Part 2: The Caribbean region and the OECS: an overview

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2.1 Introduction

The Caribbean region is in the process of redefining its trading relations with the EU, and possibly also with themselves. These changes are taking place as a result of two parallel processes – negotiations with the EU on Economic Partnership Agreements, (EPAs) and the on-going implementation with the region of the Caribbean Single Market and Economy (CSME).

In this part of the report, we provide a detailed overview of the Caribbean region, and where relevant of the OECS economies. The aim of this analysis is to provide an important backdrop to the above process and in particular the EPA negotiations. This is important in several regards. First, it is important to understand the economic and social context within which the Caribbean is operating, and within which the EPAs are being negotiated. We therefore provide reasonably detailed but summary information on key economic and social indicators for the Caribbean region. Secondly, the institutional context in the Caribbean and the history of regional integration between the Caribbean economies themselves is of central importance, both in understanding the likely impact of any future EPA, but also in determining the shape and scope of the negotiations themselves. Many of the issues identified in this chapter are then explored in more detail in the subsequent chapters of the report.

The structure of this part of the report is therefore as follows. In the first section, we provide some background information and discussion on the EPA process and discuss some of the key issues, which emerge in considering the importance of the EPAs for the Caribbean region. In section 2.2, we then examine key economic and social indicators for the region. In section 2.3, we turn to a discussion of the institutional background which is of relevance. Here we discuss the background both to regional integration within the region, as well as to trading relations with third countries.

2.2 The Caribbean region and the EPA process

Under first, the Yaounde and then subsequently the Lomé Agreements The Caribbean economies, along with other African, Caribbean and Pacific (ACP) countries, have enjoyed preferential trade access to the EU market for many decades. A basic principal underlying these processes was non-reciprocal duty and quota-free access for most of the ACP countries' exports to the EU. In order to bring conformity with WTO rules the Lomé process was replaced in 2000 by the Cotonou Agreement. The latter agreement envisages establishing, by 2007, a European Partnership Agreement (EPA), which will be more reciprocal in nature, increase regional integration and have a sizeable aid and development assistance component attached to it. Together with the greater integration of the ACP countries into the world economy, the principal aims of the EPAs are to enhance economic growth and poverty eradication.

Hence, existing arrangements between the EU and the ACP countries are such that the ACP countries have preferential access to the EU market. That preferential access is greater than the EU affords via its' GSP system of preferences mainly with respect to the number of tariff lines which have duty free access, but also because of the special protocols on Bananas, Sugar and Rum. However, as the existing arrangements are WTO incompatible the ACP countries do not have a choice between negotiating an EPA with the EU, or remaining with the status quo. The options for these countries therefore are:

1. Negotiate and sign an EPA with the EU. Under this scenario, the new negotiated arrangements would start to come into force on the 1st of January 2008. A key feature of any EPA is the *reciprocal* liberalisation of "substantially all trade".
2. Choose not to do the above, in which case the countries would then have access to the EU via its' GSP preferences or via the preferences granted under the EU's Everything but Arms initiative (EBA)[1].
3. For the Caribbean, parallel to the above, are the trading relations with the Americas, and in particular the Free Trade Area of the Americas (FTAA). Currently the Caribbean countries have access to the US market via the Caribbean Basin Initiative (CBI), but there is also on-going talk about the

[1] Note that in the Caribbean region the only country, which qualifies for EBA preferences is Haiti

FTAA process[2]. As with the EPA's this would imply *reciprocal* market access.

The EPA negotiations and subsequent agreements are intended to cover six thematic areas, which are: market access; agriculture and fisheries, trade in services, other trade related issues such as non-tariff barriers, regulatory structure etc; development cooperation; and other/legal issues. Not surprisingly there is considerable debate within each of the ACP regions both on the likely shape of any agreed EPA, and closely related to this on the possible impact of an EPA on the respective economies.

As part of this EPA process, the EU is negotiating with a number of regional groupings. These groupings are: West Africa, Central Africa, East-South Africa, Southern Africa, the Caribbean, and the Pacific. The Caribbean regional grouping comprises most of the CARICOM countries plus the Dominican Republic[3]. This negotiating group is typically referred to as the CARIFORUM group of countries. The aim of this report is to shed light on the possible impact of an EPA for the Caribbean region, and specifically also for the small island states in the region which comprise the Organisation of Eastern Caribbean States (OECS). Specifically, the overall aim of this report was to analyse the likely impact on trade, production and welfare for the Caribbean and the OECS, arising from their need under any future EPA to liberalise their import regime with regard to the EU. As the EPA negotiations are still on-going there remains uncertainty as to the precise nature of any agreement. Hence, an important part of this study is to consider and discuss different options and their implications which may be open to the region.

As discussed above, the ACP countries are not required to sign an EPA with the EU, as the alternative is to fit into either the EU's GSP scheme or the EBA scheme. Clearly, the choice here will depend to a large degree on the perceived costs

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[2] The CBI process is due to expire on September 30th 2008, or possibly sooner if in the interim there is agreement on an FTAA or an alternative free trade agreement between the US and the Caribbean.

[3] Caricom refers to the regional integration grouping established by the Treaty of Chaguerramas, and which currently comprises the following countries: *Antigua and Barbuda, Dominica, Grenada, Montserrat, St Kitts and Nevis, Saint Lucia, St Vincent and the Grenadines,* Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago. In addition *Anguilla, British Virgin Islands,* Bermuda, Cayman Islands, Turks and Caicos Islands are associate members. The countries in italics are members of the OECS.

and benefits of the alternatives. Relevant here is the work of Nilsson (2001), who compared the effects of three of the EU's preferential trade agreements to developing countries at different levels of economic development. The comparison was between those countries benefiting from GSP preferences, those benefiting from the Lomé Convention, and those countries with association and co-operation agreements (between 1973 and 1992).[4] He argues that while there has been criticism of the results of the Lomé Conventions, the Lomé Convention resulted in a bigger impact on countries' exports to the EU in comparison to the GSP and the co-operation / association agreements. In addition, while the level of benefits offered have remained constant over the years, there has been a steady decrease in the preferences enjoyed by ACP countries in relation to other developing countries as well as in relation to developed countries. This is due to successive negotiations within the GATT framework, which have reduced tariffs on imports. As well as finding that the Lomé Conventions had a greater impact on developing country exports into the EU than the GSP scheme, an interesting result is that GSP countries are more susceptible to a disruption of trade due to non-tariff trade barriers than Lomé recipients. As non-tariff trade barriers potentially become more prevalent this is potentially significant for the ACP countries.

This impact of preferences on trade is perhaps unsurprising – one would naturally expect that preferential treatment would have a real impact on trade flow. Increasing exports via preferences is not necessarily, however, the best route to increasing economic growth and prosperity. The reason for this is that preferential agreements tend to distort relative prices across countries, and thus introduce potential inefficiencies. In the traditional regional integration literature, this is most often couched in terms of the concepts of trade creation and trade diversion.

Nevertheless, while such agreements may be sub-optimal it is also the case that the removal or the erosion of preferences is then likely to have a structural impact on the economies concerned. There are different possible conclusions regarding the impact of such changes on the region. For example, Gerrick (2005) suggested that the Cotonou Agreement is likely to contribute to the economic decline of the ACP

[4] Nilsson, 'Trading Relations: is the roadmap from Lomé to Cotonou correct?' (2002) 34 Applied Economics pp 439-440.

countries, particularly the small island economies of the Caribbean.[5] This negative effect would be particularly felt by the Windward Islands whose economies are especially dependent on the export of bananas to the EU[6]. However, this is clearly not a necessary outcome and will also depend on the nature of the EPAs, which are ultimately agreed upon, and on other policies that are put in place both within the region, and by the EU.

From the point of view of the OECS States, it is clear that major changes to their economies' are taking place and will continue to take place as a result of the changes in the regional and international trading environment. Their economic development strategy to date has been based around special and differential treatment that (a) guaranteed access to external markets at prices which supported inefficient production particularly in the agricultural sector; (b) maintained non-reciprocity in preferential trading arrangements both regionally and with non-regional trading partners; and (c) provided them with longer adjustment periods to implement CARICOM regional integration measures. The combination of all these measures has been a major factor in contributing to the level of economic development in the region and thus their simultaneous dismantling will undoubtedly have major consequences. Hence, as the relative advantage offered by special and differential treatment has decreased, resources have moved away from agriculture and into tourism. To date the reallocation of productive resources from agriculture to industry and services since the middle of the 1980s has not been accompanied by a similar shift in the labour market resulting in increasing unemployment.

The OECS view themselves as vulnerable despite the fact that their per capita income is more than double that of CARICOM as a whole. This is because while much of their past wealth was built on privileged access to EU markets, much of their present wealth depends on tourism, which is vulnerable to natural disasters. The

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[5] Gerrick, 'The Cotonou Agreement: Will it successfully improve the small island economies of the Caribbean?' (2004) 27 B.C. Int'l & Comp. L. Rev. 131.

[6] For example she suggests that one-third of the population of the Windward Islands is dependent on the banana industry with as much as 70% of the population of St. Vincent involved in banana production and marketing.

OECS countries depend to a large degree on the EU market as a destination for exports and a supplier of tourism.[7]

Finally, it important to emphasise that a principal motivating factor driving the EPA process is the WTO incompatibility of the existing arrangements. This means that a central determining feature of the EPAs is the need by the ACP countries to liberalise their import regimes with respect to trade in goods. A key objective of this study, therefore, is to focus on the implications of the liberalisation of trade in goods for the Caribbean region and within this for selected OECS economies. We recognise, however, that important to the Caribbean region is the role of the service sector both in terms of its' share in GDP and with respect to trade. While it is not within the scope of this study to provide a detailed analysis of the services sector, we recognise and discuss its' importance to the region. This is also an important issue, which arises in terms of the conclusions and recommendations arising from this report.

2.3: Economic and Social Background

In this part of the report, we focus on key economic and social indicator for the Caribbean economies. The discussion here is based both on primary and secondary sources.

2.3.1: Economic Indicators

Table 2.1 provides an overview, which serves to highlight some of the similarities and difference across the Caribbean economies. The first column of the table gives the GDP for each of the countries, which ranges from $252M (US) for Dominica to $21,595M (US) for the Dominican Republic. Dominica is thus 86 times smaller than the largest of the Cariforum countries, and 35 times smaller than the largest of the CARICOM islands (Trinidad and Tobago). These absolute size differences do not translate into per capita differences. The poorest country is Haiti with a per capita income level of $418 (US), and the richest, Bahamas, is 38 times higher, $16083 (US). Leaving out the Bahamas and Haiti, the difference in per capita

[7] IADB 2005 Report

income between the richest CARICOM state (Antigua and Barbuda) and the poorest (Guyana) is 9:1. This is similar to the difference between the richest and poorest within an enlarged EU. By way of contrast, income differences within Latin American integration schemes are much smaller than CARICOM's, the CACM is 4:1, Mercusor is 4:1 and the Andean Community is 4:1.[8] Income differences within CARICOM have widened over time.

In terms of population, there are again substantial differences across the countries. Two of the countries have over 8 million inhabitants (Haiti and the Dominican Republic), while in contrast two islands have a population of less than 100,000 (St.Kitts and Nevis, and Dominica). The second column of the table indicates a diverse performance in terms of GDP growth, which ranges from –5.19% for Dominica, to 6.78% for Trinidad and Tobago.

Table 2.1: GDP and size indicators for the Caribbean

CARIFORUM MEMBER	GDP (current US$ M)	GDP growth (annual %)	GDP/Capita US$ M	Population
Antigua and Barbuda	720	2.94	9426	764,85
Bahamas, The	5050	0.7	16083	313,988
Barbados	2534	-2.05	9409	269,384
Belize	926	4.24	3491	265,200
Dominica	252	-5.19	3545	71,079
Dominican Republic	21595	4.1	2507	8,612,860
Grenada	414	-1.1	4001	103,500
Guyana	722	-1.08	943	765,592
Haiti	3465	-0.5	418	8,286,491
Jamaica	8442	1.09	3221	2,621,043
St. Kitts and Nevis	356	2.08	7627	46,710
St. Lucia	676	2.19	4250	159,133
St. Vincent & the Grenadines	361	1.1	3307	109,164
Suriname	94	2.78	2181	433,456
Trinidad and Tobago	8860	6.78	6794	1,303,976

Source: World Bank Development Indicators 2002.

The OECS comprises the smaller CARICOM member states of Antigua and Barbuda, Dominica, Grenada, St. Lucia, St. Kitts and Nevis, St. Vincent, and Montserrat. Anguilla and the British Virgin Islands are associate members. Those for

[8] IADB 2005 Report, p. 8

which data were available are included in the table below, and are shaded in grey. What can immediately be seen from the table is that these islands are typically small in terms of their population with the largest being Antigua and Barbuda (just over 750,000 inhabitants). In terms of their per capita GDP levels, they can be seen as middle-income countries, except again Antigua and Barbuda where GDP per capita is higher at $9426 (US). However, their smallness and consequent lack of economic diversity make them potentially more vulnerable than some of the other countries – both to natural disasters but also to changes in the economic environment. It is perhaps also worth pointing out that while the OECS are largely middle income countries, three of the islands - Antigua and Barbuda, Dominica, and St. Kitts and Nevis - are also among the ten most indebted emerging market economies.[9]

Table 2.2 provides summary information on the underlying economic structure in the Caribbean region. Here we list the principal economic activities in each of the economies (excluding construction). The aim of this table is to identify the principal areas of economic production within each country, and also to highlight similarities and differences across the countries. The countries, which are shaded in the table, are the OECS economies.

It is clear from the table that there are substantial differences between many of the islands with, for example, The Bahamas being focussed on tourism, and financial services, while Trinidad and Tobago is more concentrated on petroleum and petroleum products. Nevertheless, while there are important differences, there are also a number of similarities. Important for most of the islands is the role of tourism, which in many cases is indeed one of the principal economic activities. Agricultural production is important in many of the islands with certain common products such as bananas, sugar, coffee, and rice. As discussed later in this report, with the changes in the trading regime, which have already occurred as well as those which are imminent, production in this sector for several of the economies is rapidly changing – most notably in sugar and bananas.

[9] UNECLAC 2005 Report, p. 20

Table 2.2: Main Areas of Economic Activity in the Caribbean

	Agriculture	Forestry & fishing	Natural resources	Manuf.	Other
Antigua and Barbuda	cotton, fruit, vegetables			bedding, handicraft, electronic components, beverages, household appliances	Tourism
Anguilla		lobster, fish		concrete blocks	tourism, financial services
Bahamas					tourism, financial services
Barbados				foodstuffs, beer, flour, animal feeds, chemicals	Tourism
Belize	sugar, bananas	marine products		Clothing	Tourism
Dominica	bananas			soap	tourism
Dominican Republic	sugar, coffee, tobacco		ferronickel, gold	food processing, textiles, cement	
Grenada	Bananas			Clothing	tourism, financial services
Guyana	sugar, rice	Shrimp	gold, bauxite	food processing	
Haiti	sugar, rice, coffee			light assembly, textiles, cement, food processing	Tourism
Jamaica	sugar, bananas	Coffee	Bauxite	chemicals, food processing, cement, textiles	Tourism
Saint Kitts and Nevis	Sugar			food processing, beverages, electronic components	tourism, financial services
Saint Vincent & the Grenadines	Bananas	Flowers, Foliage		food processing, beverages, electronic components	Tourism
Saint Lucia	Bananas	Flowers, Plants		paper, food processing, beverages, clothing, electrical components	Tourism
Suriname	rice, fruit, vegetables	Fishing	bauxite, gold	food processing, aluminium,	
Trinidad and Tobago	sugar, coffee, cocoa		Petroleum	petrochemicals, food processing, cement, beverages, textiles	Tourism

Manufacturing comprises, in most cases, a relatively small proportion of GDP nevertheless a number of the islands have a small and in certain cases increasingly diversified manufacturing base. Typically, the industries, which are developed, tend to be food processing and hence related to the agricultural sector, or light manufacturing such as textiles (e.g. Dominican Republic, Haiti and Saint Lucia), soap (Dominica), or assembly operations. Some of the islands are also diversifying into financial services (for example Anguilla, The Bahamas, Grenada, Saint Kitts and Nevis). Finally, natural resources are important for several of the islands. This includes gold and/or bauxite (e.g. Dominican Republic, Guyana, Jamaica, Suriname), and petroleum products (Trinidad and Tobago).

Tables 2.3-2.5 then give the shares of Manufacturing, Agriculture and Services respectively across the Cariforum countries, with once again the shaded countries representing the OECS. If we turn first to Table 2.3, we see that manufacturing is most important for the Dominican Republic with a share of 15.71% in GDP, and for Jamaica with a share of 12.54%. The lowest share is for Antigua and Barbuda where the share of manufacturing is only 2.28%. The unweighted average across the Cariforum countries in this table is 8.24%, and for the OECS economies, 6.24%. We also see some variation in the share of manufacturing over time across the countries. Hence, for a number of countries there is a noticeable decline in this share over the last 20 years or more (Antigua and Barbuda, Belize, St.Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Suriname), whereas others experience a rise (Dominica, Grenada, Trinidad and Tobago).

Table 2.3: Share of Manufacturing in GDP

Country Name	1960	1970	1980	1990	2000	2002
Antigua and Barbuda			5.33	3.38	2.26	2.28
Barbados		7.94	11.95	10.12	8.99	8.68
Belize			23.91	13.09	10.93	9.74
Dominica			4.80	7.15	8.76	7.88
Dominican Republic		18.54	15.31	17.96	16.81	15.71
Grenada			3.76	6.55	7.71	7.43
Guyana	10.37	12.13	12.13	10.31	8.15	8.84
Jamaica	15.52	15.73	16.64	18.58	12.81	12.54
St. Kitts and Nevis			15.17	12.83	10.42	9.67
St. Lucia			10.45	8.12	5.07	4.81
St. Vincent & the Grenadines			10.46	8.50	6.03	6.42
Suriname			18.56	10.29	8.99	5.37
Trinidad and Tobago		24.12	8.94	13.43	7.06	7.82

Source: World Bank, World Development Indicators

In Table 2.4, we detail the share of agriculture for the same economies. For both the aggregate average, and for the OECS economies the average share of agriculture in GDP is just under 12%. There is however, quite wide variation between the islands. Guyana and Haiti have the highest shares of agriculture at 30.82% and 27.89% respectively, while the share in St.Kitts and Nevis is 3.28% and for Trinidad and Tobago it is 1.29%. Once again, we see quite considerable changes taking place over time with big reductions in the share of agriculture for most of the economies in the table. The key exceptions to this are Guyana and Suriname whose respective shares in agriculture rose between 1980-2002, and for Jamaica whose share was already low in 1980, and only diminished slightly over the time period.

Table 2.4: Share of Agriculture in GDP

Country Name	1960	1970	1980	1990	2000	2001	2002
Barbados	21.49	10.97	9.91	7.40	6.23	5.97	5.84
Belize			27.44	19.98	17.21	15.42	15.06
Dominica			30.68	25.01	18.11	17.65	18.58
Dominican Republic		23.24	20.15	13.42	11.14	11.35	11.54
Grenada			24.71	13.40	7.81	7.80	7.53
Guyana	26.22	19.17	23.35	38.08	31.09	30.30	30.82
Haiti					28.41	28.65	27.89
Jamaica	10.41	6.64	8.22	7.11	6.26	6.14	5.55
St. Kitts and Nevis			15.94	6.46	2.74	2.91	3.28
St. Lucia			14.39	14.53	7.40	6.81	6.40
St. Vincent & the Grenadines			14.28	21.19	10.80	9.54	10.33
Suriname	10.54	7.32	9.14	8.71	11.13	11.55	11.09
Trinidad and Tobago	11.19	4.89	2.25	2.50	1.36	1.29	1.29

Source: World Bank, World Development Indicators

Table 2.5: Share of services in GDP

	1960	1970	1980	1990	2000	2002
Antigua and Barbuda			74.77	75.72	76.30	74.57
Barbados	58.81	69.49	67.54	72.94	72.79	73.41
Belize			41.69	57.83	61.67	65.23
Dominica			48.38	56.38	58.45	60.38
Dominican Republic		50.62	51.56	55.17	54.84	56.34
Grenada			62.16	68.60	68.23	69.84
Guyana	42.80	40.55	40.87	37.04	39.88	40.59
Haiti					55.02	55.35
Jamaica	52.79	50.70	53.52	52.40	64.41	65.31
St. Kitts and Nevis			57.49	64.59	68.39	67.06
St. Lucia			61.99	67.35	72.99	75.10
St. Vincent & the Grenadines			59.18	55.95	65.13	64.56
Suriname	43.37	45.58	51.99	67.09	63.71	69.33
Trinidad and Tobago	40.22	54.07	35.22	52.35	51.11	55.00

Source: World Bank, World Development Indicators

Finally, we turn to the share of services for these economies in Table 2.5. The importance of services is striking in this table. The average share of service is 63.7%, and the average share for the OECS islands is 68.6%. The highest shares are for Antigua and Barbuda, and for Barbados, at 74.57% and 73.41%. The lowest shares are for Trinidad and Tobago, Haiti, and the Dominican Republic where the share in each case is close to 55%. If we look at changes over time, we see that almost invariably the share of services has increased over time, and in certain cases (Belize, Dominica, Jamaica, St.Kitts and Nevis, St.Lucia, and Trinidad and Tobago) quite substantially.

In summary, from the above tables there are several key messages which emerge. The first is that in terms of economic structure the most important single sector is that of services. Manufacturing and agriculture are nonetheless important sector for a number of the economies. Secondly, we see that there is considerable variety in economic structure across the Caribbean economies, both across sectors and within agriculture and manufacturing. Thirdly, the tables indicate that there has been quite considerable inter-sectoral adjustment over time.

Table 2.6 provides some summary information on trade related indicators for the region, as well as for groups of comparator countries (low income, middle income, and upper middle-income countries). For each of the economies we see that the exports of goods and services as a percentage of GDP is typically quite high with the notable exceptions of Haiti and Suriname. The highest export of goods and services to GDP ratio is for Guyana, followed by Antigua and Barbuda. These relatively high levels of the ratio typically reflect the smallness of these economies and their consequent high reliance on international trade. This can also be seen in the last column of the table which gives Trade in goods as a percentage of GDP. For most of the Caribbean countries these are above (in some cases substantially so) the average for upper-middle income countries. Finally, in the middle column of the table we see quite high variations in total debt service (as a % of the exports of goods and services). This is high for Belize, St.Kitts and Nevis, and for Jamaica, and considerably lower for Haiti, Barbados, and Trinidad and Tobago.

It is also worth noting that in the last 10 years, CARICOM's average unweighted tariff on imports from 3rd countries has dropped from 20% to 10%.

Levels and changes in tariffs are clearly of importance in considering the likely impact of an EPA and this issue is discussed in more detail in Part 4 of this report.

Table 2.6: Indicators of Trade

CARIFORUM MEMBER	Exports of goods and services (%of GDP)	Total debt service (% of exports of goods and services)	Trade in goods (% of GDP)
Antigua and Barbuda	60.48		57.42
Bahamas, The			44.18
Barbados	52.17	5.69	49.12
Belize	52.60	36.71	74.95
Dominica	54.40	9.65	62.29
Dominican Republic	37.79	6.39	64.84
Grenada	47.37	15.85	57.23
Guyana	93.03	8.83	146.17
Haiti	12.90	2.55	40.69
Jamaica	36.19	18.55	55.04
St. Kitts and Nevis	45.99	24.49	64.56
St. Lucia	46.27	7.92	52.19
St. Vincent and the Grenadines	49.23	7.32	58.71
Suriname	21.30		111.8
Trinidad and Tobago	50.39	5.64	84.91
Low income countries*	20.80	13.10	34.50
Middle income countries*	32.30	17.80	58.30
Upper middle income*	33.80	18.00	68.40

source: World Bank Development Indicators 2002; * denotes data for 2003.

Tables 2.7 and 2.8 consider changes in GDP, and GDP per capita over time. In overall terms, economic growth in CARICOM has been slow in the last two decades, averaging 1.8% per year, compared to 3.5% in the world economy and 4.3% for developing countries.[10] This can also be seen from Table 2.7 which gives the rate of growth of GDP for individual countries. Up until the year 2001 (where several countries experienced a downturn), fairly high rates of growth for the preceding few years had been achieved by Antigua and Barbuda, Belize, Grenada, St.Kitts and Nevis, St Vincent and the Grenadines, and Trinidad and Tobago. In contrast, there were comparatively low or negative rates of growth for Dominica, Guyana, Jamaica, Montserrat, St. Lucia and Suriname.

[10] IADB Report 2005, p.1

If we look at the evidence on GDP per capita then a similar picture emerges with the highest rates of growth for Antigua and Barbuda, Grenada, St. Kitts and Nevis, and Trinidad and Tobago; and the lowest or negative rates of growth for Anguilla, Dominica, Guyana, Haiti, Jamaica, and St. Lucia. It is also notable that for a number of countries there is a noticeable tailing off of rates of economic growth from the late 1990's onwards.

Table 2.7 Annual growth rates of GDP at constant market prices

	1980-1985	1985-1990	1990	1995	1996	1997	1998	1999	2000	2001
Antigua and Barbuda			3.8	- 4.8	6.0	5.5	5.0	4.9	2.6	4.3
Anguilla		9.0	7.0	4.1	3.5	9.2	5.2	8.7	0.3	2.0
Bahamas				1.1						
Barbados	- 0.1	2.2	- 3.0	1.9	2.5	2.6	4.0	3.0	3.1	- 2.2
Belize			9.9	3.7	1.3	4.4	2.0	6.0	10.5	4.7
Dominica			5.9	1.2	2.9	2.2	3.1	1.3	0.7	- 5.2
Grenada			5.2	3.1	3.0	4.3	7.6	7.5	6.5	- 3.3
Guyana	- 3.3	- 2.5	- 3.7	3.8	7.4	6.8	- 2.2	5.0	- 2.3	2.3
Haiti	- 1.0	- 0.0	0.4	9.5	5.6	3.2	2.9	2.9	1.9	- 0.7
Jamaica	- 0.5	4.9	6.1	2.2	- 0.1	- 1.8	- 0.8	0.6	1.0	1.8
Montserrat	6.0			- 7.6	- 21.4	- 20.0	- 10.1	- 12.6		
Saint Kitts & Nevis			3.1	3.2	5.8	7.2	1.1	3.5	5.0	2.0
Saint Vincent & the Grenadines			6.4	7.8	1.2	3.5	5.8	3.6	1.8	0.3
Saint Lucia			8.2	2.1	0.8	- 0.3	3.0	2.8	0.3	- 5.0
Suriname			- 2.1	- 0.0	5.3	3.3	2.9	- 3.5	- 1.2	
Trinidad & Tobago	- 2.8	- 2.4	0.8	4.2	4.4	4.0	5.3	7.8	9.2	4.3

Source:
Data on Anguilla from the Anguilla Statistic Office, *National Accounts Publications 2002, and 2001*
Data on Bahamas and Montserrat from the CARICOM Secretariat, *CARICOM Selected Economic Indicator 1985, 1995-1999*
Data on other countries from the ECLAC, *Statistical Yearbook for Latin America and the Caribbean 2002*
Data on Anguilla, Bahamas and Montserrat used to calculate these growth rates are GDP given in the constant 1990 prices
For other countries, growth rates are calculated on the data on GDP measured in the constant 1990 prices for 1990 and earlier and in the constant 1995 price for the 1995-2001 periods

For the OECS, and as noted by the OECS Secretariat, economic development in the region experienced a dramatic shift after 1990[11]. From 1980-1990, the OECS countries benefited from a number of preferential trade agreements such as the EU Lomé, the US-Caribbean Basin Initiative and CARIBCAN. This resulted in an expansion in the agricultural sector as these trade preferences gave improved access

[11] OECS Secretariat, '*Strategic Considerations of the OECS in relation to the LOMÉ and FTAA Negotiations*

for these produces to external markets. Thus, the growth rates of the OECS were above this average at 4.1% per year between 1980-2003. But this average masks the fluctuations experienced by these economies over this time period.

Table 2.8 Growth rate of per capita income (%)

	1980 - 1985	1985 - 1990	1990	1995	1996	1997	1998	1999	2000	2001
Antigua and Barbuda			3.4	-5.1	5.6	5.2	4.6	4.5	2.2	4.0
Anguilla					2.6	8.9	-13.7	7.9	-2.1	-1.2
Bahamas										
Barbados	-0.4	1.8	-3.4	1.5	2.1	2.2	3.7	2.6	2.8	-2.6
Belize			7.5	1.8	-0.7	2.2	-0.2	3.6	8.1	2.6
Dominica			6.2	1.3	3.0	2.3	3.2	1.4	0.8	-5.2
Grenada			4.9	2.8	2.7	4.0	7.2	7.2	6.2	-3.6
Guyana	-4.0	-1.1	-3.4	3.3	6.9	6.2	-2.7	4.5	-2.7	1.9
Haiti	-3.3	-2.5	-1.9	7.5	3.7	1.3	1.0	1.1	0.1	-2.5
Jamaica	-2.1	4.4	5.5	1.3	-0.9	-2.6	-1.6	-0.2	0.1	0.9
Montserrat					6.0	3.3	-52.4	-34.1		
Saint Kitts and Nevis			4.2	4.1	6.7	8.1	1.9	4.3	5.8	2.7
Saint Vincent & the Grenadines			5.6	7.1	0.5	2.8	5.1	2.9	1.2	-0.3
Saint Lucia			6.5	0.9	-0.3	-1.5	1.9	1.7	-0.8	-6.1
Suriname			-2.7	-0.3	4.9	3.0	2.5	-3.9	-1.7	Na
Trinidad and Tobago	-4.1	-3.3	0.3	3.4	3.8	3.4	4.8	7.4	8.7	3.8

Source:
Data on Anguilla from the Anguilla Statistic Office, *National Accounts Publications 2002, and 2001* (GDP data are measured in market prices and given in EC$)
Data on Bahamas and Montserrat from the CARICOM Secretariat, *CARICOM Selected Economic Indicator 1985, 1995-1999*. These rates are calculated from per capita GDP given in the constant 1990 prices;
Data on other countries from the ECLAC, *Statistical Yearbook for Latin America and the Caribbean 2002*. For these countries, growth rates are calculated on the data on GDP measured in the constant 1990 prices for 1990 and earlier and in the constant 1995 price for the 1995-2001 periods

Growth averaged at 5.4% per year between 1984-1994, but only 3.3% in 1994-1999, and fell to just 1.2% in 1999-2004. The relatively high growth in the 1980s was supported by public investment financed primarily through aid flows, and the strategies to support growth were determined by the special and differential treatment given to export commodities. In addition, the OECS states' ability to attract external financing from international and donor agencies and from private investors in the 1980s led to an expansion of the tourism sector with concomitant infrastructural development (e.g. airports, hotels). During this decade, real growth rates of the OECS Member countries ranged from 4.4%-6% despite the oil related world recession in the early 1980s and a couple of devastating hurricanes. Real GDP per capita increased at about 5.7% per year, helped not only by the robust economies but also by the high levels of emigration from the region to North America and Europe.

The post early-1990 experience has thus been markedly different. Changes to the international trade regime resulted in price declines for OECS agricultural exports such as sugar and bananas. In addition, a worldwide recession in the early 1990s adversely affected tourism. At the same time, there was an increase in the rate of population growth due to tighter emigration laws in North America and Europe. Population growth rates in the region between 1990-1996 averaged at 0.9% per year compared to 0.1% in the previous decade. The post-1990 period also witnessed steps towards greater integration within Caricom, with the Members agreeing in 1992 to implement the Caribbean Single Market Economy (CSME) and where the OECS States were given longer adjustment periods in implementing CSME measures. However, progress in implementation has been somewhat slow with the CSME due to come into force from January 2006 (see section 2.3.1 for a more detailed discussion).

Business cycles in the Caribbean tend to be of longer duration than those in their developed country trading partners. The IMF calculated that the business cycles for the members of the OECS ranged from 2 and 7 years for St. Vincent and the Grenadines to 2 and 20 years for St. Lucia, generally longer than other middle-income developing countries. For their developed trading partners, the business cycles ranged from 2 and 6 years for the United States to 2 and 9 years for Germany.[12] The IMF analysis also reveals that not surprisingly, volatility of output for these six OECS Members was on average 2.8 times greater than the United States during the study period (1963-2003). Their analysis also concluded that while the level of economic activity in their developed trading partners has a positive correlation with that in the OECS islands, this correlation has been weak. In examining the synchronisation of growth cycles between these Caribbean islands, the IMF concluded that the null hypothesis of no association between the Canadian growth cycle and the Caribbean

[12] Eastern Caribbean Currency Union: Selected Issues, IMF Country Report No. 04/335, October 2004, p. 7-9.

growth cycle is strongly rejected for 4 out of the 6 OECS islands studied, the null was never rejected for the Caribbean-United States and Caribbean-United Kingdom cyclical relationship. Reasons offered for the relative strength of the Caribbean-Canada relationship include the high quantity of bilateral overseas development assistance coming from Canada to the Eastern Caribbean; the activity of Canadian-licensed banks in the ECCU; and the large share of remittance flows to the Caribbean coming from Caribbean migrants in Canada.

The proclivity of natural disasters to affect the economies of the OECS was also identified the IMF. '*When comparing the number of natural disasters during 1970-2002 to land area all six ECCU countries rank in the top-10 most disaster prone in the world…The average cumulative damage was equivalent to 66 percent of annual GDP, compared to a worldwide average of 21 percent.'*[13] The IMF report concludes that natural (mainly hurricanes in the Caribbean) in these small, open economies are typically associated with an immediate contraction of economic output leading to a worsening of external and fiscal balances, and an increase in poverty. The frequency of these disasters leads to high-income volatility in these counties primarily because market-based insurance coverage for damage caused by natural disasters is non-existent or very expensive. The IMF report notes that between 1985-1999, Latin America and the Caribbean had the lowest insurance cover of any region in the world; only 3.9% of the damage caused by natural disasters during that period was covered by insurance. For North America during the same period, 34.5% of damage was covered by insurance.

2.3.2 Social Indicators

We now turn to a discussion of some key social indicators which again provide important background information on the region, and also identify similarities and differences across the different economies. Once again, the bottom panel of the table gives the same information where available for some comparator groups of countries.

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[13] Ibid p. 35

The first column of the table gives the average degree of life expectancy in years. We see that for all the economies except Haiti, average life expectancy is high, and typically at levels between the averages for middle income and high income countries. The notable exception is Haiti where average life expectancy is 51.9, which is lower than the average for low-income countries. A very similar picture emerges when looking at infant mortality rates which are typically fairly low, except for Haiti, where again they are above the average for low income countries.

Table 2.9 Selected Social Indicators - 2000

CARIFORUM MEMBER	Life expectancy (in years)	Infant mortality rate (per 1000 live births)	Primary completion rate	Secondary enrollment	Corruption index 2005	Fixed lines and mob telephones / 1000	Personal computers /1000
Antigua & Barbuda	75.4*	13				786.3	
Bahamas, The	69.8*	14				478.4	
Barbados	74.8*	12	108.4	84.9	6.9	569.3	82.2
Belize	71.2*	34	89.2	60.4	3.7	218.8	124.9
Dominica	76.7 *	14.0	98.5	96.7		309.8	71.3
Dominican Republic	67.1 *	33.0	86.5	36.0	3.0	187.0	
Grenada	73.1 *	21.0	80.1			377.6	127.1
Guyana	62.2 *	55.0	99.2		2.5	125.7	25.6
Haiti	51.9 *	81.0			1.8	15.7	
Jamaica	75.8 *	17.0	84.8	74.3	3.6	340.4	46.5
St. Kitts and Nevis	71.5 *	21.0	117.6			512.4	155.2
St. Lucia	71.8	17.0	114.3	70.4		331.4	141.8
St. Vincent & the Grenadines	72.9 *	21	72.2	59.8		240.4	105.8
Suriname	70.4 *	31.0		61.3		268.1	
Trinidad and Tobago	72.3 *	17.0	83.7	72.2	3.8	369.8	61.8
Low income countries	58.3 *	79.1*				25.4	4.5
Middle income countries	69.6 *	31.6				204.0	29.2
High income countries	78.3*		94.1		7.6	1098.4	383.5

*data for 2003
+ Source: www.transparency.org.

The third and fourth columns of the table then give information on education provision in the economies, though for a number of economies data was not available. Primary completion rates are quite high ranging from 108.4 for Barbados to 72.2 for St.Vincent and the Grenadines. This compares to the high-income countries average of 94.1. There is slightly more variation with regard to secondary school enrolment.

This appears highest in Dominica and Barbados (96.7 and 84.9 respectively), and is much lower in the Dominican Republic (36.0). It is also quite low in St.Vincent and the Grenadines (59.8) and in Belize (60.4).

The next column of the table gives an indicator of the extent of corruption across the different countries. The measure we have The CPI (Corruption Perception Index) gathers data about perceived levels of corruption from sources over three years (for CPI 2005, data was gathered from 2003, 2004, 2005). The sources evaluate the extent of the corruption in the public and political sectors of their countries. These sources include resident and non-resident country experts, resident business leaders, and non-resident business leaders from developing countries. The CPI score is as follows: 10 means very little corruption, and 0 means highly corrupt. The data was only available for a subset of countries. The average index for high-income countries for 2005 was 7.6. In comparison to this, each of the Caribbean economies for which data was available score lower than this. The highest score is for Barbados (6.9), while the lowest scores are for Haiti (1.8), Guyana (2.5), and the Dominican Republic (3.0).

The final two columns of the table provide information on the extent of underlying communications technology infrastructure by reporting on the number of telephone lines per 1000 people, and the number of personal computers per 1000 people. With regard to both of these indicators, we see considerable variation across countries. It is also worth pointing out that there are substantial differences in the average for these indicators across the comparator group of countries. Hence, if we take the number of telephone lines per 1000 people, we see that in high-income countries the average is 1098, for middle-income countries it drops to 204, and for low-income countries to 25.4. In this context, we see that most of the Caribbean countries telephone coverage is above that for middle-income countries with the highest figure for Antigua and Barbuda (786.3). Haiti has an extremely low coverage of telephone lines (15.7), and the coverage in Guyana and the Dominican Republic is a bit below the average for middle-income countries.

Finally, if we turn to the coverage of personal computers per 100 head of the population we see that the average for high-income countries in 2000 was 383.5, whereas the highest coverage ratio in the Caribbean was in St.Kitts and Nevis and in St.Lucia at 155.2 and 141.8 respectively. The coverage ratio is much lower in some of the other economies such as Dominica (71.3), Guyana (25.6), Jamaica (46.5), and Trinidad and Tobago (61.8).

Table 2.10 provides information on poverty across the islands. As reported in a 1997 World Bank study, by the mid 1990's, approximately 38% of the total population in the Caribbean or more than 7 million people were classified as poor (or 25% excluding Haiti). Poverty levels in individual OECS countries appear to be among the highest in the Caribbean region. This can also be seen from the table, where the first column gives the percentage of the population below the poverty line. The highest percentages are for Dominica (39%), Guyana (35%), Grenada (32.1%), Nevis (32%), St.Kitts (30.5%), and St. Vincent and the Grenadines (37.5%). A similar pattern emerges when looking at the percentage of the population below the indigence line.

Table 2.10: Poverty Indicators for Selected Caribbean Countries.

Country	Year CPA conducted	% pop. below poverty line	% pop. below indigence line	Gini Coefficient	Poverty Line* (EC$)
Barbados	1997	13.9	-	0.39	-
Belize	1996	33.0	13.4	0.51	1737
Dominica	2002	39.0	15.0	0.35	3400
Grenada	1999	32.1	12.9	0.45	3262
Guyana	1999	35.0	19.0	-	1026
Jamaica	2001	16.8	-	0.38	-
Nevis	2000	32.0	17.0	0.37	3941
St. Kitts	2000	30.5	11.0	0.40	3361
St. Lucia	1996	25.1	7.1	0.50	1876
St. Vincent and the Grenadines	1996	37.5	25.7	0.56	-
Trinidad and Tobago	1992	21.2	11.2	0.42	-
Turks and Caicos	1999	25.9	3.2	0.37	6300

Sources: Country Poverty Assessments (CPA) Conducted by the Caribbean Development Bank (CDB) for Belize, Dominica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Turks and Caicos. Data for Jamaica taken from the Jamaica Survey of Living Conditions, Government of Jamaica, 2001; Barbados CPA, IDB 1998; Guyana CPA, UNDP 2000; Trinidad and Tobago CPA, World Bank 1992.

* Poverty Line in the Caribbean Country Poverty Assessments (CPAs) measured as the cost for an adult to consume of 2400 calories/day in each country, plus the average cost of satisfying the non-food expenditure of the poorest 40% within each country.

The World Bank study also concluded that income distribution appeared to be quite uneven, particularly given the per capita income of the Caribbean. The average Gini coefficient for those countries where it was available was approximately 0.46 compared with 0.49 in Latin America at that time. The coefficient is highest for St. Vincent and the Grenadines (0.56), Belize (0.51), and St.Lucia (0.5) and is lowest for Dominica, Nevis and the Turks and Caicos.

2.4 CARICOM internal and external trading relations

In this section of the report, we focus on the development of internal and external trading relations in and with the Caribbean. There is a strong emphasis in the Cotonou agreement and in the EPA negotiations on the need to foster, encourage, and strengthen process of regional integration. In order to understand the relevance of this for the Caribbean it is important to understand the extent and nature of Caribbean regional integration. The Caribbean region has a long history of regional integration and detailing the main developments and features of that process is undertaken in the first part of this section. The impact of any EPA will not only depend on the extent and nature of integration among the Caribbean economies themselves, but also on the formal nature of their trading relations with other countries notably the EU, the US, Canada, as well as increasingly those countries in Latin and South America which may be geographically closer. The second part of this section therefore summarises key aspects of the Caribbean economies' external relations.

2.4.1 Caribbean Regional Integration

'*The historical rationale for cooperation among the Commonwealth Caribbean territories was based on the need to improve administrative efficiency and minimise administrative costs. The post World War II era introduced new objectives - the drive for political independence and for economic development.'*[14]

The first attempt at regional integration in the Caribbean was the 1958 Federation of the West Indies whose members included all the Commonwealth territories except the Bahamas, Belize and Guyana. As the name suggests the underlying political structure was that of a federation of states, which was drawn from 10 of the islands. Although there was some discussion with regard to economic integration, and there was even a plan for a customs union, in reality, the economic aspects of the Federation during the four years of its existence received relatively little

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[14] See K. Hall and B. Blake. 'CARICOM Administration' in *The Caribbean Community-Beyond Survival* ed. by Kenneth Hall (2001) p 208

attention. This is reflected in the fact that, for example, there was no free trade introduced between the member countries.

It is worth noting that the impetus for Caribbean unity at this time came from Britain, who in the face of post-war reconstruction and changing international economic and political circumstances sought less responsibility for sustaining the Caribbean. To a large extent, it was this external impetus, together with structure of the Federation, that had much to do with its' ultimate dissolution of the Federation[15]. By being perceived as being externally imposed, it was more difficult for there to be popular support for the Federation within the region. This was also reflected in its' structure which resulted in key positions being "*staffed by expatriates and the Federal Prime Minister, to all intents and purposes…*[being] *the clerk of the expatriate Governor General. The latter was all-powerful.'*[16] For example, the Governor General's powers included the right to dissolve parliament. There were also internal conflicts within the Caribbean islands that contributed to the demise of the Federation and upon gaining independence in 1962, both Trinidad and Tobago and Jamaica withdrew and the Federation collapsed.

A few regional organisations continued to exist after the dissolution of the Federation. The University of the West Indies (UWI), which had been founded in 1948; the Regional Shipping Services, which was set up during the Federation to control the operation of the two ships donated in 1962 by the government of Canada; and in 1963, the Caribbean Meteorological Service was established. Regional coordination was still required to oversee the operations of these bodies and the first Heads of Government Conference was called in 1963, in part to discuss these organisations. The first Heads of Government Conference was also convened in response to Britain's imminent entry in the European Economic Community and the then Prime Minister of Trinidad and Tobago, Eric Williams' concern about the formation of economic groupings in different parts of the world. Thus in July 1963, the leaders of Barbados, British Guiana, Jamaica, and Trinidad and Tobago discussed

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[15] *The Caribbean Community-Beyond Survival* ed. by Kenneth Hall (2001) p xxiv

[16] Ibid. p xxv

the need for closer cooperation with Europe, Africa, and Latin America. However, the meeting was unsuccessful as it was characterised by more by disagreement and dispute than by consensus on common issues[17].

A further conference among the leaders of Commonwealth Caribbean Countries occurred in July 1965 between the Premiers of Barbados and British Guiana, and the Chief Minister of Antigua. The possible establishment of a Free Trade Area in the Caribbean was discussed and in December 1965, the Heads of Government of Antigua, Barbados and British Guiana signed an Agreement at Dickenson Bay, Antigua, to set up the Caribbean Free Trade Association (CARIFTA). The commencement of the Free Trade Association was deliberately delayed in order to allow the rest of the region, including Trinidad and Tobago, Jamaica and all the Windward and Leeward islands to become members of the newly formed Free Trade Association.

At The Fourth Heads of Government Conference in 1967, it was agreed to establish CARIFTA formally and to include as many Commonwealth Countries as possible. It was also agreed that the Free Trade Association was to be the beginning of what would become the Caribbean Common Market, which would be established (through a number of stages) for the achievement of a viable Economic Community of Caribbean Territories. Subsequently, CARIFTA was formed on 1st May 1968 with the participation of Antigua, Barbados, Trinidad and Tobago, and Guyana. In July, Dominica, Grenada, St. Kitts/Nevis/Anguilla, Saint Lucia and St. Vincent joined and one month later so did Jamaica and Montserrat. Belize, which was called British Honduras at that time, joined in May 1971. Article 2 of the Agreement Establishing CARIFTA outlines the objectives of the Association as

a) to promote the expansion and diversification of trade in the area of the Association;
b) to secure that trade between Member Territories takes place in conditions of fair competition;
c) to encourage the balanced and progressive development of the economies of the Area in keeping with paragraphs 3 to 10 of the Resolution adopted at the

[17] ibid. p xxv.

Fourth Conference of the Heads of Government of Commonwealth Caribbean Countries and set out in Annex A;

d) to foster the harmonious development of Caribbean trade and its liberalisation by the removal of barriers to it;

e) To ensure that the benefits of free trade are equitable distributed among the Member Territories.

CARIFTA was concerned with trade liberalization therefore all non-trade regional issues had to be dealt with outside of CARIFTA and regional institutions which predated CARIFTA such as UWI and the Caribbean Meteorological Service mentioned previously continued to function outside of the CARIFTA framework. In addition, the 1967 Heads of Government Conference had also established the Commonwealth Caribbean Regional Secretariat on May 1st 1968 in Georgetown Guyana, and the Caribbean Development Bank (CDB) in October 1969 in Bridgetown, Barbados. These also operated outside of CARIFTA. Article 1 of the Agreement establishing the CDB outlines its purpose as to

> *"…contribute to the harmonious economic growth and development of the member countries in the Caribbean and to promote economic cooperation and integration among them, having special and urgent regard to the needs of the less developed members in the region."*

At the Seventh Heads of Government Conference in October 1972, the Caribbean Leaders decided to transform CARIFTA into a Common Market and establish the Caribbean Community of which the Common Market would be an integral part. Thus, in 1973, CARIFTA became CARICOM when Barbados, Guyana, Jamaica, and Trinidad and Tobago signed the Treaty of Chaguaramas. The other former CARIFTA members acceded to the Treaty in 1974. To add to the complexity of the regional integration movement, seven of the smaller and less developed members of CARIFTA formed the Eastern Caribbean Common Market (ECCM) in 1968 as a precondition for entry in to CARIFTA. The ECCM's purpose was '*not only to promote the development of its members but also to develop and coordinate their positions on CARICOM matters, to compensate for the difference in size and level of* *economic development between themselves and the MDCs'*[18]. In consequence, a special regime was established to protect the interests of the Members of the ECCM.

The 1973 Treaty of Chaguaramas established two organisations, the Caribbean Community and the Caribbean Common Market, each of which can potentially have a different membership[19]. The principle policy-making organisation is the Heads of Government Conference. The Common Market Council is responsible for the development of the Common Market. The principle administrative organ of the Community is the Caribbean Community Secretariat. In addition, there are a number of Standing Ministerial Committees responsible for sectors such as Health, Foreign Affairs, and Agriculture.

Article 14 of the Treaty of Chaguaramas designated a number of regional organisations as 'Associate Institutions' with their own charters and legal autonomy. Some of these institutions predated CARICOM and the decision was made not establish new organisations to deal with these areas but allow the present institutions to continue with some loose attachment to the CARICOM framework. These included the UWI, and the CDB. This established a feature of the Caribbean process of regional integration where "*…major areas of regional cooperation were given their own institutions and provisions made to establish new ones to deal with each new area of activity.*"[20] Article 4 states that the Caribbean Community shall have as its objective:

> (a) The economic integration of the Member States by the establishment of a common market regime (hereinafter referred to as "the Common Market") in accordance with the provisions of the Annex to this Treaty with the following aims:--
>
> > (i) The strengthening, coordination and regulation of the economic and trade relations among Member States in order to promote their accelerated harmonious and balanced development;

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[18] Hall and Blake p. 206

[19] See K. Hall and B. Blake. 'CARICOM Administration' in *The Caribbean Community-Beyond Survival* ed. by Kenneth Hall (2001) p 203 - 221

[20] Hall and Blake p 208

(ii) The sustained expansion and continuing integration of economic activities, the benefits of which shall be equitably shared taking into account the need to provide special opportunities for the Less Developed Countries;

(iii) The achievement of a greater measure of economic independence and effectiveness of its Member States in dealing with States; groups of states and entities of whatever description;

(b) The coordination of the foreign policies of Member States; and

(c) Functional cooperation, including--

(i) The efficient operation of certain common services and activities for the benefit of its peoples;

(ii) The promotion of greater understanding among its peoples and the advancement of their social, cultural and technological development;

(iii) Activities in the fields specified in the Schedule and referred to in Article 18 of this Treaty.

Hence, we see here that enshrined within the treaty itself is the distinction between the MDCs and the LDCs and effectively the recognition of special and differential treatment of the LDCs. The application of this can be seen in Chapter IV, which dealt with the Common Protective Policy and specifically Article 31, which established the Common External Tariff. However, deference and special and differential treatment was given to the Members of the ECCM in light of their economic development. Paragraph 1 of Article 31 stated that

"Member States agree to establish and maintain a Common External Tariff in respect of all commodities imported from third countries in accordance with a plan and Schedule to be adopted by the Conference immediately upon the entry into force of this Annex, provided that:

(a) In so far as the Less Developed Countries, except Belize and Montserrat are concerned, their existing Tariffs under the East Caribbean Common Market Agreement shall be deemed as fulfilling their initial obligations in relation to the Common External Tariff of the Caribbean Common Market.

(b) Wherever the Plan and Schedule of rates in the existing customs tariff of the East Caribbean Common Market Agreement differ from those in the Common External Tariff of the Caribbean Common Market, the Plans and Schedules of rates in both the East Caribbean Common Market and the Caribbean Common Market Tariffs will be subject to annual review in the

> light of the prevailing economic situation of the Less Developed Countries for the purpose of determining the appropriate Plan and Schedule that will be introduced provided that the introduction of such a Plan and Schedule will commence not later than 1st August, 1977 and the phasing period will end not later than 1st August, 1981.

Similarly, Chapter VII of the Treaty outlined a Special Regime for the Less Developed Countries in which a number of Articles recognise that the special needs of the LDCs have to be taken into account giving the LDCs license to apply import duties, revenue duties, and internal taxes in a manner otherwise prohibited by the Treaty of Chaguaramas.

Shortly after coming into being, the unity of CARICOM was threatened by the world economic crisis instigated by the large and sudden increase in oil prices in 1973-74. Apart from Trinidad and Tobago, all the CARICOM members suffered major balance of payments and budget deficits along with high rates of inflation. As a matter of survival, Guyana and Jamaica invoked Article 28 of the Treaty, allowing for import restrictions from other members due to balance of payments crises. This caused outrage in the Community and the then Prime Minister of Trinidad and Tobago refuse to meet with the other leaders. After a Special Summit in 1976 in Trinidad, the CARICOM Heads of Government did not meet again until the Ochos Rios Summit in 1982.

Despite this hiatus, the CARICOM institutions remained intact and the Membership has grown from the original 12 to 15 and a number of associate members. he Bahamas became the 13th Member State of the Community on July 4, 1983, but not a member of the Common Market. In July 1991, the British Virgin Islands and the Turks and Caicos became Associated Members of CARICOM, followed by Anguilla in July 1999. The Cayman Islands became the fourth Associate Member of the regional grouping on 16 May 2002, and Bermuda the fifth Associate Member on 2 July 2003. These Associate Members are also Associate Members of the OECS. Suriname became the 14th Member State of the Caribbean Community on July 4, 1995. Haiti secured provisional membership on 4 July 1998 and on 03 July 2002 was the first French-speaking Caribbean State to become a full Member of CARICOM.

At the 10th Conference of Heads of Government in Grenada in 1989, the Prime Minister of Trinidad and Tobago called on the Heads of Government to establish the West Indian Commission which would recommend a way forward for the region in light of the potential dilemma to the region caused by the world-wide trend toward greater interdependence, exhibited by the changes that were occurring in Europe and North America at that time. In the Grand Anse Declaration and Work Programme for the advancement of the Integration Movement, adopted by the Conference in July 1989, it was agreed in Annex II to establish the West Indian Commission, under the chairmanship of Sir Shridath Ramphal, who would report on their consultation with regards to advancing the goals of the region, to the Heads of Government, prior to the 1992 Conference.

In 1992, at a special meeting of the Conference of Heads of Government, based on the recommendations by the West Indian Commission, it was decided to establish the CARICOM Single Market and Economy (CSME) and to set up an intergovernmental task force to supervise the revision of the Treaty of Chaguaramas to allow for the establishment of the CSME. The intergovernmental task force decided to revise the 1973 Treaty of Chaguaramas through 9 Protocols or legal instruments.

Protocol 1, providing for the restructuring of the Organs and Institutions of the Community, and redefining their functional relationship entered into force provisionally on July 4, 1997, at the Conference of Heads of Governments in Antigua and by early year 2000, the last two remaining Protocols were signed, signalling a major stride towards the realisation of the Caribbean Single Market and Economy (CSME). The nine Protocols were to be incorporated as separate chapters in the revised treaty, and this is summarised in the table below:

As of the latest update on the implementation of the CSME, only 12 Members of CARICOM have signed and ratified the revised treaty. The Bahamas has still to decide if it wants to join the CSME, Haiti has been given considerable flexibility with implementing the Treaty given its economic circumstances, and Montserrat, a British territory, is awaiting entrustment from the UK.

Table 2.11: The Protocols of the revised Treaty of Chaguaramas

Protocol	Treaty Chapter
1: Organisational and Institutional Arrangements	Chapter 1: Principles
2: Rights of establishment, the right to provide services and the right to move capital in the community	Chapter 2: Institutional Arrangements
3 : Industrial Policy	Chapter 3: establishment, services, capital and movement of Community nationals.
4 : Trade Policy	Chapter 4: Policies for Sectoral Development (Includes industry and agriculture)
5: Agricultural Policy	Chapter 5: Trade policy
6:Transport Policy	Chapter 6: Transport
7: Disadvantaged Countries	Chapter 7: Disadvantage Countries Regions and Sectors
8: Dispute Settlements	Chapter 8: Competition Policy and Consumer Protection
9: Rules of Competition	Chapter 9: Dispute Settlement
	Chapter 10 : General and Final Provisions

2.4.2 Caricom and the external trading environment

A) CARICOM, the ACP and the Development of the EU-ACP Relations

It is claimed by at least one prominent West Indian that the early movements towards regional integration in CARIFTA led to the formation of the African, Caribbean and Pacific (ACP) group of States and the eventual Lomé Convention with the European Community.[21] *'Regional unity in CARIFTA allowed us to forge a clear strategy for negotiating a sui generic agreement with Europe, and it was in furtherance to that strategy that we were able to play a leading role in creating the ACP.'*[22]

The Lomé Conventions, the first of which was signed in 1975, instituted a non-reciprocal trade relationship between the EC and ACP countries. ACP industrial

[21] Sir Shridath Ramphal, 'Remembering the Score: A Retrospective' in *The Caribbean Community-Beyond Survival* ed. by Kenneth Hall (2001) p 155-161

[22] Ramphal p. 157

exports had both duty and quota free access to the EU market and free access to the EU was granted for agricultural products not covered by the EU's Common Agricultural Policy (CAP). Those products covered by the CAP were restricted on a case-by-case regime while some other agricultural products such as sugar, bananas and beef were covered by protocols which aimed to maintain the ACPs' market position in the EU market.[23]

The first three Lomé Conventions, lasting from 1975-1980, 1980-1985 and 1985-1990 respectively, were neutral in outlining European involvement in the political affairs of the ACP States. Thus, development aid was provided to an ACP State regardless of a country's political and economic performance. However, with Lomé IV, which was signed in 1990, the EU-ACP relationship began to become more political in nature, and for the first time a clause covering human rights was included. This represented a shift in thinking among aid donors that they themselves had a share in ensuring that aid funds were used in ways that would identify with Western standards of correct political, social and moral values.

Lomé IV however violated a number of international treaties to which the EU is party. This was most publicly illustrated by the banana conflict which forced the European Community to re-evaluate its international development policy in light of the World Trade Organisation's assessment of its banana's regime.

American multinational corporations, who were the main producers of bananas in Latin America, convinced both Latin American countries and the United States to challenge the EU's bananas regime because it limited the number of bananas that the EU could import from Latin America. In April 1999, the WTO dispute settlement panel concluded that the EU's preferential banana trading regime extended to the ACP countries was in breach of a number of international trade obligations and granted the United States the authority to impose trade sanctions in retaliation. The United States had the right to impose trade sanctions up until the EU changed its policy with regards to the banana regime. Thus in renegotiating its relationship with the ACP States, the EU took into consideration its obligations under the WTO Marrakesh Treaty.

[23] Nilsson, 'Trading Relations: is the roadmap from Lomé to Cotonou correct?' (2002) 34 Applied Economics p 442.

i) Changes made from Lomé to the Cotonou Agreement.

Flexibility of the Agreement: The Cotonou Partnership Agreement is rooted on three interactive pillars related to political dimensions, development strategies, and economic and trade co-operation between the EU and the ACP. As Arts notes, the Cotonou Agreement expressed a wish on the part of the EU 'to create more flexible arrangements and a future option to change parts of the package without having to go through the cumbersome process of renegotiating the Cotonou Agreement as a whole…'[24].Therefore, one of the features of the Cotonou Agreement is its validity over the 20-year period from March 2000 to March 2020, despite the uncertainty of both the internal and external environment. To this end, the Agreement consists of a general framework and a compendium which contains the detailed texts as regards development cooperation and objectives and which can be updated according to the requirements of the cooperative relationship at any time by the joint Council of Ministers on the recommendation of the ACP-EC Development Finance Cooperation Committee.

Emphasis on Poverty Eradication: Consistent with Article 177 of the EC Treaty, the centre of this Partnership is poverty eradication. Its general objectives go beyond improving the economic development level of the ACP States. Article 1 of Title I, Chapter I in particular states that the objectives of the partnership is:

> *to promote and expedite the economic, social and cultural development of the ACP States, with a view to contributing to the peace and security and to promoting a stable and democratic political environment. The partnership shall be centred on reducing and eventually eradicating poverty consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy.*

ii) Formation of regional ACP groups

The Cotonou Agreement envisages the creation of regional and sub-regional ACP groups as essential to meeting the objectives of the Agreement. With regards to the regional integration processes, Article 2 notes that:

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[24] Arts, 'ACP-EU Relations', (2003) *40 CML Rev.* p.98

"Cooperation arrangements and priorities shall vary according to a partner's of development, its needs, its performance and its long-term development strategy. Particular emphasis shall be placed on the regional dimension. Special treatment shall be given to the least-developed countries. The vulnerability of landlocked and island countries shall be taken into account"

Thus, the EC-ACP development strategy incorporates differentiating the ACP countries, based not only on their level of economic development, but also upon performance, geographic characteristics and location and their ability to form viable regional economic groups. These regional groups would then negotiate separate agreements with European Community based on their economic status.

iii) Involvement of Civil Society

To encourage the holistic approach to development that was first made apparent in Lomé IV, Article 2 of the Agreement states that one of the fundamental principles is the inclusion of different kinds of actors, apart from central government as the main partner, "in order to encourage the integration of all sections of society, including the private sector and civil society organisations…" This involvement of non-State actors is outlined more clearly in Article 4 which encourages the involvement of these groups from the time of conception of cooperation policies and strategies up to and including the implementation of these projects. The names the non-State actors referred to include members of the private sector, economic and social partners including trade organisations, and civil societies of all forms according to national characteristics all of whom "recognition shall depend on the extent to which they address the needs of the population, on their specific competencies, and whether they are organised democratically and transparently."

In addition, Article 4 also makes provisions for non-State actors to receive financial resources to aid the sectoral development process and be provided with capacity-building resources in critical areas to support their effective participation in the development process. The capacity-building process of non-State actors is given more attention in Article 7 which admits that the involvement of such organisation would involve "encouraging and supporting the creation and development of such organisations." An express recognition that many developing countries do not possess the civil society counterparts necessary to participate as envisaged in the Cotonou Agreement.

iv) Continuous Political Dialogue

With the view that political issues are important to achieving the objectives of sustainable development, the Cotonou Agreement calls for meaningful political dialogue between the parties involved in this cooperative arrangement that "mirror the principal objectives of the Cotonou Agreement, and facilitate a common understanding and interpretation of the issues concerned…"[25].

Title II of the Cotonou Agreement deals with the political dimension of the Cotonou Agreement, calling for balanced deep political dialogue. Article 8, paragraph 3 emphasises that "Through dialogue, the parties shall contribute to peace, security and stability and promote a stable and democratic political environment. It shall encompass cooperation strategies as well as global and sectoral policies, including environment, gender, migration and questions related to cultural heritage." Paragraph 5 notes that "The dialogue shall also encompass a regular assessment of the developments concerning the respect for human rights, democratic principles, the rule of law and good governance." At the 28th Ministerial Session in May 2003, the ACP-EC Council of Ministers adopted a joint paper on Guidelines for ACP-EC political dialogue within the context of Article 8 of the Cotonou Agreement which "emphasise the following key principles…flexibility, transparency, inclusiveness, continuity and the process approach."[26]

v) Changes to the Trade Regime.

The Cotonou Agreement sought to correct a number of deficiencies of the previous Lomé Conventions, one of which was the failure of the preferential trade regime to improve the economic situation of the developing countries. The EU Commission stated that "the trade effects of the Lomé Convention have not been sufficiently large to promote export growth and export diversification among the ACPs."[27] In addition, the Cotonou Agreement also sought to "conclude new World

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[25] Courier 200 September-October 2003, p 24

[26] Courier 200 September-October 2003, p 24.

[27] Commission of the European Communities, (1997) Green Paper on the EU-ACP relations: a new partnership for the 21st century, p 537

Trade Organisation (WTO) compatible trading arrangements, removing progressively, barriers to trade between them."[28] Therefore important changes were made to the trade arrangements in the Cotonou Agreement to start in 2008 when only some of the ACP States would continue to benefit from the non-reciprocal preferential trade regime in place since Lomé I.. At this time, the intention is that there will be the institutionalisation of the Economic Partnership Agreements (EPAs) between the European Community and the ACP States. A key aspect to the changes in the trade regime is that whereas until now trade relations between the EU and the ACP states were asymmetric, under the EPA there is much greater need for symmetry. Indeed in order to ensure WTO compatibility the EPA partners need to agree to mutually liberalise their tariffs on "substantially all" trade.

Initially, the European Commission was pursuing an agreement which replaced Lomé IV with regional economic partnerships between regional ACP groupings, however, due to ACP opposition, emphasis was shifted to Economic Partnership Agreements (EPAs), giving the ACP countries a choice of either forming an agreement with the EU either individually or within an ACP group. At the same time however, Article 35(2), states

> *'Economic and trade cooperation shall build on regional integration initiatives of ACP States, bearing in mind that regional integration is the key instrument for the integration of ACP countries into the world economy.", and Article 37(5) emphasises that the EPA negotiations would "take into account regional integration processes within the ACP.'*

Therefore, EPAs can be regarded as trade-driven economic cooperation arrangements between "low performance" and "high performance" regions in which the ACP economies will gain from the increased competition due to imports from the EU in addition to the benefits from regional integration.[29]

The proposed EPAs would require the ACP countries to progressively reduce import duties on a substantial number of goods coming from the EU, implementing such commitments over a 10 to 12 year period, and also to conclude a trade arrangement in services and other trade related areas not specifically related to goods.

[28] Cotonou Agreement, 2000 Article 36.

[29] Matambalya and Wolf, 'The Cotonou Agreement and the Challenges of Making the New EU-ACP Trade Regime WTO Compatible' (2001) 35(1) Journal of World Trade p 125

The least developed ACP countries (LDCs) on the other hand would continue to enjoy a non-reciprocal trading arrangement for everything but arms. This "Everything But Arms" initiative (EBA) is part of the EU's Generalised System of Preferences scheme which is WTO compatible as it applies to all States at the same level of development. However, there is strong pressure for the LDCs to join in the regional integration processes with their more developed counterparts and become involved in the EPAs. Thus for example, the Eastern African Community (EAC) which is made up of Uganda and Tanzania, both of which are LDCs and contain 64.5% of the total EAC population would be encouraged through regional integration to give up the benefits they enjoy for the benefit of 35.5% of the regional population.

This intra-regional differentiation can have serious implications for regional integration movements and in particular, for the consequences of the countries within a such a grouping when there is a noticeable disparity between the levels of economic development of the potential or actual member countries. For example, economic disparity is often cited as an impediment to deeper integration among countries. Trinidad and Tobago, the largest economy in CARICOM accounts for around 30% of the groups' combined GDP whereas the 6 OECS islands account for just 8%.

In the formation of any regional customs union or free trade area, there are likely to be cross-country distributional considerations, which need to be borne in mind. Therefore, an important factor to be considered is how to minimise the negative consequences of these distributional effects, such as providing compensation or assistance to those economies finding the induced structural changes to be more problematic.

B) CARICOM Trade Relations with the rest of the world

Table 2.13 details the principal trading agreements with third countries undertaken by Caricom. The precise details of these are then explored in more detail in the remainder of this section.

Table 2.13: Caricom trading agreements

Trade Arrangements	Date of signature	Effective date
Caribbean Community (CARICOM)	1973	1973
CARICOM-USA	1984	1984
CARICOM-Canada	1986	1986
CARICOM-Venezuela	1992	1993
CARICOM-Columbia	1994	1995
CARICOM-Dominican Republic	1998	2001
CARICOM-Cuba	2000	2000
CARICOM-EU (Cotonou)	2000	2000
CARICOM-Costa Rica	2004	2004

Sources: Various press releases by CARICOM

i) Caricom-Canada

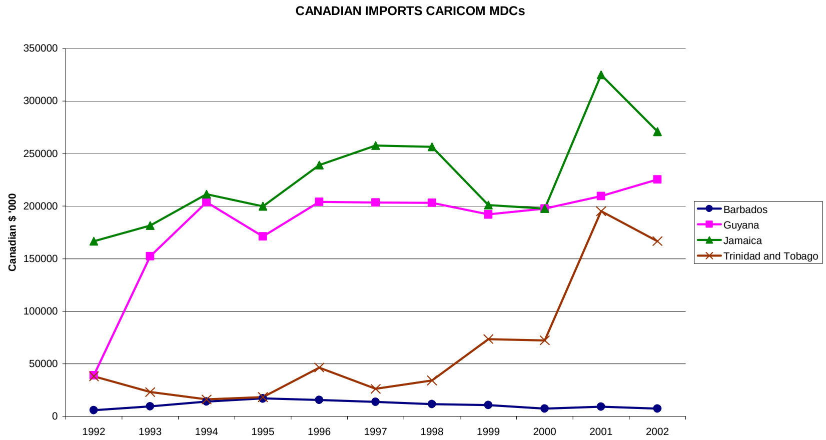
In October 1985 at the Commonwealth Heads of Government meeting in the Bahamas, an economic and trade development assistance programme for the Commonwealth Caribbean countries and territories was established with Canada called CARIBCAN. The objectives of CARIBCAN were to

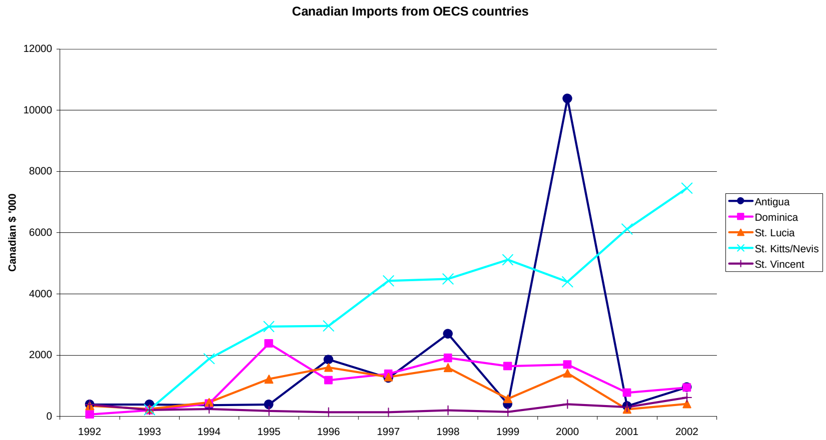
1. Enhance Commonwealth Caribbean trade and export earnings, improve the trade and economic development prospects in the region;
2. Promote new investments opportunities;
3. Encourage enhanced economic integration and cooperation.

This was to be done mainly through the use of a unilateral extension by Canada of duty-free access to the Canadian market for most commodities originating from the Commonwealth Caribbean to begin in June 1986. In November 1986, the Contracting Parties to the GATT waived until June 1998, the provisions of paragraph 1 of Article 1 of the GATT so that Canada and the Caribbean states would be able to implement CARIBCAN. In October 1996, the CARIBCAN waiver was extended to December 31 2006.

The product coverage of CARIBCAN excludes goods of HS Chapters 50 to 65 inclusive and goods covered by tariff items with “the over access commitment2 rates of duty established in the “tariffication” process (?). To qualify for duty-free treatment, at least 60% of the ex-factory price of the goods as packed for shipment to Canada must originate in one or more of the beneficiary countries or Canada. The goods must be finished in the beneficiary country in the form in which they are imported into Canada.

18 countries and/or dependent Caribbean countries are eligible to receive the duty-free benefits accorded by the CARIBCAN agreement and include all the CARICOM members and associate members except Surinam, Haiti. In addition, the Cayman Islands is listed as a beneficiary of CARIBCAN treatment. The two graphs below indicate that imports from the CARICOM region under CARIBCAN have originated from a few territories namely Jamaica, Guyana, and Trinidad and Tobago.





The data from 2002 prepared by the Canadian Government to the WTO indicates that almost 97% of total Canadian imports fro CARIBCAN beneficiaries entered the Canada duty-free. However, 73% of the imports or CD $524 million of the

CD $716 million value of CARIBCAN imports entered under MFN free rates. CARIBCAN free rates accounted for 21% of all imports.[30] In 2002, while Jamaica and Guyana exports to Canada were highest in value at CD$ 271 million and CD$225 million respectively, it seems that Trinidad and Tobago has the most to benefit from the CARIBCAN arrangement. 98% of Guyanese goods and 90% of Jamaican goods entered Canada under MFN free rates, whereas 78% of Trinidad and Tobago goods entered Canada under CARIBCAN free rates. The data on imports from OECS countries also indicate that imports from those countries benefit more from the MFN system than from CARICBCAN arrangements. In 2002, 74% of the goods from St. Kitts and Nevis entered Canada duty-free, 73% was due to MFN duty-free rates. 78% of imports from St. Lucia entered Canada MFN duty-free so did 99.97% of imports from St. Vincent.

Probably because of the imminent end to the CARIBCAN relationship once the waiver ends in December 2006, in keeping with the mandate of CARICOM and Canadian Heads of Government in January 2001, CARICOM and Canadian trade officials are currently negotiating a CARICOM-Canada bilateral trade accord. Both sides have begun a process of information exchange.

ii) CARICOM-VENEZUELA

CARICOM also has a bilateral trade agreement with Venezuela. secured in October 1992. The CARICOM-Venezuela Trade and Investment Agreement was signed in October 1992 and became effective on 1 January 1993. The Agreement is a one-way preferential agreement concluded under the facility for non-reciprocal partial scope agreements available to members of the Latin American Integration Association (LAIA).[31]

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[30] Canada- Tariff Treatment for Commonwealth Caribbean Countries -2003 Report of the Government of Canada on the Trade-Related Provisions of CARICBCAN under the Decision of 14 October 1996. WT/L/545 17 November 2000

[31] www.crnm.org

iii) CARICOM-DOMINICAN REPUBLIC

In December 2001, CARICOM concluded a free trade agreement with the Dominican Republic. This is based on reciprocity with the five CARICOM MDCs and non-reciprocity with the LDCs until the year 2005. The objective of the Agreement as laid out in Article II is

> (i) The establishment of a Free Trade Area between the Parties consistent with the Marrakesh Agreement Establishing the World Trade Organisation (the WTO);
>
> (ii) The promotion and expansion of the sale of goods originating in the territories of the Parties through, inter alia free access to the markets of the Parties, elimination of non-tariff barriers to trade, and the establishment of a system of Rules of Origin, Customs Co-operation and the Harmonisation of Technical, Sanitary and Phyto-Sanitary Procedures;
>
> (iii) The progressive liberalisation of trade in services;
>
> (iv) The liberalisation of the movement of capital between the Parties, and the promotion and protection of investments aimed at taking advantage of the opportunities offered by the markets of the Parties, and the strengthening of their competitiveness;
>
> (v) The promotion of the active participation of private economic agents with a view to deepening and broadening the economic relations between the Parties, including the promotion and establishment of joint ventures;
>
> (vi) The promotion and development of cooperative activities in the following areas: agriculture, mining, industry, construction, tourism, transportation, telecommunications, banking, insurance, capital markets, professional services and science and technology;
>
> (vii) The discouragement of anti-competitive business practices between and within the Parties.

The CARICOM-Dominican Republic agreement is important in the sense that it provides a basis for economic integration among the CARIFORUM states with which the EU hope to conclude an Economic Partnership Agreement (EPA). However, the OECS states are wary of a fully reciprocal relationship with the

Dominican Republic which is more competitive in banana production and tourism services at the lower end market.

iv) CARICOM/COSTA-RICA Trade Relations

The most recently concluded bilateral agreement between CARICOM and a third country in the wider Caribbean is the CARICOM-Costa Rica trade pact that was initiated on March 15, 2003, by the two sides. The Agreement provides for free trade or preferential access for a wide range of products. Some sensitive products have been excluded. A special list of products will be granted differentiated market access between Costa Rica and each of the CARICOM MDCs[32]

v) CARICOM-UNITED STATES Trade Relations

On May 18, 2000, the United States implemented the Trade and Development Act of 2000. This measure includes the U.S- Caribbean Basin Trade Partnership Act of 2000 (CBTPA) which applies to the 23 independent countries of the Caribbean Basin region. The CBTPA expanded upon previous Caribbean Basin Initiative (CBI) programs by extending preferential tariff treatment to textile and apparel products assembled from U.S. fabric that have been excluded from the program.[33] Currently the CBI consists of the Caribbean Basin Economic Recovery Act of 1983, the Caribbean Basin Economic Recovery Expansion Act of 1990, and the CBTPA.

vi) Other

CARICOM has also negotiated some reciprocity in the trade elements of the Agreement on Trade and Technical Cooperation with the Government of the Republic of Colombia, through a Protocol amending the original Agreement, ratified in May 1998. The first bilateral agreement between CARICOM and Colombia was secured in July 1994. The CARICOM/Colombia Agreement began as a non-reciprocal agreement but had to provide for a level of reciprocity to Colombia after a period – four year.

[32] Ibid.

[33] http://www.mac.doc.gov/CBI/webmain/intro.htm

2.5 Summary and Conclusions

In this part of the report we have provided an overview of key economics and social indicators for the Caribbean region, provided a discussion of the history of Caribbean regional integration to the present day, as well as summarised the key features of Caribbean trading relations with extra-regional partners.

Several messages emerge from this analysis. The first is that the Caribbean region is clearly a highly diverse region with considerable differences in size, GDP per capita, as well as economic and social structure. It is important therefore in discussions of Caribbean policy to recognise those differences and the varying needs and circumstances of individual countries. The circumstances of the OECS group of countries are specific in the sense that they are typically middle-income countries, but ones which are very small, and where trade policy has been typically heavily based on preferential trading relations with the EU. Their size and geographical location also makes them vulnerable to natural disasters. Changes in trade policy as forseen for example by an EPA are likely therefore to have quite a substantial impact on these economies.

Secondly, the analysis showed that there is a long tradition of regional integration in the region, which appears to be gathering pace – albeit slowly. Hence by and large the region has successfully established a customs union, though there are remaining differences in trade policy across countries arising from the distinction between MDCs and LDCs. The region is now moving much more towards establishing a single market in the region via the CSME, though progress on this has been fairly slow. The successful implementation of the CSME is likely to be extremely important in the region developing the flexibility in order to more successfully integrate into the world economy.

Thirdly, we have indicated how the region is also engaged in processes of trade liberalisation with various other countries. With key developed nations such as the US, Canada and the EU, those trading relations have largely been asymmetrical to date; whereas with other partners in the wider region relationships are largely symmetrical. Here however it is worth pointing out that once again there is often a distinction between the LDCs and the MDCs which serves to increase distortions and the degree of bureaucratic complexity in the region.

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