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JAMAICA'S CONTINUING MEMBERSHIP IN CARICOM: AN ASSESSMENT

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OVERVIEW

As an integration movement, CARICOM has been designed to promote the development of the region through economic integration, functional cooperation and foreign policy coordination. The benefits that have accrued to member states, especially from functional cooperation in health, education, security and in the provision of common services across a wide range of human and social activity have been so significant and sustained that the only issue which arises relative to this sphere of integration is how the programme can and should be further strengthened.

Such a consideration is especially relevant in the light of the fiscal crisis which has now emerged as perhaps the most serious problem confronting every Caribbean Government. Indeed functional cooperation and the enhanced provision of common services strongly recommend themselves as effective solutions to the problems of the region where the capacity to meet the costs of the obligations that have come with nationhood seems to be spiraling out of the reach of the individual nations.

Issues concerning the effectiveness of CARICOM and the related question as to whether the membership in CARICOM is worthwhile for respective member states tend almost to be economic in nature. On this matter, a bit of comparative analysis should help to shed some significant light.

The terms of engagement of Barbados and Jamaica in CARICOM are similar in nature. They are both classified as MDCs (More Developed Countries). They enjoy the same market access provisions for the trade in goods and services, the movement of capital, the rights of establishment, and for labour mobility. Indeed, in each of the areas just cited, CARICOM provides its member states with more favourable terms of engagement that are made available to them by any other bilateral or multilateral arrangement to which they are a party.

The issue therefore which arises to the fore is what use have respective Caribbean countries made of their most preferential market arrangements. The most recent publication of **"CARICOM Selected Economic Indicators"** yields some very significant insights. It indicates that in 2014, Barbados exports to the region were valued at EC \$450.9 million, representing, just under 40% of the country's merchandise exports. This was not a one-off occurrence. Indeed, CARICOM has over an extended period accounted for almost 50% of Barbados exports of goods. In that capacity, CARICOM has unfailingly proven to be a larger and more stable market for goods produced in Barbados than the *rest of the world combined*.

In addition, between 10% and 15% of tourists to Barbados come from CARICOM countries. Moreover, Barbadian service providers, either through the establishment of commercial presence or the movement of natural persons have also benefitted significantly from the existence of arrangements to facilitate intra-regional trade in services. And it is worthy of further note that the expansion of the Barbados economy over the past two decades has been in large measure facilitated by its export of capital to the region.

Seen in its totality, the Barbadian experience bears a strong resemblance to that of the member states of the European Union for whom the preferential arrangements pertaining to that integration movement have caused the European market to be the dominant market for all of the participating economies.

The Jamaican experience in respect of CARICOM has however been strikingly different. Whereas Barbados exported EC \$450 million to CARICOM states in 2014, Jamaica exported only EC \$242 million, or about 6% of its merchandise exports. Again this was not a one off occurrence. Jamaica's exports to the rest of the region typically amount to about 5% of its total merchandise exports, and more importantly in absolute terms are often half of the value of the exports of countries whose economies are significantly smaller.

There can be no doubt that the application of the arrangements for regional integration in the Caribbean has not always conformed to best practice, and may explain a part of Jamaica's experience in the CARICOM market. Indeed, as has happened elsewhere, the competitive position of Jamaica and its enterprises would appear to have been affected by the treatment of subsidies, monopolies and state-owned enterprises in other parts of the CARICOM market.

There are however specific provisions in the Revised Treaty of Chaguaramas that afford Jamaica and its enterprises remedy and relief

from any such unfair practices by other CARICOM states. To secure such relief, the full extent of such unfair practices need to be fully documented and presented to the appropriate agencies of CARICOM, including the Caribbean Court of Justice.

On the face of it, there would therefore seem to be no compelling case in support of any decision by Jamaica to end its participation in CARICOM on the grounds that the country and its economic agencies are the victims of and subject to widespread discriminatory or unfair practices on the part of other countries in the region, for which it has no remedy nor relief. Rather there is a very strong and compelling case for Jamaica to help to strengthen the CSME in its capacity as the best preferential market for the respective CARICOM states, and to give strong and decisive leadership to the specific role that has been assigned to Jamaica in respect of CARICOM's trade diplomacy.

I will offer a perspective on these two issues but at the outset it is pertinent to assert that Jamaica's relative disadvantage in CARICOM, as reflected in the evidence presented earlier, bears out the fact that in dealing with issues relating to competitiveness, it has to be remembered that enterprises rather than countries compete.

Attention must be drawn to the fact that there are indeed Jamaican success stories in CARICOM at the enterprise level where the effort has been made to implement business strategies that are centred around building regional partnerships, adapting products to the peculiar taste of target markets and building regional supply chains. The future of Jamaica in CARICOM may therefore come to depend more on how enterprises fashion new business strategies to make the region their oyster rather than on what the Government of Jamaica does in fashioning new Treaty relationships.

TOWARDS A MORE PERFECT CSME

The problems which have been experienced in generating significant benefits from economic

integration in the Caribbean stem mainly from two sources. The first is the failure to complete and perfect the arrangements for a Single Market. The second is the need to remove the ambivalence and to settle upon effective arrangements by which to create a virtual Single Regional Economy.

On the first matter, the creation of the Single Market has to-date been largely and effectively a legal exercise. It has taken the form of the enactment in most of the jurisdictions of the provisions to remove the over 450 legal and administrative barriers that initially stood in the way of the free movement of goods, services, capital and labour in the region. That legal exercise was completed in 2006.

The reality is that the market has not been moved from being largely a legal phenomenon to one where real and effective market access has been created and where the operation of a truly regional market has been allowed to emerge. There are, in this regard, fundamental issues relating to the application of rules of origin, trade facilitation, the CET, non-tariff barriers and the resolution of disputes that need effectively to be resolved.

It is also especially significant that the undertaking in Article 239 of the Revised Treaty to elaborate protocols to give depth to the arrangements for market integration by bringing into operation matters such as government procurement, free circulation of goods, contingent rights and the like has not been carried through.

A vital aspect of the effort to create a Single Market has been the provision made for labour mobility. It should now be clear that a way has to be found to facilitate managed labour movement which responds to labour market demands to be made part of the regime for integration as distinct from the certification based approach that is now in vogue, in order for it to be most impactful. I will touch on labour mobility issues in greater detail later.

On the second matter, the creation of a Single Market was conceived not as an end in itself but to be the basic platform on which the building of a virtual Single Economy was to be rested. However, there is now need for clarity of purpose and certainty of direction on the matter as to what a Single CARICOM economy should really be and the process by which it should be established.

In July 2007, Heads of Government embraced the Girvan Plan as the road map to a Single Economy. More recently, a CARICOM Commission on the Economy has been created to give effect to an entirely different strategic direction and an entirely new Work Programme in respect of the creation of a virtual Single Regional Economy. It is an ambitious proposal whose implementation will test the stretched institutional resources of CARICOM.

Many aspects of the Girvan Plan are still relevant. It is however not clear as to whether they have been abandoned and are now to be superseded entirely by the programmes that have been engaging the attention of the new Commission on the Economy. More to the point, any programme to build a virtual regional single economy should be guided by certain vital core principles.

First, any regional economic programme should be designed to accomplish through intergovernmental cooperation, tasks that cannot be successfully undertaken by domestic initiatives alone. In this regard, a regional response to the derisking challenge or the building of a Single ICT space commend themselves as initiatives which must be pursued as part of such an approach.

The initiative that perhaps holds the most promise is that which entails the use of the instruments of the Single Market to facilitate the creation of pan-Caribbean enterprises to undertake production activity that can generate significant regional economic activity on a scale that cannot be achieved by domestic activity only. The achievement of regional food security is one such area where Pan Caribbean

companies must be formed and put to work to achieve the desired results. I have appended to this presentation the case study of a pan-Caribbean company, led by Barbados investors, to farm 100,000 acres of land in Guyana. The region needs many other similar investment initiatives in areas such as water security and alternative energy to name the most obvious.

Secondly, the initiative should be designed to maximize economic complementarities. In that respect one of the goals should be to establish a framework that can enable regional supply and value chains to emerge and flourish. They should have a distinctly private sector focus and orientation and rely as little as possible on state-driven production integration. Above all the initiative should avoid dependence on over-ambitious policy coordination or harmonization regimes that are difficult to conceive and even more difficult to achieve. For example, a Single Caribbean currency, so long sought after as one of the goals of economic integration, needs to be given its realistic place as belonging in the realm of something hoped for but virtually impossible to achieve at this juncture of Caribbean development.

A NEW TRADE DIPLOMACY

Jamaica has leadership responsibility for the region's external trade relations. To build a stronger integration movement and to give the region a chance to succeed in today's world, the region needs strong, focused and innovative Jamaican Leadership to change the existing trajectory of the region's existing trade relations.

This perhaps constitutes the most important reason why Jamaica must remain fully engaged in CARICOM.

First global economic activity is about to be heavily influenced by the emergence of mega trade blocs characterized by the sheer scope of their diversity and their incorporation of disciplines and programmes that go way beyond WTO frameworks. If they come into existence, their goods will enter each other's

markets duty-free; those from the Caribbean will enter duty paid. A disaster therefore looms, for the Caribbean is not set to have a relationship with these new mega blocs.

Without a relationship, and as the region of the world that has the fewest bilateral trade agreements, CARICOM will find itself languishing somewhere in the 20th century while the rest of the world marches on into the 21st. There are many aspects of this phenomenon that require urgent attention.

To begin with, the region's bilateral trade agreements with its principal trading partners, Canada and the USA, limited largely to the trade in goods, are incompatible with the rules of international trade which require reciprocal trade agreements and they have to be the beneficiary of special waivers by these trading partners. As instruments for development they are depreciated assets which need to be replaced by more modern and potentially effective trade agreements.

For any margin of preference that these bilateral trade agreements might have hitherto conferred on the region to spur on its development has been eroded by the newer trade agreements other countries and regions are entering into with the USA and Canada that cover a wider range of trade disciplines and that lock in benefits on a permanent basis in a manner that make them more attractive instruments to domestic and foreign investors.

Secondly, the integration of the evolving global economy is taking place to an increasing degree through global supply and value chains. There is hardly any agreed regional programme to facilitate the participation of Caribbean countries in such new global integration mechanisms. That needs to be addressed.

Thirdly, the Caribbean is the region that, in relative terms, depends most heavily on trade. But it is also the region which has the worst determinants of trade performance of any region in the world. The revamping of our region's approach to the determinants of trade

performance needs to be a concerted regional programme that is intended to bring such determinants of trade performance in line with international best practice.

Finally, the Caribbean will not successfully revamp its trade relations unless it establishes Economic Partnership Arrangements with both Cuba and the Dominican Republic and has them engaged as active partners in forging new relations with the rest of the world.

To illustrate by reference to practical experience, it would not have been possible to negotiate a WTO compatible EPA with Europe, involving the liberalization of 90% of the total trade of the two blocs, without the contribution of the Dominican Republic. The region will not make any major progress in fashioning new and necessary trade agreements with the rest of the world if it continues to limit itself to being CARICOM as presently constituted.

LABOUR MOBILITY

A lot of lip service is given to the concept that the integration movement in the Caribbean must be built upon making the optimum use of its most valuable resource – its people. To realize this, the region must be prepared to go as far as possible, and as fast as possible in making labour mobility the central plank of the integration movement. To accomplish this two significant bugbears need to be overcome.

The first has to do with the fact that for a significant part of its existence as a Community, the freedom of movement of persons was outlawed by Treaty in CARICOM. Indeed, Article 38 of the original Treaty of Chaguaramas, put in place by Manley, Williams, Barrow and Burnham – all titans of regionalism – reads as follows:

“Nothing in the Treaty should be construed as requiring or imposing any obligations on a member state to grant freedom of movement to persons into its territory whether or not such persons are nationals of other Member States.”

Having outlawed labour mobility, by Treaty, for over 30 years, the region will have to accept that only the most proactive efforts can now suffice to overcome such a deep seated barrier.

Secondly, the region now annually grants three times as many work permits to non-Caribbean citizens as compared to the number of skill certificates to Caribbean nationals to allow them to seek and find employment in their region. It should therefore approach the labour mobility matter by turning around this fundamental imbalance and bringing it in favour of CARICOM nationals.

A CONFIDENCE BOOST

CARICOM has come to appear as such a dismal failure that only a strong confidence boosting measure will suffice to rescue it. That statement of confidence can come from the acceptance by all of the jurisdiction of the Caribbean Court of Justice, in all of its aspects, for the treatment of the Court to date has been tantamount to a vote of a no confidence in the integration movement itself.

Barbados has accepted the full jurisdiction of the Court. It felt the full weight of a proper Court in the Myrie case. I believe Barbados is the better place for it. Jamaicans and all others in the Caribbean have nothing to fear from our regional Court. It is therefore time to make our regional Court the perfect metaphor for what regional integration must truly be about.

And there is perhaps no better place to make the point than here in Jamaica on the Mona Campus of the UWI, which is the most venerable and the strongest example of what the region acting, as one, can put in place to advance the wellbeing of its people.

ANNEX

Background:

In February 2010 the Government of Guyana (GoG) and Interamericana Trading Corporation (Barbados) signed a Memorandum of Understanding (MOU) for the development of a large scale integrated agriculture project (crops and cattle). Phase 1 of the MOU calls for the lease of 100,000 acres of land by GoG to the investor with a minimum investment of US\$ 5 million. To date a total of 29,000 acres of land has been leased by GoG to Santa Fe and the investment has been in excess of US\$ 7 million.

Significant Accomplishments:

- Construction of principal farm buildings.
- Installation of Drying and Storage facilities.
- Main Road of 4 km built to connect farm to the Georgetown/Lethem Road.
- Wells excavated to provide water.
- Main drain of approx. 12 km in length excavated to take excess water from fields to sedimentation ponds. In addition, approx. 2000 meters of secondary drains completed for drainage of low areas in fields.
- Internal drainage and irrigation system consisting of more than 30 kilometers of canals.
- Two irrigation pumps installed on floating platforms on the Ireng River. These pumps have a water flow rate of 1200 liters per second and provide necessary water for the rice and other crops cultivated on the farm.
- Approximately 8000 acres of land has been prepared for rice cultivation and pasture establishment.
- Rice production began in 2014 and Santa Fe has produced in excess of 10,000 tons of paddy and exported over 7,000 tons of cargo rice and paddy to Brazil.
- In addition to rice our primary crop, we have planted various fruits, vegetables,

sweet potatoes, plantain, bananas, corn, eddoes, and cassava for farine.

- Two Arabian Colts, two Texas Long and two Bradford Bulls were imported from the USA for breeding.
- Barbados Black Belly Rams are being imported for breeding.

Next Development Stage:

A comprehensive plan for the further development of the cattle program was done by King Ranch Institute (Texas, USA). This plan requires additional grazing pasture for the cattle program. We are expecting to complete the lease of an additional 20,000 acres of cattle grazing land contiguous to the existing leased land which will allow for the expansion of the cattle program. We are also working on increasing and improving the sheep population with the importation of Black Belly Rams from Barbados.