miami to Belo Horizonte. Speech delivered by Enrique V. Iglesias at the III Business Forum of the Americas. Belo Horizonte, May 1997 (English, Portuguese and Spanish).

Transpacific Partnership: Latin America's Role. Speech delivered by Enrique V. Iglesias at the XII International General Meeting of the Pacific Economic Cooperation Council (PECC XII). Santiago, September, 1997 (also available in Spanish).

