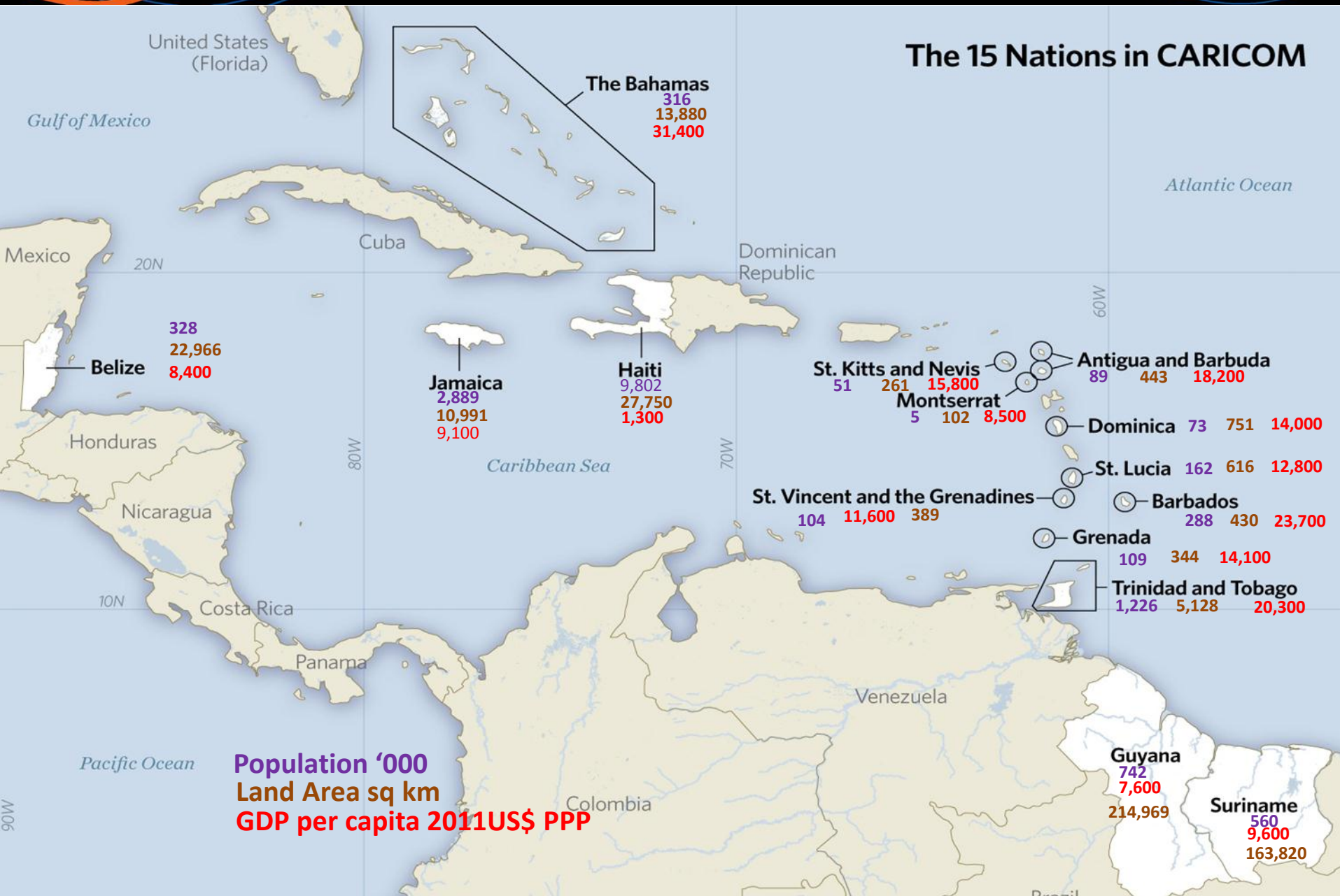


# Lessons in regional integration from the Caribbean

2013 Pacific and PNG Update

## The 15 Nations in CARICOM



# CARICOM economies

- CARICOM members are typically very open
  - for CARICOM as a whole, trade in goods and services amounts to 100 per cent of GDP
- Services exports (mainly tourism, but also financial services) are very important for many CARICOM members
  - on average, CARICOM derives around 45 per cent of GDP from exports of services
  - much more for some smaller island economies – eg 89 per cent for Antigua and Barbuda
  - much less for natural resource rich economies - eg 10 per cent for Trinidad and Tobago
- The US, Canada and the EU are the main trade partners and sources of FDI
  - Intra-regional trade is relatively small (13 per cent of total goods imports – dominated by imports of petroleum from Trinidad and Tobago)

# Caribbean regional integration

- Regional integration and cooperation long seen as critical to Caribbean development, pre and post independence
  - Unsuccessful attempt at political union - West Indies Federation (1958-62)
  - Parallel and intersecting paths of economic integration and institutional pooling/cooperation
- Economic integration initiatives
  - Caribbean Free Trade Association
  - Common Market initiated along with creation of Caribbean Community
  - Economic union – initiated with agreement on Caribbean Single Market and Economy
- Many shared institutions associated with or predating CARICOM
  - A feast of acronyms: ACCP, CARDI, CARICAD, CDERA, CHI, CFNI, CMO, CASSOS, IMPACS, CCCCC, CDB, CCLEC, CCMF, CCJ, CFC, CXC, COTA, CRFM, CRITI, CROSQ, CTU, CCC, CLE, CLI, CTO, UWI

# Economic integration initiatives

	<i>CARIFTA</i>	<i>CARICOM</i>	<i>CARIBBEAN SINGLE MARKET AND ECONOMY (CSME)</i>
<b>Duration</b>	1968-1973	1973-2006	Post-2006
<b>Membership</b>	12 Anglophone Caribbean countries	13 Anglophone Caribbean countries	CARICOM 15 countries CSME 12 countries
<b>Form</b>	Free Trade Area	Customs Union/Common Market	Economic Union
<b>Scope</b>	Merchandise trade	Merchandise trade Minimal provision for services and capital Incentives policy harmonisation Industrial allocation Joint development of agriculture and natural resources	Merchandise trade Services Capital Skilled labour Macroeconomic policy harmonisation Monetary union Sectoral policy harmonisation
<b>Complementary Pillars</b>	Common services	Functional cooperation (mainly social policy) Foreign policy coordination	Functional cooperation (extended to external trade) Foreign policy coordination

## Subregional and hemispheric integration

- OECS – 7 CARICOM members part of a monetary union, 5 ratified treaty to create economic union
- CARICOM trade agreements with Colombia, Cuba, Costa Rica, Dominican Republic and Venezuela
- Non-reciprocal preferences from US under Caribbean Trade Partnership Act
- EU-CARIFORUM Economic Partnership Agreement, concluded in 2007



# External assessments

- WB 2009
  - Economic integration agenda stalled
  - Institutional arrangements are not up to the task of giving effect to the CSME
- Landell Mills 2012
  - CARICOM is facing an existential crisis
  - Implementation deficit erodes credibility
    - The agenda is excessively ambitious given geographic and economic realities
    - Mandates have expanded without attention to implementation and political realities, lack of institutional coherence and prioritisation

## Internal assessments

- UWI IIR and others
  - The implementation deficit is not surprising because the model is wrong, the potential benefits don't justify the expense of effort and political capital, and implementation founders on one of the very problems
    - state capacity –that the regional project was meant to address
  - The focus on European style economic integration has diverted attention away from the strengths of regionalism: functional cooperation and pooling institutions to deliver regional public goods
  - Hemispheric integration has supplanted rather than reinforced effective regionalism



# Lessons for the Pacific?

- CARICOM has some advantages relative to the Pacific Island Countries
  - Levels of development, proximity to big markets, less fragmentation, historically stronger pan-regional sentiment.
- But like the Pacific, CARICOM members find themselves between the rock of geography and the hard place of politics in pursuing regional integration to address the constraints of small size on development.
  - Geographic rock means regional trade and factor market integration will not act as major driver of growth
  - Political hard place means it is hard to get agreement to cede sovereignty to regional institutions to achieve economies of scale and share costs of statehood
- The geographic rock means that trade and factor market integration is not a good entry point to addressing the barriers to regional cooperation and institutional pooling - where there may be real potential benefits.
- It is also not clear that trade and investment agreements with external partners help the regional integration project
- Smaller groupings of similar countries with cultural and historical links may make progress where the larger grouping cannot. But most of all CARICOM's experience shows that it is critical to match the integration agenda to capacity and political realities.