

# CARICOM Report

Progress and challenges of the  
integration agenda

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Institute for the Integration  
of Latin America and the  
Caribbean (INTAL)  
Integration and Trade  
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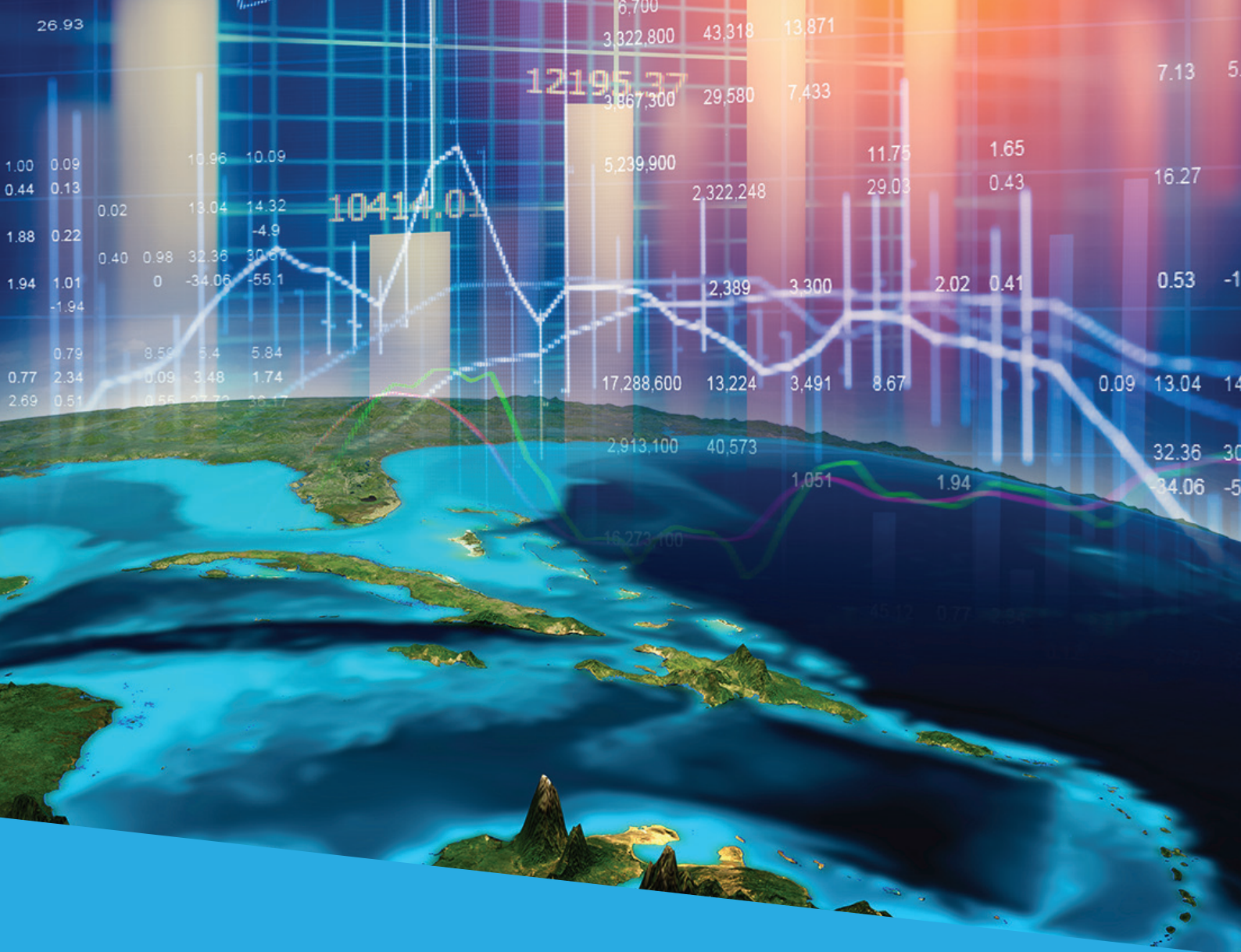
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# Contents

<b>ABBREVIATIONS .....</b>	<b>5</b>
<b>FOREWORD.....</b>	<b>9</b>
<b>ABSTRACT .....</b>	<b>10</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>11</b>
<b>1. INTRODUCTION.....</b>	<b>14</b>
<b>2. CARICOM: A BACKGROUND.....</b>	<b>17</b>
<b>3. THE ECONOMY &amp; INTERNATIONAL TRADE .....</b>	<b>22</b>
3.1 Economic Overview .....	23
3.2 Intra-Regional Merchandise Trade .....	35
3.3 Extra Regional Merchandise Trade .....	38
3.4 Services Exports.....	40
3.5 External Balance .....	44
<b>4. INTERNAL AGENDA.....</b>	<b>46</b>
4.1 Free Movement of Skilled Nationals .....	48
4.2 The Entry of Haiti.....	49
4.3 The Common External Tariff.....	51
4.4 Government Procurement.....	54
4.5 Special Economic Zones.....	56
4.6 Non-Tariff Barriers to Trade .....	59
4.7 Trade Facilitation.....	60
4.8 Intellectual Property.....	61
4.9 The Caribbean Court of Justice (CCJ) .....	63
4.10 The CARICOM Strategic Plan (2015-2019) .....	65
4.11 The Way Forward .....	68
4.12 Main Challenges.....	71
<b>5. EXTERNAL AGENDA .....</b>	<b>73</b>
5.1 The Caribbean Basin Initiative (CBI).....	78

5.2 EU-CARIFORUM EPA & The Cotonou Agreement.....	80
5.3 CANADA-CARICOM Free Trade Agreement.....	82
5.4 Other External Relationships.....	83
<b>6. CARICOM &amp; COVID-19 .....</b>	<b>84</b>
<b>7. CONCLUSION &amp; RECOMMENDATIONS.....</b>	<b>90</b>
<b>REFERENCES AND DATA SOURCES .....</b>	<b>93</b>

## Abbreviations

ACP	African, Caribbean and Pacific Group of States
ASYCUDA	Automated SYstem for CUstoms DAta
ATG	Antigua and Barbuda
BHS	Bahamas
BLZ	Belize
BRB	Barbados
CAHFSA	Caribbean Agricultural Health and Food Safety Agency
CAN	Canadá
CAPS	CARICOM Single Market Application Processing System
CARIBCAN	Caribbean Canada Trade Agreement
CARDI	Caribbean Agricultural Research and Development Institute
CARICOM	Caribbean Community
CARICOM IMPACS	CARICOM Implementation Agency for Crime and Security
CARIFESTA	Caribbean Festival of Arts
CARIFORUM	Caribbean Forum of ACP States
CARIFTA	Caribbean Free Trade Association
CARPHA	Caribbean Public Health Agency
CBERA	Caribbean Basin Economic Recovery Act
CBI	Caribbean Basin Initiative
CBTPA	Caribbean Basin Trade Partnership Act
CCC	CARICOM Competition Commission
CCCCC	Caribbean Community Climate Change Centre
CCE	CARICOM Commission on the Economy
CCJ	Caribbean Court of Justice
CDB	Caribbean Development Bank
CDEMA	Caribbean Disaster Emergency Management Agency
CDF	CARICOM Development Fund
CET	Common External Tariff
CF-EU EPA	CARIFORUM-European Union Economic Partnership Agreement
CHOG	Conference of Heads of Government

CIMH	Caribbean Institute for Meteorology and Hydrology
CKLNA	Caribbean Knowledge and Learning Network Agency
CMO	Caribbean Meteorological Organisation
COFAP	Council for Finance and Planning
COFCOR	Council for Foreign and Community Relations
COHSOD	Council for Human and Social Development
CONSLE	Council for National Security and Law Enforcement
COL	Colombia
COTED	Council for Trade and Economic Development
CPPNB	Community Public Procurement Notice Board
CRC	CARICOM Review Commission
CRFM	Caribbean Regional Fisheries Mechanism
CROSQ	CARICOM Regional Organisation for Standards and Quality
CSC	CARICOM Skills Certificate
CSME	CARICOM Single Market and Economy
CSP	CARICOM Strategic Plan (Strategic Plan for The Caribbean Community 2015-2019: Repositioning CARICOM)
CXC	Caribbean Examinations Council
DFQF	Duty-Free Quota-Free
DMA	Dominica
DOM	Dominican Republic
EC	European Commission
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
ECD	Eastern Caribbean Dollar
EPA	Economic Partnership Agreement
EU	European Union
EU-LAC	European Union - Latin American and the Caribbean
FAO	Food and Agriculture Organisation of the United Nations
GATT	General Agreement on Tariffs and Trade
GBR	United Kingdom
GPA	WTO Plurilateral Agreement on Government Procurement



GRD	Grenada
GUY	Guiana
HIPC	Heavily Indebted Poor Country
HTI	Haiti
ICT	Information and Communications Technology
IDB	Inter-American Development Bank
IDPs	International Development Partners
INTAL	Institute for the Integration of Latin America and the Caribbean
IOM	International Office for Migration
ITU	International Telecommunications Union
JAM	Jamaica
KNA	Saint Kitts and Nevis
LAC	Latin America & the Caribbean
LCA	Saint Lucia
LDC	Least Developed Country
MDC	More Developed Country
MERCOSUR	Southern Common Market
MSR	Montserrat
NCDs	Non-Communicable Diseases
OECS	Organisation of Eastern Caribbean States
OTN	Office of Trade Negotiations
RCA	Revealed Comparative Advantage
RTC	Revised Treaty of Chaguaramas
SCM	Subsidies and Countervailing Measures
SEZ	Special Economic Zone
SIDS	Small Island Developing States
SITC	Standard International Trade Classification
SMART	Specific, Measurable, Achievable, Realistic and Time-bound
SPS	Sanitary and Phytosanitary
TFA	Trade Facilitation Agreement
TPEA	Trade Preferences Extension Act
TTO	Trinidad and Tobago
UK	United Kingdom

UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States (United States of America)
USA	Estados Unidos
USD	United States Dollars
UWI	University of the West Indies
VCT	Saint Vincent and the Granadines
VEN	Venezuela
WEO	World Economic Outlook
WFZO	World Free Zones Organisation
WIPO	World Intellectual Property Organization
WTO	World Trade Organisation

## Foreword

The CARICOM Report is part of the INTAL's effort for monitoring the progress of regional integration in the area, in terms of economic interdependence and regional and international negotiations. This third report about the Caribbean Community covers the post-2005 period and includes the regional challenges regarding the COVID-19 crisis.

The integration among the Caribbean countries is close to 50 years of life. One of the greatest strengths of the process is its significant level of functional cooperation in areas such as education, health, and tourism. During the period under review in this report, the CARICOM bloc suffered from high vulnerability to economic, political, and natural disasters. In this context, it was not a surprise that the CARICOM Strategic Plan for the period of 2015-2019 focused on “*resilience*”.

In the context of the pandemic and its disruption of the movement of people and goods, the small open economies of the Caribbean are extremely vulnerable due to their dependence on tourism receipts, remittances for the inflow of foreign currency and food (among other central goods) imports. Cooperation in regional agricultural initiatives can go a long way towards achieving the goals of food and nutritional security. During the first months of 2020, CARICOM launched the Covid-19 Response Agri-Food Plan to ensure affordable access to food in order to avoid that the COVID-19 crisis becomes a food crisis.

Regarding the regional **internal agenda**, the report states that the post-2005 phase is one of the most challenging periods for the CARICOM integration project. The Revised Treaty of Chaguaramas was an important milestone and showed the commitment to deepen the regional integration scheme through the construction of a single market (The CSME or Caribbean Single Market and Economy). There have been also other noteworthy developments such as the creation of the CARICOM Court of Justice, the approval of the *Strategic Plan for The Caribbean Community 2015-2019*, the revision of the Common External Tariff, the adoption of the Automated Systems for Customs Data (ASYCUDA), the activities of the Caribbean Agricultural Health Food Safety Agency, among many other areas.

However, several challenges persist. While much has been accomplished in terms of the legal infrastructure and the Single Market construction, important tasks related to the Single Economy still need to be completed.

In relation to the **external agenda**, trade with extra CARICOM countries has been traditionally based on the principle of non-reciprocity, mainly with the US, EU, and Canada. In this context, building new trade relationships and strengthening old ones is crucial for the economic development of the region. In this context, there is an opportunity to deepen relationships with non-traditional trade partners, especially those within Latin America.

The report also identifies some issues regarding implementation deficit and focuses on the need to build resiliency, dealing with some priority actions. In this sense, it argues that there is an opportunity to increase the coordination efforts to strengthen the free movement of skilled labour; and, regarding the external agenda, to broaden and deepen the international trade relationships. Furthermore, this document points out the relevance of modernizing regional legislation and improving access to capital and raw materials. Finally, it highlights the importance of strengthening the Secretariat with adequate resources.

We hope that this report contributes to a greater understanding of the Caribbean integration process.

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## Abstract

The Caribbean Community (CARICOM) was established in 1973 as a customs union and nowadays consists of 15 member countries. CARICOM includes member and non-members of the Organisation of Eastern Caribbean States (OECS), an economic union with free movement of people and goods, a single currency, and a common central bank.

This report is the third in a series of INTAL publications on regional integration on the Caribbean Community and covers the period 2005 to 2020.

After a brief background to the CARICOM integration project and a look at the economy and international trade, this report focuses on the main issues and developments relating to the deepening of integration within CARICOM and crucial relationships with external partners. The final section concludes with an assessment of the short-term adverse impacts of the pandemic and summarizes a set of recommendations to tackle the main issues.

## Executive Summary

This report is the third in a series of INTAL publications on regional integration on the Caribbean Community (CARICOM). It covers the post-2005 period. CARICOM consists of 15 member countries, of these, eight<sup>1</sup> are borrowing members of the Inter-American Development Bank (IDB). This bloc was established in 1973 as a customs union, but its greatest strength can perhaps be seen in its significant levels of functional cooperation in areas such as education, health, and tourism.

**To better appreciate the nuances of the bloc it's relevant to note a few distinctive features:**

- **1.** Six of the countries are categorised by the World Bank as more developed countries (MDCs) and the remainder, less developed countries (LDCs).
- **2.** The population sizes among the territories varies with a low of about 5,000 people to a high of 11 million. Seven countries have populations below 200,000, four of which are below 100,000.
- **3.** The Organisation of Eastern Caribbean States (OECS) is an economic union with its full members<sup>2</sup> constituting approximately half of the membership of CARICOM<sup>3</sup>. Within the OECS there's free movement of people and goods, a single currency (the Eastern Caribbean Dollar, ECD) and a common central bank (the Eastern Caribbean Central Bank, ECCB). There are no current plans for the creation of a CARICOM supranational currency.

## THE ECONOMY

The sectoral composition of CARICOM economies indicates that services constitute the primary economic activity for most countries in the bloc. Indeed, only Guyana, Suriname and Haiti have a services sector which is less than 50% of GDP<sup>4</sup>. The post-2005 period was especially difficult for the economies of CARICOM. External economic shocks and natural disasters have been especially debilitating to the economic development of the region. Low GDP growth and ballooning public debt have come to define the era. Indeed, post-2005, five countries<sup>5</sup> have had debt to GDP ratios great than 80%, and for most of the remaining cases, the debt is growing. For example, Trinidad & Tobago had debt amounting to 18% of GDP in 2005, by 2018 that figure had ballooned to 61%. One area of promise is that CARICOM countries have generally been able to manage inflation better than they have prior to 2005. The migration of highly skilled CARICOM nationals remains an issue, and while remittances are dutifully sent back to the region, creating an indispensable source of foreign currency, it cannot compensate for the absence of highly skilled persons who are necessary for the sustainable economic growth and development of the bloc.

## INTERNATIONAL TRADE

Trinidad and Tobago, the largest economy in CARICOM, dominates regional trade as the value of its exports to the rest of CARICOM is the largest for any single CARICOM country, amounting to about 70% of intra-CARICOM exports for a significant period. Trinidad's dominance is easily

<sup>1</sup> The Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname, and Trinidad & Tobago.

<sup>2</sup> Antigua & Barbuda, Dominica, Grenada, Montserrat, St. Lucia, St. Kitts Nevis, and St. Vincent & The Grenadines.

<sup>3</sup> The OECS countries are not members of the IDB.

<sup>4</sup> According to World Bank data (2018 and 2019).

<sup>5</sup> Among those with available data.



explained given the country's significant oil and gas sector coupled with a relatively vibrant manufacturing sector. Nevertheless, intra-CARICOM trade represents a very low percentage of total CARICOM trade (especially in terms of imports). These observations underscore the smallness of the economies within CARICOM. Smallness means greater openness, a limited range of domestically manufactured products, and few products which are internationally competitive.

As the gravity model of international trade suggests, CARICOM countries should engage in more trade with the United States (US) than any other economy. This is indeed the case both in terms of exports and imports. Trade with the EU, inclusive of the United Kingdom (UK), has been traditionally based on the principle of non-reciprocity, where the European countries operated from a position of engaging in trade with the aim of engendering a sense of responsibility for contributing to the broader human development of developing countries.

In terms of services exports, the data show that the sector is dominated by tourism and transportation with financial and insurance services accounting for less than 5% of total services exports.

## **INTERNAL AGENDA**

The period covered by this report (post-2005) is arguably one of the most difficult periods for the CARICOM integration project since the early years of integration in the British Caribbean. More than a decade after the Heads of Government committed to moving the integration project towards the Caribbean Single Market and Economy (CSME), not many initiatives of significance were achieved. The Caribbean Court of Justice (CCJ), the court of original jurisdiction for matters relating to the Revised Treaty of Chaguaramas (RTC), was established in April 2005 and is perhaps the most significant achievement in the period being explored here. It's also the final court of appeal for some CARICOM countries.

The sloth in the deepening of the CARICOM integration process can be attributed to significant funding issues for the CARICOM Secretariat resulting from the reduced fiscal capacity of several member countries and little or no uniformity in the implementation of initiatives agreed upon by individual CARICOM countries. This sloth is not for a lack of strategic plans for the way forward. Indeed, many reports have been commissioned and many commitments made. However, there seems to be what some call an "implementation deficit," i.e. a pervasive lack to execute what was agreed upon.

The latest major initiative for advancing the regional integration project is the CARICOM Strategic Plan (CSP, 2015-2019). The overarching theme of the plan is "resilience": building economic, social, environmental, and technological resilience, while strengthening governance and the identity and spirit of CARICOM. This report focuses primarily on the part of the CSP which is concerned with building economic resilience. A new plan is due in 2020. At the time of writing this research there's no public report on the activities recommended by the plan.

The forgoing aside, this report looks at a range of issues which are crucial to the CARICOM integration project, such as; the movement of skilled nationals; issues of public procurement and intellectual property rights; special economic zones; non-tariff barriers to trade; trade facilitation and the impact of the entry of Haiti.

## **EXTERNAL AGENDA**

In terms of every possible international metric, the countries of CARICOM are small. With smallness, it comes a greater degree of dependence on international trade. The year 2025 will mark three decades since the establishment of the WTO. Unless there are significant changes, it's also very unlikely that there will be significant extensions to the grace periods granted to developing countries, before the full force of reciprocal trade engulfs the edifice of international

trade. Further, the push back against globalisation in some countries of the world will likely undermine the WTO further and weaken its development agenda. With these in mind, CARICOM will have to face the new global trade order and will do well to deepen relationships with non-traditional trade partners, especially those within Latin America.

## COVID-19

The new decade was welcomed with great expectations. In 2023 CARICOM would mark 50 years of regional integration within the Caribbean. These expectations were violently shaken by the COVID-19 pandemic which reminded the people of CARICOM as to how vulnerable the bloc is to global shocks whether natural or manmade. However, every crisis presents an opportunity for reflection and charting a new path. This report examines the short-term adverse impacts of the pandemic and highlights regional cooperation in the agricultural sector as a natural place to start a new path. While several reasons have been highlighted to underscore the importance for singling out the agricultural sector, two reasons are of particular importance. First, the pandemic has disrupted the movement of people and goods. Although there were no reports about food shortage, COVID-19 proved the dependence on foreign food imports and the untenable situation that this implies and which need to be resolved. Second, food security has to be supported by nutritional security. The citizenry of CARICOM suffer from myriad non-communicable diseases (NCDs) that make them more susceptible from the ravages of COVID-19. The region can do much to improve the health profile of its citizens thereby putting them in a position to fight off diseases such as COVID-19. A proper diet is certainly a necessary aspect of living healthily. Cooperation in regional agricultural initiatives can go a long way towards achieving the goals of food security and nutritional security.

## CONCLUSION & RECOMMENDATIONS

**This report identifies the main issues which CARICOM will have to contend with, namely:**

- Free movement of labour;
- Food and climate security;
- Modern legislation in areas such as intellectual property rights;
- Integrated productive capacity;
- Macroeconomic policy coordination;
- Foreign policy coordination and trade negotiations; and
- Human and financial resources for the CARICOM Secretariat.

**The following proposals are recommended for dealing with the aforementioned issues:**

- Renewed commitment and practical efforts to deepen CARICOM integration.
- Deepen international trade relationships with non-traditional partners.
- Modernization of legislation.
- Production integration across the region.
- Greater utilization of regional expertise in academia, business and civil society
- Reenergising of the regional trade negotiating machine.
- A stronger CARICOM Secretariat.

# Introduction



This document is the third in a series of reports on the CARICOM integration project, published by the Institute for the Integration of Latin America and the Caribbean (INTAL), and covers the period 2005 to 2020. This is one of the most challenging periods of the CARICOM integration project. Indeed, there have been significant changes and events within CARICOM and the world.

The year 2005 marked a decade since the end of the most far-reaching round of international trade talks, the Uruguay Round, and the establishment of the most comprehensive international framework for the management of matters of, and related to, international trade; the World Trade Organisation (WTO). International trade is, and has always been, of significant importance to the growth and development of CARICOM countries. Through the exploitation of enslaved labour, for approximately 300 years, European planters exported sugar, and other by-products of sugar cane, to markets in Europe. The export of sugar over those 300 years, from the colonies of the UK, helped to build the UK economy. While African enslavement in the British West Indies ended in 1838, sugar remained an integral product of these economies. The wave of independence across the British West Indies did not diminish its importance, in fact the sugar industry was supported for decades through preferential agreements with Europe. The birth of the WTO in 1995 meant that the days of preferential access were coming to a close and the CARICOM economies needed to transition towards an era of trade based on reciprocal arrangements. Of course, as is the case with other developing nations the WTO provided for a grace period during which vulnerable countries would be able to adjust the structures of their respective economies to multilateral regulations. The countries of CARICOM were therefore forced to reduce the size of their sugar and banana industries, and prepare their economies for a highly globalised world, where national boundaries retain little significance, trade grows rapidly and the effective distance between

countries quickly disappears, all facilitated by technological advancement especially in the area of Information and Communications Technologies (ICTs).

The events in the period under review in this report (2005 thru 2020), shows up the vulnerability of the CARICOM bloc to economic, political and natural disasters. It's no surprise, therefore, that CARICOM has at the centrepiece of its 2015-2019 Strategic Plan the building of resilience. The most significant shock during the period under review was the 2007-2008 financial crisis precipitated by the crash of the American housing market. The small open economies of the Caribbean are extremely vulnerable due to their dependence on tourism receipts and remittances for the inflow of foreign currency. Earning foreign currency is of relatively greater importance to small open economies as they are especially dependent on imports to satisfy their many needs. Natural disasters, in the form of hurricanes and earthquakes, have erased the small developmental gains made by the economies of CARICOM. Haiti, in particular, has faced the brunt of both types of natural disasters; a magnitude 7 earthquake in January 2010, and Hurricane Matthew in October 2016. Haiti has also been affected by ongoing political turmoil at various points.

In the midst of the aforementioned issues, the CARICOM integration project has limped along. The Revised Treaty of Chaguaramas (RTC) in 2001 was a watershed moment in the history of the project and signalled the commitment of the various member countries to deepen the degree of regional integration through the formation of a Caribbean Single Market and Economy (CSME). The CSME has progressed in fits and starts. Along the way there have been several noteworthy developments such as the creation of the CARICOM Court of Justice (CCJ) which is resourced so as to satisfy the requirements of a final court of jurisdiction.



This report consists of a brief background to the CARICOM integration project (section 2); a look at the economy and international trade (section 3); the main issues and developments relating to the deepening of integration within CARICOM (section 4); crucial relationships with external partners such as the US and the EU (section 5); the COVID-19 pandemic has disrupted lives in the Caribbean and the wider world and brings both opportunities and threats for our livelihoods (section 6); and the final section concludes with a few recommendations (section 7).





# CARICOM: A Background



On July 4, 1973, the Treaty of Chaguaramas was signed by the then Prime Ministers of Barbados, Guyana, Jamaica and Trinidad & Tobago. This was not the first attempt at integration among the colonies of the British Caribbean. In the pre-independence period a political union, the West Indian Federation, was formed in 1958. The union lasted for approximately four years. Notwithstanding the myriad issues facing the Federation, such as geographic distance, the collapse of the nascent union was precipitated by dissatisfaction in Jamaica. A referendum was held in Jamaica in 1961 to ascertain whether the colony should remain in the Federation. A majority of the electorate voted for secession. Jamaica's exit was soon followed by the other major member, Trinidad and Tobago. Indeed, Jamaica and Trinidad and Tobago were the largest units in that political union given the size of their economies, population and relative geographical size. The remaining countries, therefore, did not have the

wherewithal to maintain the Federation and it was dissolved in May of 1962. Three months later, both Jamaica and Trinidad and Tobago gained political independence from UK.

However, the seeds of integration among states in the British Caribbean were deeply sowed and so in 1965 another attempt was made at integration. This time, however, a much lower form of integration was initiated. The Caribbean Free Trade Association (CARIFTA) was initiated by the Prime Ministers of Antigua & Barbuda, Barbados and Guyana, with the latter two being the early proponents of the initiative. Between 1968 and 1971, nine other countries joined CARIFTA. This incremental, and structured approach to regional integration, reaped large dividends for the region, and so in 1973 CARICOM was formed. The full list of the current full members and associate members of CARICOM are presented in box 2.1. Box 2.2 list all the relevant organs and institutions of

## Box 2.1

### MEMBERS OF CARICOM

- 1 Antigua & Barbuda (1974)
- 2 Bahamas, The (1983)
- 3 Barbados (1973)
- 4 Belize (1974)
- 5 Dominica (1974)
- 6 Grenada (1974)
- 7 Guyana (1973)
- 8 Haiti (2002)
- 9 Jamaica (1973)
- 10 Montserrat (1974)
- 11 St. Kitts Nevis (1974)
- 12 St. Lucia (1974)
- 13 St. Vincent & The Grenadines (1974)
- 14 Suriname (1995)
- 15 Trinidad & Tobago (1973)

### ASSOCIATE MEMBERS

- 1 Anguilla (1999)
- 2 Bermuda (2003)
- 3 British Virgin Islands (BVI) (1991)
- 4 Cayman Islands (2002)
- 5 Turks and Caicos Islands (TCI) (1991)

**Source:** caricom.org

CARICOM and box 2.3 presents the allocation of responsibilities to the various countries providing for what's called the Heads of Government Quasi Cabinet. To be sure, CARICOM does not have a supranational body as obtains in the European Union (EU).

Based on the basic theory of economic integration, at the time of its creation, CARICOM was essentially a customs union i.e. a free trade area with a common external tariff. However, the strength of CARICOM, as regards promoting the welfare of the region, lies in the various institutions which provide for cooperation beyond pure matters of trade. Cooperation within CARICOM, either through the institutions of CARICOM or other institutions, covers a range of things such as health, sport, education, agriculture, and transportation, to name a few. Indeed, from the inception CARICOM was conceived to be a model of "open regionalism".

After about a decade and half of relative success the leadership of CARICOM saw the need to advance the process of integration. To this end, at the 1989 the Conference of Heads of Government (CHOG) held at Grand Anse, Grenada, the leaders of CARICOM committed to forming the CARICOM Single Market and Economy (CSME). On July 5, 2001 at the CHOG the Revised Treaty of Chaguaramas (RTC) was signed by 12 CARICOM members. The Bahamas chose not to sign, Haiti was not yet a member of CARICOM, and Montserrat, a colony of the UK, did not have the special clearance needed.

The objectives of CARICOM as outlined in Article 6 of the RTC are as follows:

- 1. Improved standards of living and work;
- 2. Full employment of labour and other factors of production;
- 3. Accelerated, coordinated and sustained economic development and convergence;
- 4. Expansion of trade and economic relations with Third States;
- 5. Enhanced levels of international competitiveness;
- 6. Organisation for increased production and productivity;
- 7. The achievement of a greater measure of economic leverage and effectiveness of Member States in dealing with Third States, groups of States and entities of any description;
- 8. Enhanced co-ordination of Member States' foreign and (foreign) economic policies; and
- 9. Enhanced functional cooperation including:
  - a. More efficient operation of common services and activities for the benefit of its peoples;
  - b. Accelerated promotion of greater understanding among its peoples and the advancement of their social, cultural and technological development; and
  - c. Intensified activities in areas such as health, education, transportation and telecommunications.

## Box 2.2

### THE PRINCIPAL ORGANS OF CARICOM ARE

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- 1 The Conference of Heads of Government commonly called 'The Conference';
- 2 The Community Council of Ministers commonly called 'The Community Council'.

### THE ORGANS ARE

---

- 1 Council for Trade and Economic Development (COTED)
- 2 Council for Foreign and Community Relations (COFCOR)
- 3 Council for Human and Social Development (COHSOD)
- 4 Council for Finance and Planning (COFAP)
- 5 Council for National Security and Law Enforcement (CONSLE)

### THE BODIES ARE

---

- 1 The Legal Affairs Committee
- 2 The Budget Committee
- 3 The Committee of Central Bank Governors'

### COMMUNITY INSTITUTIONS

---

- |    |                |   |
|----|----------------|---|
| 1  | CAHFSA         | Caribbean Agricultural Health and Food Safety Agency      |
| 2  | CARDI          | Caribbean Agricultural Research and Development Institute |
| 3  | CARICAD        | Caribbean Centre for Development Administration           |
| 4  | CARICOM IMPACS | CARICOM Implementation Agency for Crime and Security      |
| 5  | CARPHA         | Caribbean Public Health Agency                            |
| 6  | CASSOS         | Caribbean Aviation Safety and Security Oversight System   |
| 7  | CCC            | CARICOM Competition Commission                            |
| 8  | CCCCC          | Caribbean Community Climate Change Centre                 |
| 9  | CCJ            | Caribbean Court of Justice                                |
| 10 | CDEMA          | Caribbean Disaster Emergency Management Agency            |
| 11 | CDF            | CARICOM Development Fund                                  |
| 12 | CIMH           | Caribbean Institute for Meteorology and Hydrology         |
| 13 | CKLNA          | Caribbean Knowledge and Learning Network Agency           |
| 14 | CMO            | Caribbean Meteorological Organization                     |
| 15 | CRFM           | Caribbean Regional Fisheries Mechanism                    |
| 16 | CROSQ          | CARICOM Regional Organization for Standards and Quality   |
| 17 | CXC            | Caribbean Examinations Council                            |

## ASSOCIATE INSTITUTIONS

As per Article 22 of the Revised Treaty of Chaguaramas:

- 
- 1 Caribbean Development Bank (CDB)
  - 2 Caribbean Law Institute Centre (CLIC)
  - 3 Organization of Eastern Caribbean States Secretariat (OECS Secretariat)
  - 4 University of the West Indies (UWI)
  - 5 University of Guyana (UG)

## OTHER INSTITUTIONS

- 
- 1 Caribbean Export Development Agency
  - 2 Council of Legal Education
  - 3 Caribbean Tourism Organization
  - 4 Caribbean Telecommunications Union
- 

**Source:** CARICOM Secretariat, 2018

## Box 2.3: Heads of Government Quasi Cabinet (Est. 1999)

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Antigua & Barbuda	Services
Bahamas	Tourism
Barbados	CSME
Belize	Justice and Governance
Dominica	Labor and intra-Community Movement of Skills
Grenada	Science and Technology (including ICT)
Guyana	Agriculture, Agricultural Diversification and Food Security
Jamaica	External Trade Negotiations
St. Kitts & Nevis	Human Resource Development, Health and HIV/AIDS
St. Lucia	Sustainable Development including Environment, Water, Climate Change and Disaster Management
St. Vincent & Grenadines	Transportation (Maritime and Aviation)
Suriname	Community Development and Cultural Cooperation
Trinidad & Tobago	Energy and Security

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**Source:** Golding & et al, 2017



# The economy & international trade



## 3.1 Economic Overview

For the purposes of this economic overview it's perhaps best to divide CARICOM into two sub-regions, i.e. member and non-members of the Organisation of Eastern Caribbean States (OECS)<sup>6</sup>. Incidentally, the members of the OECS are not members of the IDB, while the rest of CARICOM are borrowing members of the bank. For the purposes of this report the OECS countries will refer to the seven full members of the OECS identified in table 3.1.1. It's also important to note that those CARICOM Countries

which are also full members of the OECS are also part of an economic union, the Eastern Caribbean Currency Union (ECCU). The single currency, the Eastern Caribbean Dollar (ECD), is managed by the Eastern Caribbean Central Bank (ECCB). So effectively, the ECCU creates the interesting scenario of a union within a union. Approximately half of the countries within CARICOM are classified as upper middle-income countries, with Haiti being the lone lower income country and the most populous. Haiti's population constitutes approximately 60% of the total population of CARICOM.

**Table 3.1.1:** Background Information

COUNTRY	OECS MEMBER	POPULATION (2018 E), VALUE AND %	REAL GDP PER CAPITA (2018 E), US DOLLARS	INCOME GROUP (2019)	DEVELOPMENT CLASSIFICATION
Antigua & Barbuda	YES	96,000 (0.5%)	\$16,727.00	High	LDC
Bahamas	NO	386,000 (2.1%)	\$32,218.00	High	MDC
Barbados	NO	287,000 (1.6%)	\$17,746.00	High	MDC
Belize	NO	383,000 (2.1%)	\$4,885.00	Upper Middle	LDC
Dominica	YES	72,000 (0.4%)	\$7,691.00	Upper Middle	LDC
Grenada	YES	111,000 (0.6%)	\$10,486.00	Upper Middle	LDC
Guyana	NO	800,000 (4.3%)	\$4,901.00	Upper Middle	MDC
Haiti	NO	11,123,000 (60.1%)	\$835.00	Low	LDC
Jamaica	NO	2,935,000 (15.9%)	\$5,354.00	Upper Middle	MDC
Montserrat	YES	5,000 (0.03%)	\$12,754.00	N/A	LDC
St Kitts Nevis	YES	52,000 (0.3%)	\$19,275.00	High	LDC
St Lucia	YES	182,000 (1.0%)	\$10,566.00	Upper Middle	LDC
St Vincent & The Grenadines	YES	110,000 (0.6%)	\$7,361.00	Upper Middle	LDC
Suriname	NO	576,000 (3.1%)	\$6,004.00	Upper Middle	MDC
Trinidad And Tobago	NO	1,390,000 (7.5%)	\$17,130.00	High	MDC

**Source:** World Bank WDI, UNdata. E: estimated value. N/A: data not available.

<sup>6</sup> Montserrat, a British Overseas Territory (BOT), is mostly omitted from the analysis due to a lack of data.

The analysis in this section covers the period 1980-2018, and where possible 2019 data are included. Indeed, while this report primarily focuses on the post-2005 period, the inclusion of the period between 1980 and 2005 allows for a better appreciation of the intertemporal economic performances of the member countries of CARICOM. In what follows, important economic variables and issues will be explored.

All the members of CARICOM can be classified as Small Island Developing States (SIDS). This is so even for CARICOM countries which are not islands. The key feature which they all share is the relative smallness of their economies and population. In 2019, the total GDP for CARICOM accounted for 1.5% of the total value of economic activity within the LAC region, while accounting for about 4% of the total population. However, beyond the pure economics of smallness, the CARICOM project envisages a framework within which the myriad issues of SIDS can be dealt with in a framework of cooperation where scarce technical and financial resources can be shared. For example, matters relating to

climate change, and international trade negotiations have been dealt with through the framework of regional cooperation. Indeed, for all its shortcomings, CARICOM cooperation is indispensable in advancing the welfare of its nationals.

As regards the sectoral composition of GDP (table 3.1.2), the services sector accounts for around 60% of GDP. The services sector in the OECS accounts for a higher share than the CARICOM average; however, the average for the non-OECS is significantly affected by the relatively low numbers of countries such as Guyana, Suriname and Trinidad & Tobago, specialized in metal and oil production. Manufacturing and agriculture are, on average, the smallest sectors. However, in the case of Trinidad and Tobago, an energy rich country, manufacturing accounts for 19% of GDP. For CARICOM, in general, the industry sector's share of GDP is expanding while those of agriculture, services and manufacturing have been falling. Table 3.1.2 also provides real GDP data, based on 2010 prices, for the years 2010 and 2018.





**Table 3.1.2:** GDP and Sectoral Composition

COUNTRY	GDP (CURRENT US\$ BILLIONS)		AGRICULTURE, FORESTRY, AND FISHING (% OF GDP)		INDUSTRY* (% OF GDP)		MANUFACTURING (% OF GDP)		SERVICES (% OF GDP)	
	2010	2019	2010	2019	2010	2019	2010	2019	2010	2019
Antigua and Barbuda	1.1	1.7	2	2	16	21	2	2	70.7	66.8
Bahamas	10.1	12.8	1	1	11	13	2	3	81.1	74.2
Barbados	4.5	5.2	1	1	14	13	6	5	73.4	74.9
Belize	1.4	1.9	12	10	19	12	12	6	60.3	65.5
Dominica	0.5	0.6	11	13	12	16	2	2	60.3	52.5
Grenada	0.8	1.2	5	6	15	13	3	3	68.4	66.3
Guyana	2.3	4.3	16	12	31	35	6	5	43.1	38.4
Haiti	6.6	8.5	26	19	44	71	5	NA	18.0	12.1
Jamaica	13.2	16.5	5	7	18	20	8	8	66.5	59.3
St. Kitts and Nevis	0.8	1.1	1	1	23	26	8	6	67.4	67.8
St. Lucia	1.5	2.1	3	2	12	10	3	3	73.9	75.2
St. Vincent and the Grenadines	0.7	0.8	6	7	16	14	5	4	63.2	62.6
Suriname	4.4	4	9	10	35	33	21	14	48.2	50.2
Trinidad and Tobago	22.2	24.1	1	1	54	42	19	19	45.5	55.1
<b>CARICOM SIMPLE AVERAGES**</b>	<b>70.1</b>	<b>84.8</b>	<b>7.1</b>	<b>6.6</b>	<b>22.9</b>	<b>24.2</b>	<b>7.3</b>	<b>6.2</b>	<b>60.0</b>	<b>58.6</b>

**Source:** World Bank WDI (Sectoral information for Barbados is for 2018) \* Industry corresponds to ISIC divisions 10-45 and includes mining, manufacturing, construction, electricity, water, and gas. \*\* Simple averages, except GDP in USD.

## GDP & GDP Growth Rates

*‘The Caribbean’s post-colonial period has been decorated by brilliant and brave leadership. Living standards surged and a difficult evolution away from primary agricultural products to service-based economies was achieved. Even hurricanes and floods were not able to derail the steady advance. The region showed the same resolve when macroeconomic shocks hit – it was resilient and unafraid to make deep changes. The Caribbean was a front runner. Times have changed.’*

**(Ruprah, Melgarejo, & Sierra, 2014)**

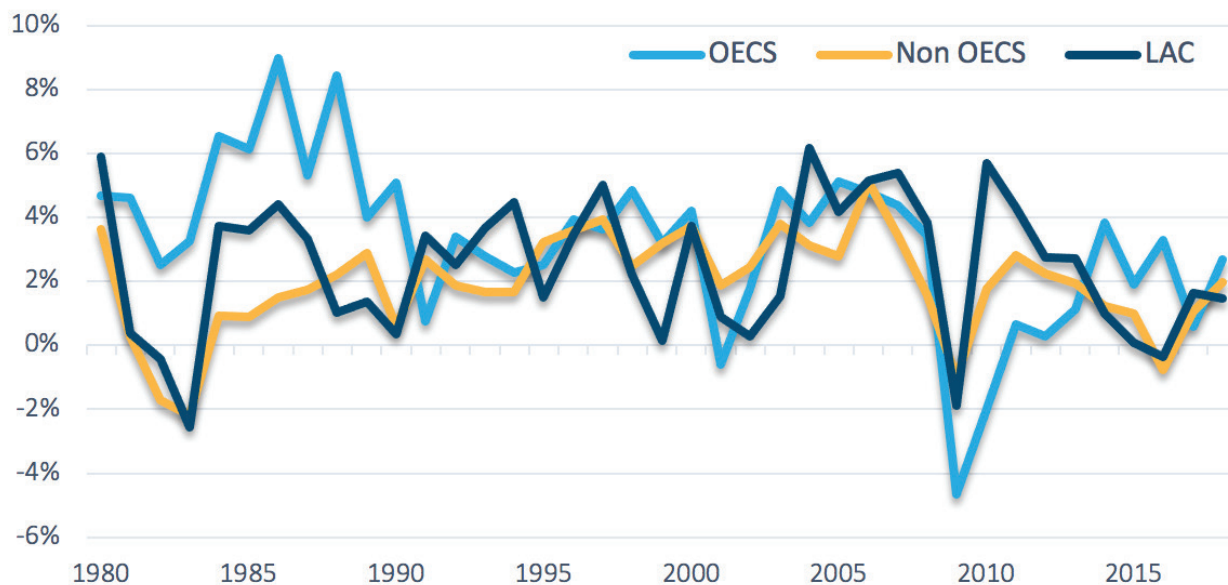
The foregoing quote aptly describes the macroeconomic situation of CARICOM. Indeed, a myriad of issues seek to compound the generally poor growth performance of CARICOM. These include, but are not limited to, weak institutions, significant migration of skills, and low levels of innovation.

Figures 3.1.1, 3.1.2 and 3.1.3 provide information on the real GDP growth rates for OECS and non OECS CARICOM countries, with averages for LAC countries included for reference. Figure 3.1.1 shows averages for the three groups used here. The growth rate for the non-OECS sub-region is more related to the movements in LAC than is the OECS sub-region. This reality is unsurprising as the non-OECS sub-region consists of the larger more developed economies of CARICOM. Of course, in periods such as the 2001 recession and the 2007-2008 financial crisis, all three groups of countries reflect similar changes in growth rates. Figures 3.1.2 and 3.1.3 give a disaggregated view and show a distinct difference between the economic performance for the OECS and non

OECS countries over the four decades under consideration. In the case of every OECS economy the decade of highest economic growth occurred during the 1980s, in every decade thereafter the growth rates for all of these economies slipped. This continuous slippage is particularly evident in the cases of Antigua & Barbuda, St. Kitts and Nevis, and St. Lucia. Of these three, St. Lucia deserves to be singled out as it is the largest economy in the OECS and its GDP growth fell precipitously over the decades. The real GDP growth rate for St. Lucia was 6.5% in the 1980s; 3.2% in the 1990s; 1.9% in the 2000s; and 1.1% in the 2010s. These numbers are indicative of the changes in the global environment, coupled with the vulnerability of the economies to natural disasters, which make it harder for them to grow. Indeed, the countries of the OECS have relatively stable political environments, the collapse of the Grenada revolution notwithstanding, and more importantly a sound monetary policy emanating from their shared central bank, the Eastern Caribbean Central Bank (ECCB). Returning to the issue of vulnerability, the reversal in the performance of Dominica for the 2010-2018 period underscores how exposed, to natural disasters, the OECS countries are. Indeed, hurricane Maria severely destroyed the infrastructure of Dominica resulting in a real growth rate of -10% for the year 2017.

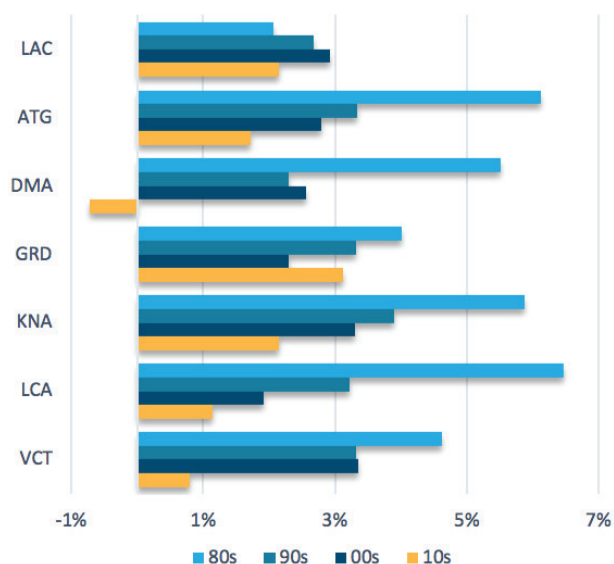
The real GDP growth performance of the eight non OECS countries is relatively less uniform than that of the OECS economies. Of the eight economies, four recorded negative average real growth rates during the 1980s. Guyana’s performance was the most dismal. Economic performance during the 1990s was significantly better. Indeed, save for Barbados and Suriname, every other non OECS economy recorded average real growth rates greater than 1.5%. Notwithstanding the impacts of the 9-11 Terrorist Attacks and the 2007-2008 financial crisis, the economic performance during the decade of the 2000s was excellent for those economies well-endowed with natural resources.

**Figure 3.1.1:** Real GDP Growth Rates (1980-2018)

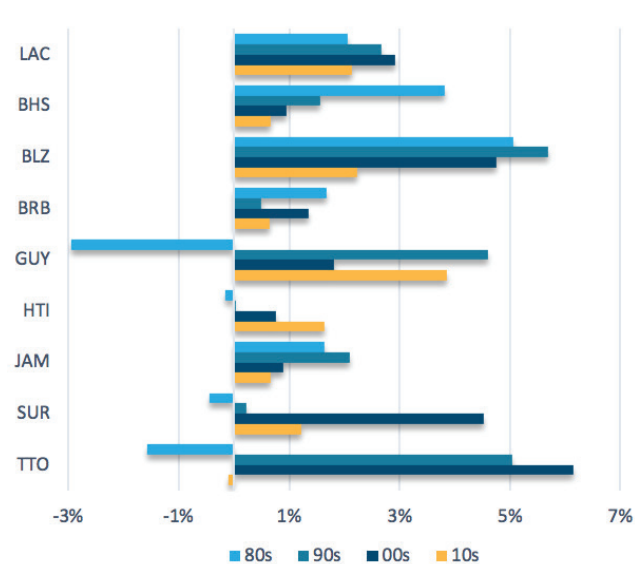


Source: World Bank WDI

**Figure 3.1.2:** Real GDP Growth Rates (OECS & LAC)



**Figure 3.1.3:** Real GDP Growth Rates (Non OECS & LAC)



Source: World Bank. No data available data for Montserrat

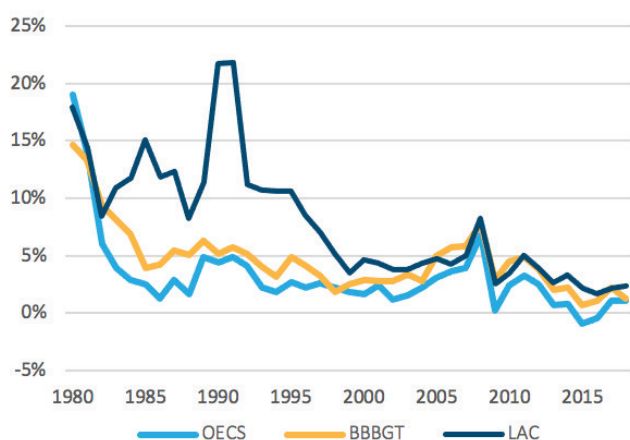
Indeed, the 2000s was also marked by the boom in commodity prices driven by rapidly growing emerging economies such as Brazil and India. Therefore, it's only natural for oil rich Trinidad and Tobago to register average real growth of a little more than 6%. The relatively poor performance of the Bahamas and Barbados is reflective of the impact of the external shocks mentioned before on the tourism sectors of these three economies. In addition to adverse external shocks, Jamaica's relatively poor showing for the decade of the 2000s is reflective of the debilitating impact of the country's financial crisis, which required a herculean effort on the part of the government to deal with the massive debts incurred. For the post 2009 period average real growth rates fell for the non-OECS countries, save for Guyana. It should be noted, too, that for the previous three decades average real growth rates for the LAC region continually increased, decade upon decade, but for the period 2010-2018, the growth rate fell back to levels experienced in the 1980s. Trinidad's impressive growth in the previous decade was significantly reversed to the point where the country recorded average negative growth for 2010-

2018. Undoubtedly, this significant reversal of fortunes is easily explained by the precipitous decline in the price of oil from a little over US\$ 100 per barrel in 2011 to a low of about US\$ 36 in 2016.

## INFLATION

As regards inflation rates, there seems to be a clear trend of convergence among the members of CARICOM vis-à-vis the average inflation rate for the LAC region. See figures 3.1.4<sup>7</sup> and 3.1.5. This augurs well for the deepening of the CARICOM integration process. During the period 1980-2005 the data show high and diverse levels of inflation across CARICOM and the LAC region as a whole. Naturally, the economies without the monetary discipline of a fixed exchange regime suffered significant bouts of double-digit inflation. To be specific, Haiti, Jamaica and Suriname were the worst performers<sup>8</sup>, with the case of Suriname being so egregious that the government saw it fit to create a new currency in 2004 – the Surinamese Dollar. In figure 3.1.5 Suriname's inflation rates are presented on the secondary axis (y-axis on right).

**Figure 3.1.4: Inflation Rates**

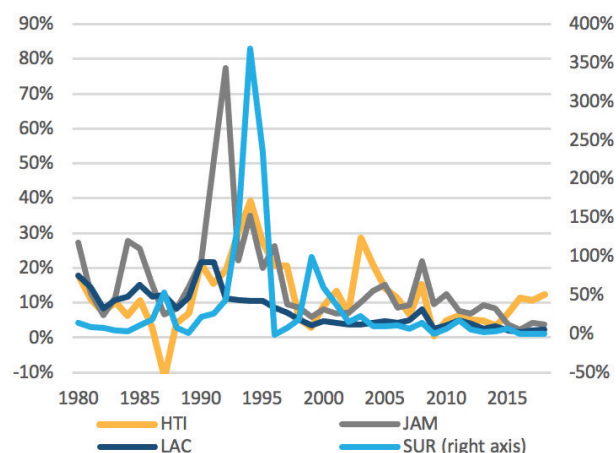


**Source:** World Bank WDI

<sup>7</sup> BBBGT: The Bahamas, Barbados, Belize, Guyana and Trinidad and Tobago.

<sup>8</sup> During the 1980s Guyana also had significantly high rates of inflation, however, due to limited access to data for that period, that information is not reflected here. Instead, information on Guyana is added to figure 3.1.3.

**Figure 3.1.5: Inflation Rates (Poor Performers)**



The post-2005 period saw moderate levels of inflation across the region, and a convergence towards the average inflation levels of the LAC region. Of course, the commodity price boom of the 2000s would have contributed to a spike in prices while the fallout from the 2007-2008 financial crisis would have slowed global demand thereby reducing the rate of inflation. Indeed, except for Jamaica, Haiti and Suriname, the rest of CARICOM recorded inflation rates below 10% after 2005. Haiti's internal political and economic turmoil means it's less capable of dealing with external shocks. Jamaica, on the other hand, was in the throes of an economic crisis (circa 2010) precipitated by its huge national debt which was built up in the aftermath of the country's massive financial crisis in the 1990s, and no doubt compounded by the recession in the US. With IMF support the country carried out a process of austerity to bring down the national debt. During this time the Jamaican dollar depreciated significantly thereby explaining Jamaica's relatively higher rate of inflation. At the same time (circa 2010) the Jamaican central bank, the Bank of Jamaica, embarked on a process of moving the country towards an inflation targeting regime. This move has proven to be largely successful. Suriname has done well to control inflation relative to the extreme highs it achieved in the 1990s and early 2000s. In general, all of the economies explored here seem to have achieved better macroeconomic management of their economies, except for Haiti which continues to be rocked by political and economic turmoil and natural disasters. Of course, lower global inflation levels meant that lower levels of inflation would have been "imported" into the CARICOM region.

## INTEREST RATE SPREADS

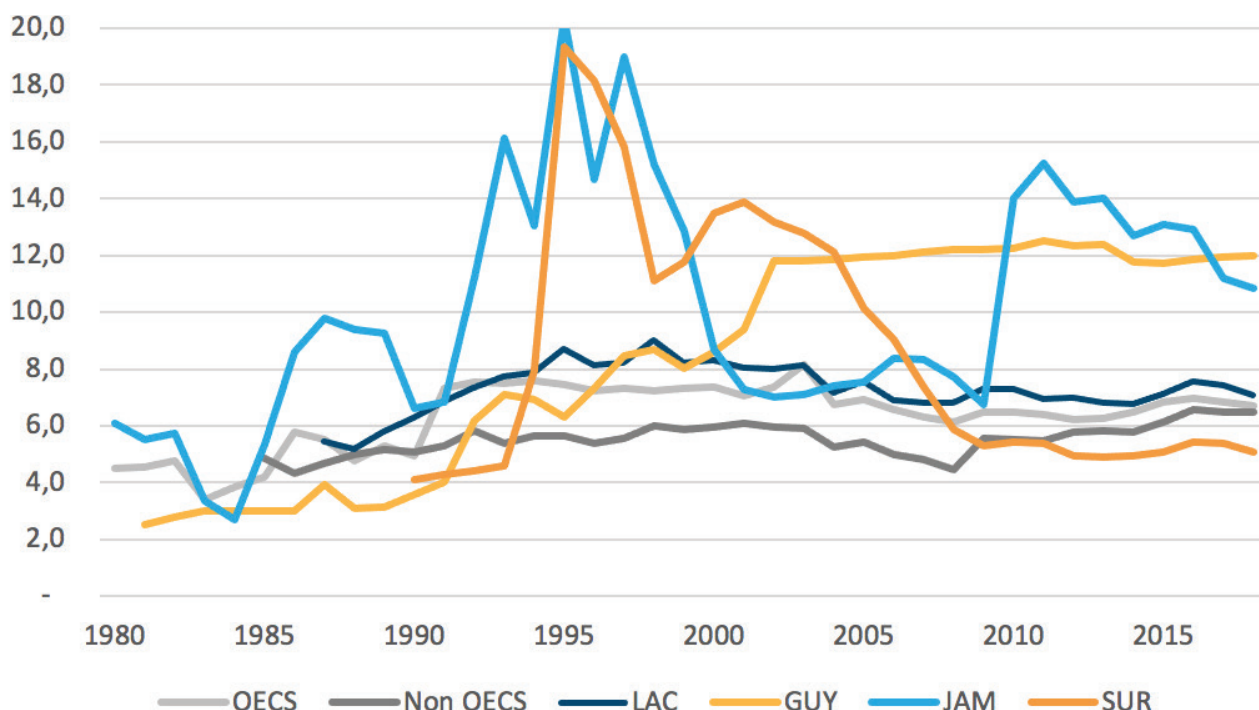
A simple but common measure of the efficiency of a country's banking system is the spread between interest rates on deposits and interest rates on loans. In general, the OECS, the non OECS<sup>9</sup> and the LAC countries have similar levels of interest rate spreads for the entire period. Guyana, Suriname and Jamaica were the worst performers, in this regard. Indeed, for the post-2005 period, both Guyana and Jamaica have the highest interest rate spreads. Both countries have emerged from systems of financial repression to more liberalized financial systems. However, unlike Guyana, the Jamaican financial system suffered a major shock during the early 1990s thereby contributing greatly to the significant increase in its interest rate spreads. Additionally, Jamaica's balance of payments crisis, circa 2010, would have contributed to a spike in the interest rate spread, with a steady fall thereafter. Guyana, on the other hand, did not suffer a similar financial shock. Suriname improved its performance during the 2000s after a strong rise during the early 1990s.

However, interest rate spreads consistently increased from the 1980s (a period of heavy state control) into the 1990s. The interest rate spread remained largely unchanged post-2000. In Guyana's case, the relatively high interest rate spread is more a result of the structure of the financial system, the size of the market and the range of available financial services, thereby lending itself to a system where banks make significant profits through exploiting the interest rate spread. An integrated regional financial market could alleviate the situation but save for perhaps a regional stock market, deeper financial integration is not feasible anytime soon.

<sup>9</sup> While Guyana and Jamaica are non OECS countries they are omitted from the group for the purposes of discussing interest rate spreads.



**Figure 2.1.6.: Interest Rates Spreads**



**Source:** World Bank WDI. Non OECS excludes Guyana, Jamaica and Suriname.

## GOVERNMENT DEBT

Saddled with low economic growth, low productivity, significant migration of skills and natural disasters, the countries of CARICOM have seen their debt to GDP ratios balloon to unsustainable levels. Guyana and Haiti, having been classified as Heavily Indebted Poor Countries (HIPC) by the IMF-World Bank, received significant debt relief from international creditors<sup>10</sup> during the first decade of the 2000s. In 2007, the IDB

provided additional support to the five LAC countries<sup>11</sup> classified as HIPC including the above-mentioned countries. Table 3.1.3 present information on debt to GDP ratios, where available, for CARICOM countries. In the case of all the largest economies national debt is a cause for major concern. Jamaica has been reducing its debt to GDP ratio, while the ratios for the Bahamas, Barbados and Trinidad and Tobago have been trending upwards.

<sup>10</sup> The World Bank, the African Development Bank, The IMF, the IDB and bilateral creditors of the Paris Club (e.g. Japan, the US, and the UK).

<sup>11</sup> Bolivia, Guyana, Haiti, Honduras and Nicaragua.

**Table 3.1.3: Government Debt to GDP Ratios**

COUNTRY	2005	2010	2014/2015	2018
Bahamas	40*	54*	50*	65*
Barbados	63	96	141	N/A
Belize	87*	73*	67*	66*
Guyana	119*	68*	50*	57*
Haiti	47*	17*	30*	33*
Jamaica	121	136	125	N/A
St Kitts Nevis	87	107	60	N/A
St Lucia	58	49	66	N/A
St Vincent & The Grenadines	57	60	69	N/A
Suriname	29*	19*	43*	81*
Trinidad And Tobago	18*	18*	38*	61*

**Source:** World Bank WDI and tradingeconomics.com (“\*” indicates data from Trading Economics).  
N/A: data not available.

High and unsustainable government debt requires relatively high proportions of government revenue to service it. This means less money to spend on sectors such as health and education, which are especially crucial for sustaining “acceptable” levels of welfare for citizens in SIDS. Moreover, the composition of government debt in some CARICOM countries exposes the domestic financial system to significant strain in the event of a significant “haircut.” In such an environment, therefore, a public debt default will lead to a reduction in financial activity and by extension economic activity. Ruprah, Melgarejo, & Sierra (2014) show that significant portions of the national debts of some CARICOM countries (the Bahamas, Barbados, Jamaica, Suriname and Trinidad and Tobago) are denominated in their domestic currencies. In the aftermath of

the 2007-2008 financial crisis the following CARICOM economies have engaged in sovereign debt restructuring, Antigua & Barbuda (2010), Belize (2017) Grenada (2013-2015), Jamaica (2010 & 2013), St. Kitts and Nevis (2011), and Barbados (2018-2019).

### MIGRATION & REMITTANCES

“A common feature of small economies is the higher ratio of emigrants to population, resulting in a greater dependence on remittances as a source of foreign exchange...” (Ruprah, Melgarejo, & Sierra, 2014)

The above quote aptly captures the situation of the CARICOM bloc. Table 3.1.4 presents information on the international ranking of CARICOM countries<sup>12</sup> in terms of migration rates (stock) using data as at the year 2000,

<sup>12</sup> The Bahamas and Montserrat are not included due to lack of data on remittances and they do not rank in the top 30 for the rate of migration stocks.

and remittances data for 5 years spanning the decade 2000-2019. The migration data for 2000 reveal that CARICOM dominates the world as regards the migration of tertiary graduates. To be sure, CARICOM countries occupy the first 5 spots, 7 of the first 10 spots are all in the top 22 of countries with high tertiary migration rates. A similar outcome can be seen in the column representing all levels of education.

As regards remittances, Haiti, Jamaica, Dominica and Guyana recorded the highest level of remittances as a percentage of GDP, with rates ranging from 8.1 to 37.1 percent. The cases of Guyana, Haiti and Jamaica are especially interesting as they fall within the top 5 countries with high migration (stock) rates of tertiary graduates. And of the three, Haiti's case is especially stark as its remittances in 2019 accounted for 34.3% of

**Table 3.1.4:** Remittances (Millions of US Dollars) & International Migration Rankings

COUNTRY	INTERNATIONAL MIGRATION RANKING		REMITTANCES RECEIVED (MILLION USD)					REMITTANCES AS % OF GDP (2019E)
	ALL SKILLS	TERTIARY	2000	2005	2010	2015	2019E	
Antigua & Barbuda	10	15	21	18	20	31	25	1.5
Barbados	11	22	115	94	82	108	108	2.1
Belize	13	18	26	45	78	85	99	5.0
Dominica	7	20	16	22	23	56	49	8.3
Grenada	1	4	46	27	28	43	48	3.7
Guyana	6	1	27	201	368	303	334	8.1
Haiti	-	5	578	986	1,474	2,196	3,274	37.1
Jamaica	9	2	892	1,762	2,026	2,361	2,574	16.4
St. Kitts & Nevis	2	9	27	30	47	20	26	2.5
St. Lucia	18	14	26	27	29	38	43	2.2
St. Vincent & the Grenadines	8	3	22	22	29	42	47	5.4
Suriname	3	17		4	4	7	0	0.0
Trinidad & Tobago	15	8	38	92	91	155	139	0.6

**Source:** World Bank WDI and tradingeconomics.com ("\*" indicates data from tradingeconomics). E: estimates.

its GDP in the same year; Jamaica's figure is approximately half of that.

The question, therefore, is whether CARICOM receives a net benefit as a result of the outflow of skilled persons and the inflow of remittances? Alleyne, Otker, Ramakrishnan, & Srinivasan (2017) notes that, "The net effect points to a potential negative impact on growth, which is most pronounced in the Caribbean because of the high levels of brain drain. Remittances, however, have positive (though not always statistically significant) growth effects, which are largest in the high-remittances-receiving subregions such as the Caribbean and CAPDR [Central America, Panama and the Dominican Republic]. On balance, the Caribbean could have lost as much as 10 percent of GDP in cumulative growth as a result of the joint negative effect."

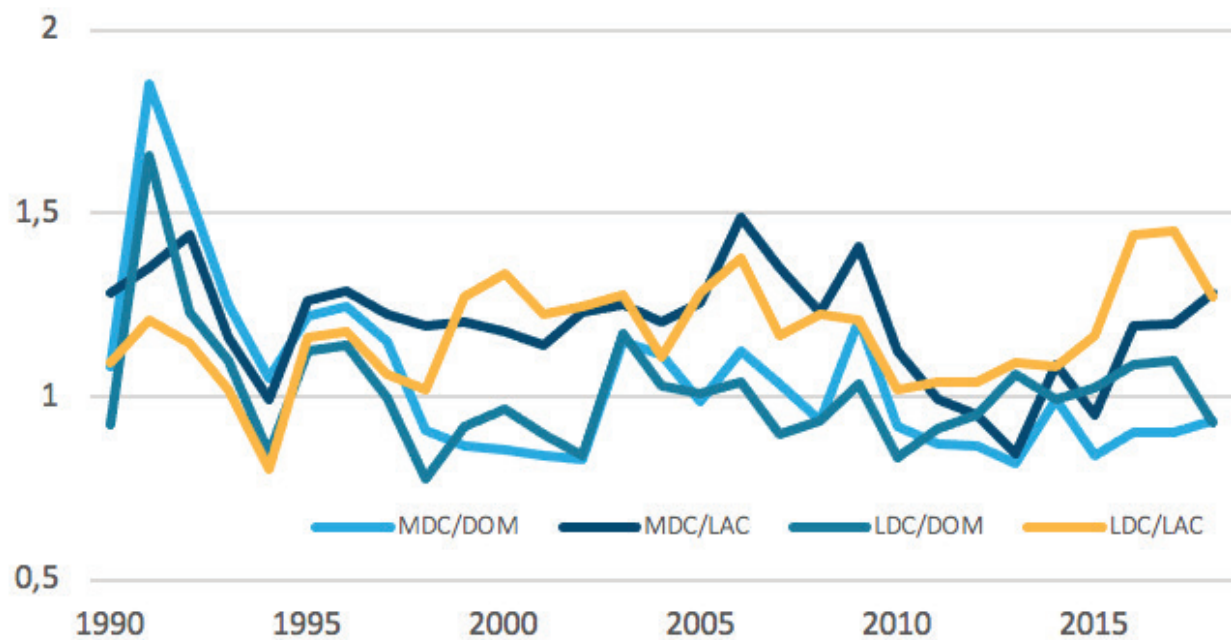
### GROSS CAPITAL FORMATION

"Infrastructure investment impacts economic growth directly as an element of gross fixed capital formation, and indirectly as a means to increase productivity (i.e., enabling factors of production to become more productive, facilitating human capital accumulation, providing basic services that allow the economy to function, and complementing private investment)." (Inter-American Development Bank, 2019)

The accumulation of capital is necessary, but not sufficient, for sustained economic growth and development. The above excerpt highlights infrastructure as a crucial component of gross capital formation. Within the CARICOM bloc, public investment has dominated private investment post-2000, leading to an increase in national debt (Ruprah, Melgarejo, & Sierra, 2014). Figure 3.1.7 presents information on gross capital formation ratios<sup>13</sup> for the MDCs and the LDCs of CARICOM relative to the Dominican Republic and the LAC region, both of them are included for comparative purposes. The information shows that post-1995 both the MDCs and the LDCs have been performing better relative to the LAC region, with the ratio for the LDCs remaining above 1 for the entire period while the ratio for the MDC fell below 1 for a few years in the aftermath of the 2007-2008 financial crisis. While both the LDC and MDC have been showing greater capital formation relative to LAC, the infrastructure in CARICOM countries are at the mercy of severe tropical storms and as such fixed capital can be quickly destroyed and financial resources which could be used in other areas to promote growth and development has to be used to rebuild infrastructure. Relative to the Dominican Republic the results are mixed, but here again the LDCs have performed better than the MDCs.

<sup>13</sup> For example, the ratio represented by MDC/DOM in figure 3.1.7 is given as (Gross Capital Formation % of GDP (MDC))/(Gross Capital Formation % of GDP (DOM)). If the gross capital formation as a percentage of GDP is the same for both the MDC and the Dominican Republic, the value of the ratio is equal to 1.

Figure 3.1.7: Gross Capital Formation Ratio (1990-2018)



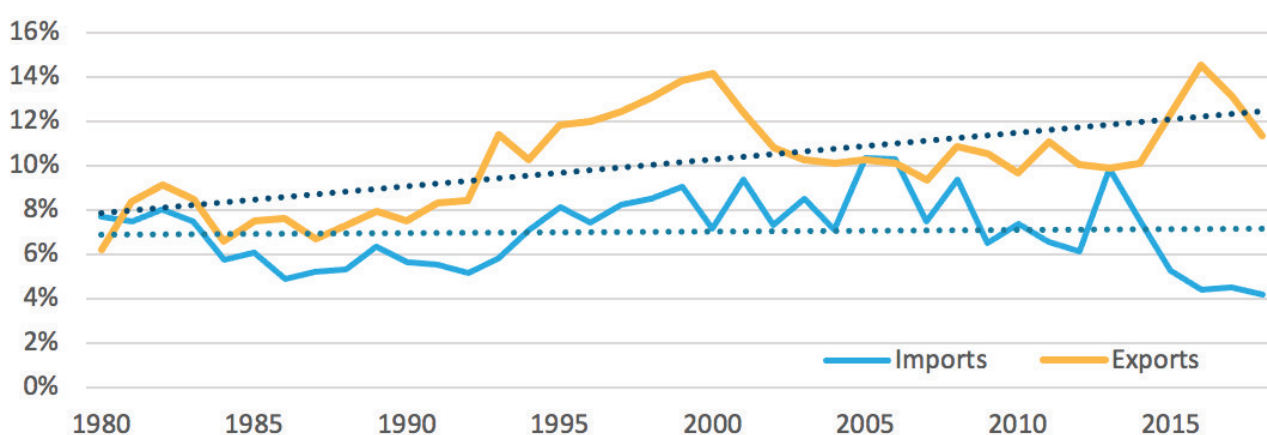
Source: World Bank WDI

## 3.2 Intra-Regional Merchandise Trade

In figure 3.2.1 the importance of intra-CARICOM merchandise trade is presented in terms of both exports and imports. The share of Intra-CARICOM trade<sup>14</sup>

over its total exports is greater than over imports. Notwithstanding the relatively low percentage of intra-CARICOM trade, the difference between the two variables is indicative of how dependent the region is on extra-regional trade, especially as it pertains to imports.

**Figure 3.2.1:** Intra CARICOM Merchandise Trade (Percentages of Exports/Imports and trends)



**Source:** IMF Direction of Trade Statistics & Author's Calculations

For the period 1980 through 2000 intra-CARICOM exports as a percentage of total exports increased with intermittent bouts of decline. Nonetheless, in the early years of the 21<sup>st</sup> century, there was a significant decline which lasted for more than a decade until spiking in 2015. The decline coincides with the global commodity price boom of the 2000s. Beyond the general commodity price boom, the spike in oil prices in the latter part of the decade contributed to keeping intra-CARICOM exports, as a percentage of total exports, below pre-2000 levels. Indeed, Trinidad and Tobago's dominance of intra-CARICOM merchandise trade partly explains this decline and underscores the importance of petroleum imports for the majority of CARICOM states. Indeed, higher world oil

prices and the PetroCaribe Agreement, are plausible reasons for the decline in intra-CARICOM trade (Box 3.1.).

To see how this could happen we must first acknowledge that Trinidad and Tobago accounts for between 40-80% of intra-CARICOM exports (see figure 3.2.2) and its top exports are petroleum-related commodities (Petroleum Gas, Crude Petroleum, or Refined Petroleum). The PetroCaribe Agreement, which came into effect in 2005, would have reduced the dependency on Trinidad and Tobago for petroleum products. With higher oil prices the level of Trinidad's export revenues would have increased but the share of its total exports going to the rest of CARICOM would have diminished as a

<sup>14</sup> It should be noted that Intra-CARICOM trade is the same as Intra-CARICOM exports or Intra-CARICOM imports e.g. Barbados' exports to its CARICOM counterparts is their imports and vice versa.



### Box 3.1: The PetroCaribe Agreement

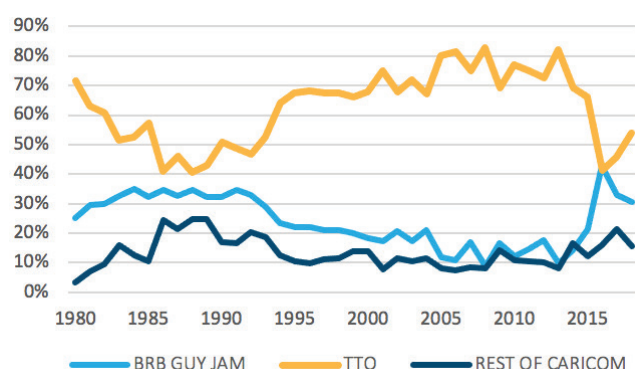
*The PetroCaribe agreement was initiated by President Hugo Chavez of Venezuela in 2005. The agreement allows signatory countries to purchase oil on preferential payment terms from Venezuela. Beneficiary countries are able to purchase oil at the prevailing market price but are only required to pay 40% of the cost within three months. Remaining payments are paid over period of 25 years and attract a 1% annual interest rate. Should the price of oil reach US\$150 per barrel, 70% of payments may be deferred. Only three CARICOM countries did not sign the PetroCaribe agreement; Barbados, Montserrat, and Trinidad & Tobago.*

result of them obtaining cheaper petroleum products from Venezuela. While intra-CARICOM regional trade as a percentage of total CARICOM exports has generally increased over the period 1980 to 2018, intra-CARICOM regional trade as a percentage of total CARICOM imports has remained flat, on average, with a general decline for the period 2005 to 2018. Similar to CARICOM exports, the PetroCaribe Agreement could explain the decline in the importance of intra-CARICOM imports. CARICOM imports from Trinidad and Tobago would have been replaced with those from the extra-regional source, i.e. Venezuela.

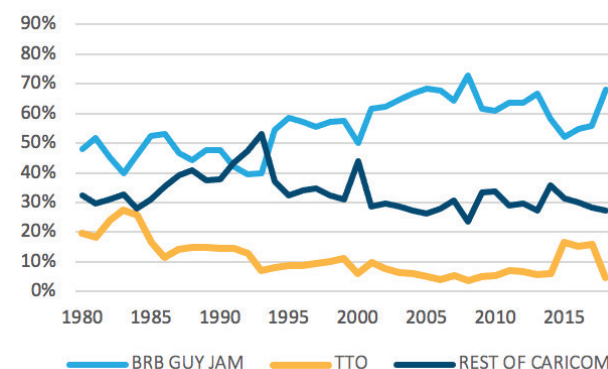
Figure 3.2.2 looks at intra-CARICOM trade from the perspective of exports, while figure 3.2.3 looks at intra-CARICOM trade from the perspective of imports. In each figure the summation of the value of the different CARICOM country groupings will add up to 100% of intra-CARICOM trade, thereby showing the importance of each grouping.

Trinidad and Tobago is looked at separately while the first group comprises of Barbados, Guyana and Jamaica (all MDCs) and final group consists of the “rest of CARICOM” which is largely made up of the OECS countries.

**Figure 3.2.2: Percentage of Intra-CARICOM Exports**



**Figure 3.2.3 : Percentage of Intra-CARICOM Imports**



Source: IMF Direction of Trade Statistics & Author's Calculations

Trinidad and Tobago dominates the export side, accounting for as high as 80% of intra-CARICOM exports. With the two groups of countries accounting for almost equal shares of the remaining exports. The import side tells a different story, with Trinidad and Tobago accounting for the smallest share. However, what's interesting to note is that in the post-1995 period, the MDCs increased their share of intra-CARICOM imports. Here too the dominance of Trinidad and Tobago shows up as that country's non-petroleum manufacturing sector is large enough to

provide the rest of the bloc with manufactured goods. Indeed, Trinidad and Tobago has the lowest energy cost within the bloc thereby allowing for a lower manufacturing cost e.g. the cost of energy for industrial purposes, in 2017, was about 9 US cents per kWh, for Trinidad, while industry in Jamaica paid close to 20 US cents per kWh.



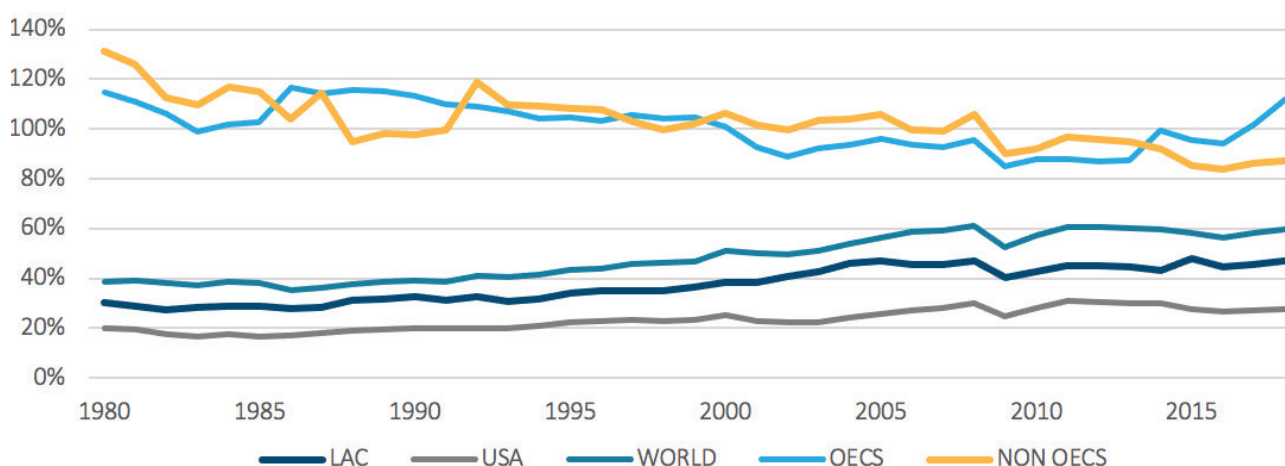


### 3.3 Extra Regional Trade

A key characteristic feature of the member states of CARICOM is the high degree of openness i.e. trade as a percentage of GDP is relatively high. Figure 3.3.1 shows the degree of openness among the OECS and non-OECS member countries of CARICOM in addition to LAC, the USA, and the world average. The LAC and the USA have degrees of openness below the world average while the countries of CARICOM are above, with trade

accounting for as much as 130% of GDP. The rapid globalisation of international trade, fuelled by trade liberalisation, information and communications technologies and reduced costs of transportation, accounts for the continuous increase in the average level of world openness. This continuous increase would have been interrupted by the 2007-2008 financial crisis, with the recovery pushing the numbers back to where they were before the crisis hit.

**Figure 3.3.1:** Country Openness (Trade as a % of GDP)



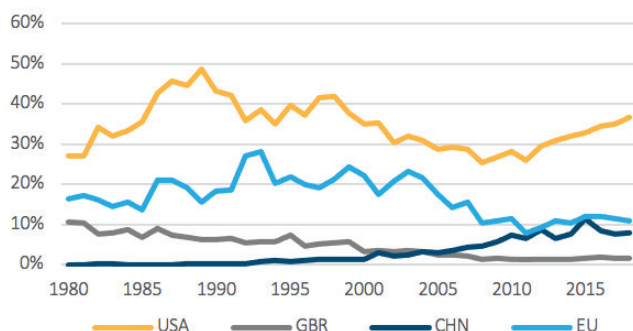
**Source:** World Bank

The countries of CARICOM, however, do not follow this trajectory. For the non-OECS countries, which includes all of the MDCs, there was a decline from a high of 131% to 87% for the period (1980-2018). In the case of the OECS economies, there was an overall decrease for the period 1980 to 2009, after which the percentage rose to approximately its 1981 level.

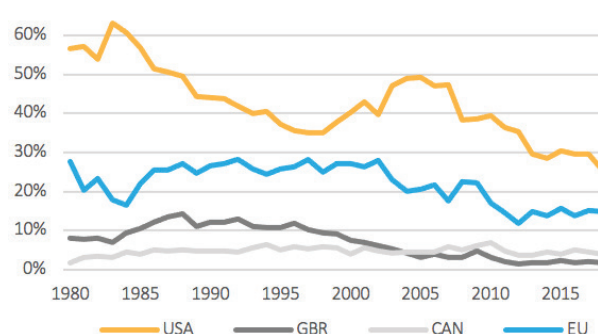
Figures 3.3.2 and 3.3.3 provide information on CARICOM merchandise trade with its major trading partners, namely Canada, China, the EU, the UK, and the US. CARICOM's extra-regional merchandise trade relationships have been dominated by trade with the US. In terms of imports, the US accounts for between 25-49% of total CARICOM

merchandise imports. Imports from Europe, on the other hand, have dipped below 15% of total imports settling at around 10% (post-2005 period), with the amount from the UK showing the greatest and continuous decline for the period 1980 thru 2018. China's accession to the WTO in 2001 coincides with an increase in the share of Chinese goods in total CARICOM merchandise trade. Indeed, post-2005 China's exports to CARICOM accounted for a greater amount than exports from the UK, which colonised all but two of the 15 members of CARICOM. Post-2011, China's exports to CARICOM caught up with that of EU exports to CARICOM. In terms of extra-regional merchandise exports, the percentage of exports to the US declined between 1980 and 2018.

**Figure 3.3.2: CARICOM Merchandise Imports (1980-2018)**



**Figure 3.3.3 : CARICOM Merchandise Exports (1980-2018)**



**Source:** IMF Direction of Trade Statistics & Author's Calculations

However, during the first decade of the 21<sup>st</sup> century, the commodity price boom would have contributed to an increase in exports to the US, before the precipitous decline occasioned by the 2007-2008 financial crisis. Exports to Europe also declined in importance over the same period with the most significant decline happening post-2008. A period marked by the great recession and the concomitant lower world demand precipitated by the 2007-2008 financial crisis. In general, there seems to be an increasing diversification of markets which augurs well for CARICOM.

### 3.4 Service exports

As noted before, the un-weighted average size of the services sector to CARICOM economies is approximately 60% of GDP (See table 3.1.1). Table 3.4.1 shows the average values of CARICOM Service Exports for the decades of the 1980s, 1990s and 2000s, and the average values for 2010-2014 and 2015-2018. The CARICOM annual average revenues for service exports grows but at a declining rate for each of the periods noted in the table. This is indicative of a sector which has matured over time.

The Bahamas and Jamaica are in the lead, with Jamaica consistently reducing the gap in revenues which existed between it and the Bahamas. Indeed, post-2010 Jamaica has recorded greater revenues than the Bahamas. The contributions of the other economies have remained relatively constant. Of the six MDCs, four dominate the exporting of services, accounting for about 83% of the sector during the 1980s and approximately 70% by 2018. For the remaining MDCs, Guyana and Suriname, the services sector constituted 42% and 49% of GDP in 2018. Haiti aside, services make up more than 50% of GDP for all other CARICOM economies.

**Table 3.4.1:** CARICOM Service Exports (Millions of US Dollars & Percent of CARICOM Service Exports)

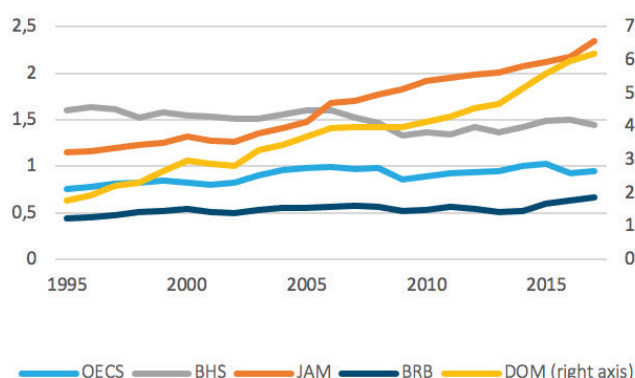
	1980s		1990s		2000s		2010-2014		2015-2018	
	AVERAGE	%	AVERAGE	%	AVERAGE	%	AVERAGE	%	AVERAGE	%
<b>Antigua and Barbuda</b>	136.8	5%	371.08	7%	463.39	5%	567.16	5%	1002.15	8%
<b>Bahamas</b>	1051.6	36%	1526.03	28%	2256.93	25%	2614.92	23%	3322.67	26%
<b>Belize</b>	55.4	2%	135.88	2%	277.61	3%	408.59	4%	557.28	4%
<b>Barbados</b>	455.1	15%	795.70	14%	1330.23	15%	1404.51	13%	N/A	N/A
<b>Dominica</b>	12.4	0%	61.67	1%	93.06	1%	155.23	1%	196.39	2%
<b>Grenada</b>	32.9	1%	97.68	2%	144.58	2%	214.07	2%	523.91	4%
<b>Guyana</b>	29.0	1%	131.55	2%	168.19	2%	237.79	2%	197.12	2%
<b>Haiti</b>	99.4	3%	94.46	2%	223.59	3%	579.76	5%	645.15	5%
<b>Jamaica</b>	629.3	21%	1451.10	26%	2340.05	26%	2743.45	25%	3405.41	27%
<b>St. Kitts and Nevis</b>	25.6	1%	84.49	2%	134.92	2%	256.86	2%	506.39	4%
<b>St. Lucia</b>	74.6	3%	240.75	4%	338.56	4%	475.49	4%	928.81	7%
<b>Suriname</b>	0.0	0%	0.00	0%	253.00	3%	197.70	2%	158.53	1%
<b>Trinidad and Tobago</b>	310.7	11%	450.46	8%	764.16	9%	1174.27	11%	966.05	8%
<b>St. Vincent and the Grenadines</b>	24.7	1%	78.24	1%	145.76	2%	153.04	1%	254.76	2%
<b>CARICOM</b>	2937.6	100%	5519.1	100%	8934.0	100%	11182.8	100%	12664.6	100%

Source: World Bank & Author's Calculations. N/A: data not available.

Figure 3.4.1 shows the number of tourist arrivals within CARICOM and the Dominican Republic. The y-axis on the left (primary y-axis) represents information for the OECS, the Bahamas, Barbados and Jamaica, while the information on the other y-axis represents information for the Dominican Republic. Figure 3.4.2 looks at growth rates of tourist arrivals for various periods for Jamaica and the Dominican Republic. Arrivals for the OECS countries, the Bahamas and Barbados remain relatively flat. The story of Jamaica and the Dominican Republic, however, is one of persistent increases for the period covered

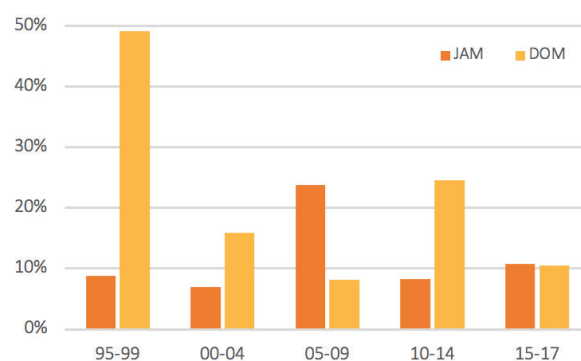
save for the obvious dip in the few years following the 9-11 terrorist attack. Jamaica's steady rise is of interest vis-à-vis the Bahamas. Further, while the countries of the OECS would have experienced a fall in tourist arrivals due to the 2007-2008 financial crisis, tourist arrivals to Jamaica continued to grow. It should be noted, that the tourism sector in the Dominican Republic received significant inflows of foreign direct investment during the 1990s, in addition to several government initiatives, such as government spending on tourism related infrastructure.

**Figure 3.4.1:** Tourist Arrivals (millions)



**Source:** World Bank & Author's Calculations

**Figure 3.4.2:** Tourist Arrivals Growth Rates (Dominican Republic & Jamaica)

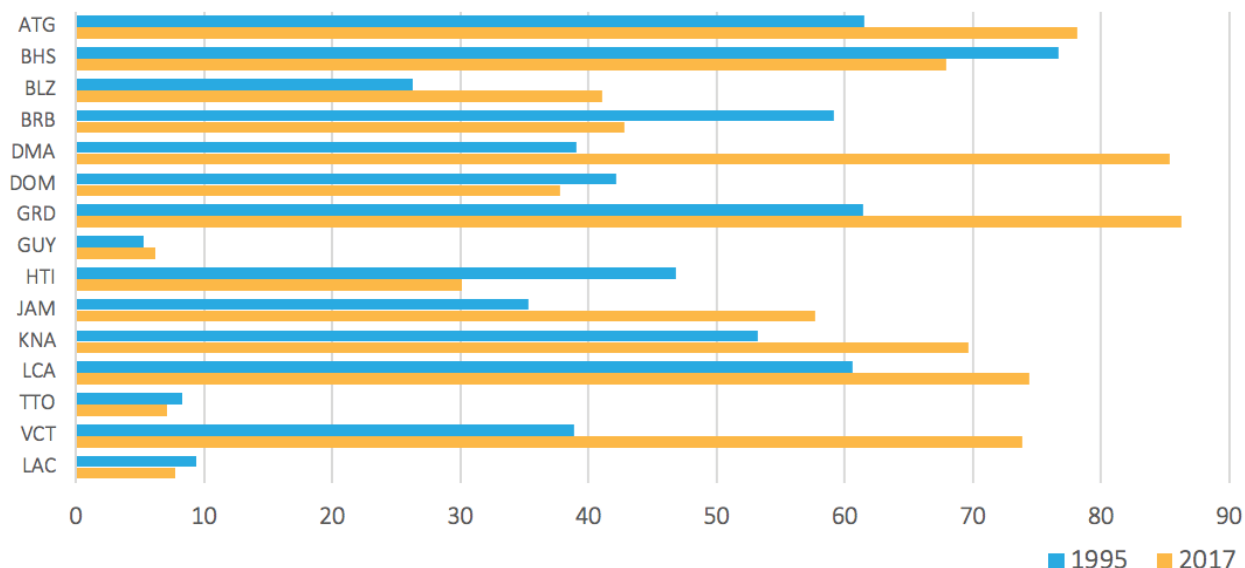


The resiliency of the Jamaican tourism during the period of the crisis is further borne out by the growth in tourist arrivals to Jamaica relative to the Dominican Republic. For the period 2005-2009 tourist arrivals to Jamaica grew by about 24% while that of the Dominican Republic grew by 8%. However, for the entire period covered by figure 3.4.2 the dominance of the Dominican Republic is clear, indeed, Jamaica's tourist arrivals grew by a of multiple 2 between 1995 and 2017 while that of the Dominican Republic grew by approximately 3.5 times, for the same period.

In figure 3.4.3 the tourism receipts of CARICOM member states as a percentage

of their total exports is presented for two periods (1995 and 2017) representing the first and last sets of available data. Information is also provided for the Caribbean and Latin American region and the Dominican Republic. The smaller economies, which constitute the membership of the OECS, are especially dependent on tourism, which is primarily concentrated outside of the hurricane season. Indeed, out of the six OECS countries show in figure 3.4.3 four of them (Antigua & Barbuda, Grenada, St. Kitts & Nevis and St. Lucia) recorded total export receipts in excess of 50% of GDP for 1995.

**Figure 3.4.3:** Tourism Receipts as a Percentage of Total Exports



**Source:** World Bank

However, by 2017 all six of the OECS countries increased their respective shares of tourism receipts to GDP to at least 70% of GDP. Table 3.4.2 gives a short decomposition of the CARICOM services sector, travel (tourism)

and transportation clearly dominate, financial and insurance services (not shown) account for no more than a paltry 5%.





**Table 3.4.2:** Decomposition of Service Exports (US Millions (current) & Percent of Total)

COUNTRY	CATEGORY	2005		2009		2012		2019
		US \$	%	US \$	%	US \$	%	US \$
Antigua & Barbuda	Total	463	100	511	100	496	100	1157
	Transport	85	18	140	27	112	23	266
	Travel	309	67	305	60	319	64	740
Bahamas	Total	2511	100	2351	100	2691	100	4094
	Transport	56	2	79	3	124	5	188
	Travel	2071	82	2014	86	2311	86	3516
Barbados	Total	1454	100	1504	100	1252	100	1498
	Transport	31	2	40	3	49	4	58
	Travel	1073	74	1112	74	929	74	1111
Belize	Total	307	100	344	100	407	100	686
	Transport	30	10	17	5	22	6	38
	Travel	214	70	256	74	298	73	502
Dominica	Total	86	100	111	100	152	100	148
	Transport	4	5	5	4	3	2	3
	Travel	57	66	77	69	110	72	107
Grenada	Total	116	100	152	100	153	100	650
	Transport	11	9	10	7	12	8	51
	Travel	71	61	112	74	110	72	467
Guyana	Total	148	100	170	100	298	100	197 <sup>^</sup>
	Transport	8	5	10	6	21	7	14 <sup>^</sup>
	Travel	35	24	35	21	64	22	42 <sup>^</sup>
Haiti	Total	145	100	483	100	549	100	417
	Transport	0	0	0	0	0	0	0
	Travel	80	55	416	86	447	81	339
Jamaica	Total	2330	100	2651	100	2674	100	4336
	Transport	451	19	344	13	234	9	390
	Travel	1545	66	1925	73	2046	77	3339
Saint Kitts & Nevis	Total	163	100	137	100	182	100	587
	Transport	11	7	17	12	14	8	47
	Travel	121	74	83	61	94	52	305
Saint Lucia	Total	436	100	353	100	399	100	1102
	Transport	22	5	19	5	18	5	55
	Travel	382	88	296	84	335	84	926
St. Vincent & the Grenadines	Total	158	100	139	100	143	100	291
	Transport	11	7	8	6	11	8	23
	Travel	104	66	88	63	93	65	189
Suriname	Total	204	100	287	100	175	100	127
	Transport	70	34	19	7	28	16	20
	Travel	45	22	64	22	71	41	52
Trinidad and Tobago	Total	897	100	765	100	812 <sup>*</sup>	100	772
	Transport	215	24	215	28	264 <sup>*</sup>	33	251
	Travel	453	51	367	48	472 <sup>*</sup>	58	449

**Source:** UNCTAD & Author's Calculations. \*2011 figures and <sup>^</sup>2018 figures. The 2019 figures for travel and transport are calculated based on the 2012 percentages of total service exports.

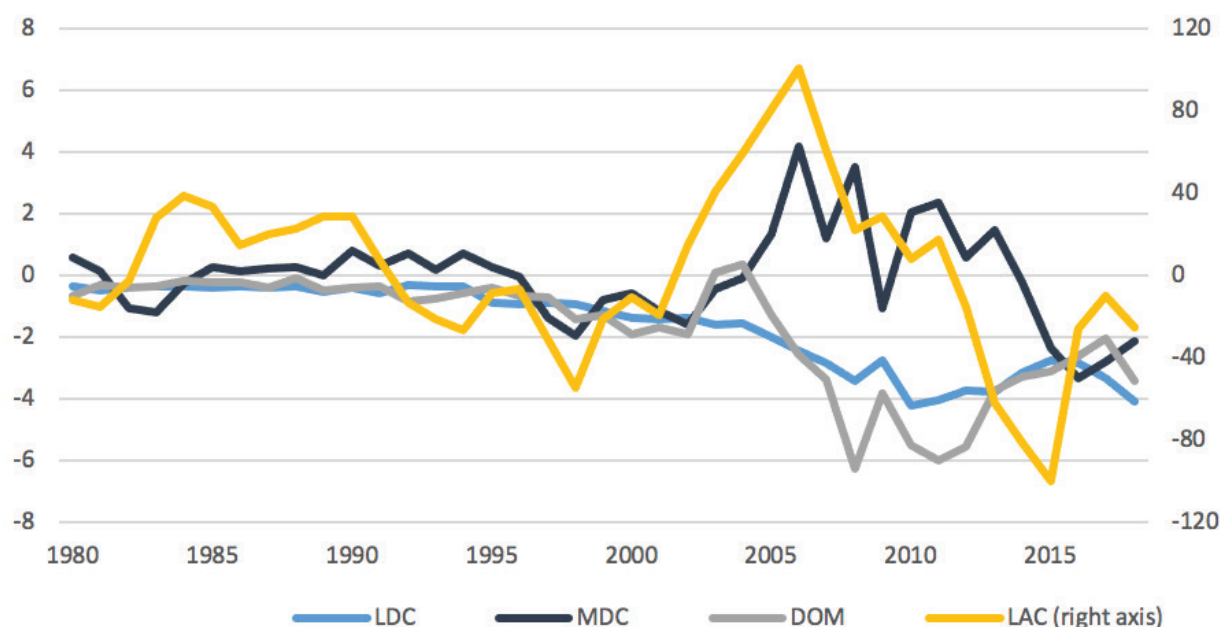


### 3.5 External Balance

Figure 3.5.1 compares the trade balances (goods and services) for CARICOM LDCs and MDCs. The balances for the Dominican Republic and the LAC region as a whole are included for comparative purposes. The graph can be divided into two distinct periods, 1980-1999 and 2000-2018. In the first period, the trade balances for all groups were relatively close, with the MDCs recording more volatility than the LDCs. However, the MDCs as a group did record long periods of positive balances until the mid-1990s. The balance for the LDC groups declined continuously over the entire period. In the second period (2000-2018) an interesting picture develops, a clear connection is seen between the MDCs and the LAC balances, while the LDCs and the Dominican Republic

move almost in tandem. As is to be expected, the larger more diversified economies are driving the balances for the LAC region, and, by definition, the MDCs consist of the larger more diversified economies in CARICOM which are resource rich. The sharp rise in the positive balances for the LAC and MDCs between 2000 and 2007 aligns with the commodity price boom of that period. This was the case for economies such as Brazil, Guyana, Trinidad and Tobago, and Venezuela. On the other hand, the tourism dependent economies of the LDCs would have been adversely affected during the commodity price boom. The declines across the board, post-2007, coincides with the 2007-2008 financial crisis, and for the later years covered in figure 3.5.1 the balances for all groups and the Dominican Republic remained in negative territory.

**Figure 3.5.1:** Goods & Services Trade Balance (Billions of Current USD)

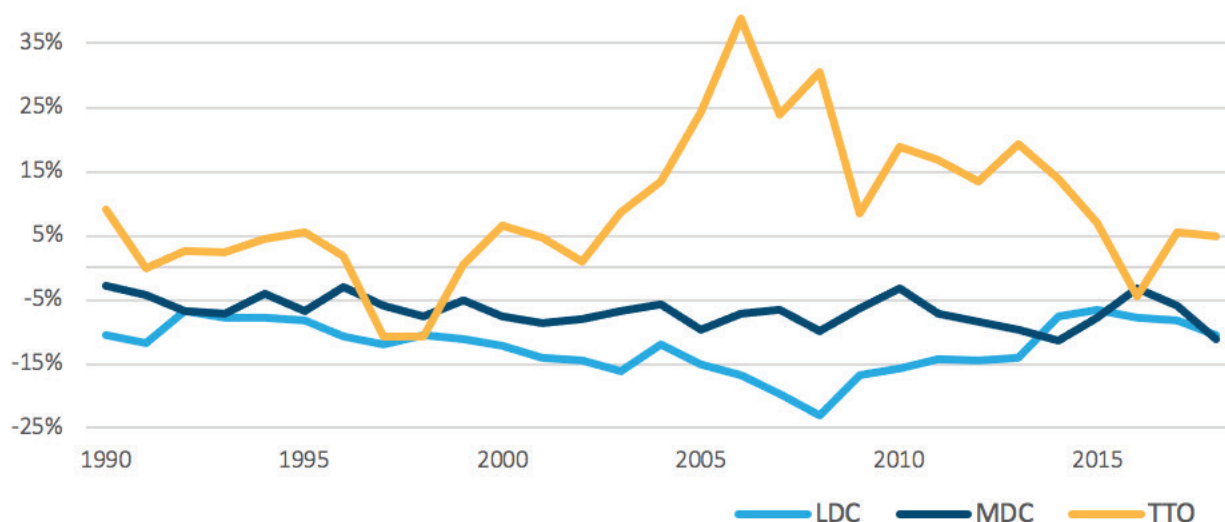


Source: World Bank WDI

Figure 3.5.2 provides information on the current account balances of CARICOM. The current account balance used here is the sum of the net exports of goods and services, net primary income, and net secondary income. On a basic level the information is unsurprising. To be sure, Trinidad and Tobago has had a trade surplus for most of the period 1990-2018. In general, the MDCs performed better as is to be expected. Trinidad and Tobago is excluded from the MDC group

in figure 3.3.4. While the MDCs have had a general flat current account balance the LDCs have had a worsening deficit between 1990 and 2008 after which the currency account balance improved to the point of drawing level with the MDCs, post-2008. The sharp changes in the balances for the LDCs and Trinidad and Tobago, between 2002 and 2009, are certainly related to the rise in oil prices and the 2007-2008 financial crisis.

**Figure 3.5.2:** CARICOM Countries Current Account Balances (% of GDP)



**Source:** World Bank

# Internal Agenda



In this section, issues relevant to the deepening of the CARICOM integration project are discussed. As has been noted, the period covered in this report (post-2005) is filled with many issues which have affected the CARICOM integration project both positively and negatively. Undoubtedly, the project has not progressed as quickly as many would have hoped. The less than stellar pace of advancement is often blamed on the so called “implementation deficit.” The general view is that the “implementation deficit” is primarily a result of inaction, or little action, on the part of regional governments who are largely constrained in their capacities to provide much needed technical and financial resources necessary to effectively advance the regional integration project.

The CSME is undoubtedly the most ambitious project of CARICOM since its founding in 1973. Almost twenty years after the Grand Anse Declaration the CARICOM Heads of Government signed on to the Revised Treaty of Chaguaramas in 2001. The ultimate goal of the RTC is to create a single economic space and ultimately economic union, complete policy coordination, harmonization of functional areas and a common currency. The common currency has since been removed from consideration as its implementation was seen as not realistic in the current dispensation.

The Single Market comprises of five (5) regimes:

- 1. Free movement of skills/labour
- 2. Free movement of goods
- 3. Free movement of services
- 4. Free movement of capital
- 5. The right of establishment

For the period covered by this report, achieving the goals of the CSME has been the singular focus and occupation of the CARICOM leadership, and several initiatives have been instituted. For example, in 2007, Professor Norman Girvan<sup>15</sup> developed an implementation programme which was to be executed in two phases ending in 2015. And in 2013 the CARICOM Commission on the Economy (CCE) was established. The mandate of the CCE was to advise CARICOM on the processes necessary to achieve sustainable economic growth. The CCE was re-established in 2019 and continues to provide advice to the CARICOM Heads of Government on issues related to economic growth and development. The CCE aside, the Council for Trade and Economic Development (COTED) has been the “workhorse” of sorts dealing with myriad issues covered under the RTC. For example, countries wishing to seek exemptions for the Common External Tariff (CET) are required to file a request with COTED. External trade negotiations are once covered by the Caribbean Regional Negotiating Machinery (CRNM) now fall under the purview of the Office of Trade Negotiations (OTN). Unlike the CRNM, the OTN falls within the ambit of the CARICOM Secretariat.

This section comprises of several issues relevant to realising the CSME. Attempts are made at offering an appraisal of achievements made towards realising the goal of a single economic space.

<sup>15</sup> University of West Indies

## 4.1 Free Movement of Skilled Nationals

*‘Without prejudice to the rights recognised and agreed to be accorded by Member States in Articles 32, 33, 37, 38 and 40 among themselves and to Community nationals, Member States have agreed, and undertake as a first step towards achieving the goal set out in Article 45, to accord to the following categories of Community nationals the right to seek employment in their jurisdictions:*

- (a) University graduates;*
- (b) media workers;*
- (c) sportspersons;*
- (d) artists; and*
- (e) musicians, recognised as such by the competent authorities of the receiving Member States.”*

### **Article 46: Movement of Skilled Community Nationals**

The excerpt above provides the first part of Article 46 of the RTC. It outlines the categories of workers and the conditions under which they will enter a territory as specified in the RTC at the time of its signing. Skilled nationals within the original five categories can access the 12 treaty territories. In addition to the original five categories there are other five categories which have been well defined and established in Grenada, Guyana, and Jamaica. In addition to the original five categories, St. Vincent & the Grenadines and Suriname also allow entry to nurses and teachers. Two other categories have been added to the list but have

not been fully defined, they are agricultural workers and security guards.

It’s apropos to note, that in general, the CSME provides for the free movement of CARICOM citizens for economic purposes under three arrangements; 1) movement of skilled nationals; 2) right of establishment and 3) provision of services. Economic purposes aside, Article 45 of the RTC allows CARICOM citizens to enter and remain in a CARICOM state for six months. Of course, immigration agents do have the authority to deny entry on reasonable grounds. To facilitate the easier movement of CARICOM nationals within the region, visas were abolished, and a CARICOM passport introduced, among other initiatives.

Skilled nationals wishing to gain employment in treaty territories are required to obtain a CARICOM Skills Certificate (CSC). Apart from the usual personal documents, proof of completion of a course of education at an accredited tertiary institution or vocational institution is required. A skilled national can obtain the skills certificate in their home country or apply in the territory in which they are seeking employment. In either case, competent authorities in treaty territories have the right to verify the qualifications of any CARICOM national. There’s also an online processing system (CARICOM Single Market Application Processing System (CAPS)) which integrates the CSC application process across CARICOM. Currently, nine treaty territories have contributed data to CAPS, however, Guyana is the only country which uses the system administratively. By the end of 2008, it was estimated that a paltry 0.1 percent of CARICOM nationals had a CSC. While the number of applicants has been increasing, the volume of undocumented low-skilled migration exceeded authorized migration, and short-term work permits are used more often than the CSC (International Organisation for Migration, 2019). What the evidence shows is that while persistent efforts have been made towards deepening the degree of intra-CARICOM mobility there’s a lack of harmonization across the bloc.

<sup>16</sup> Non-graduate teachers, non-graduate nurses, household domestics with Caribbean Vocational Qualifications (CVQs), Artisans with CVQs and nationals with associate degrees or advanced high school qualifications (Caribbean Advanced Proficiency Examinations).

<sup>17</sup> This report defines treaty territories as those CARICOM members who have signed on to the RTC.



## 4.2 The Entry of Haiti

Haiti is expected to fully integrate into the CSME in 2020. However, this significant move has to be overshadowed by internal conflict. Haiti has been rocked by almost two years of protests, starting around July of 2018. The protests have been fuelled by shortages of food and fuel, coupled with the removal of fuel subsidies and questions surrounding the use of funds from the PetroCaribe fund. Within this context, therefore, CARICOM's engagement with Haiti has been refocused towards helping the people of Haiti to resolve the crisis. At the 40<sup>th</sup> CHOG (2019) it was agreed that a delegation would visit the island on a fact-finding mission. That delegation did not materialize as planned and a commitment was again made at the CHOG Inter-sessional meeting (February 2020) for a CARICOM delegation led by the CARICOM Secretary General to embark on a fact-finding mission to Haiti.

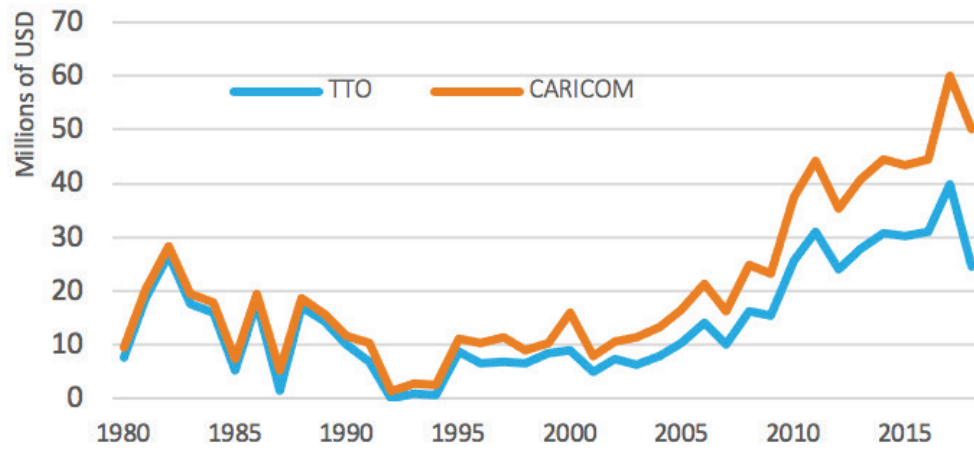
Civil unrest notwithstanding, Haiti's full integration into the CARICOM integration project creates economic challenges as well as economic opportunities for the bloc. On the one hand, skilled workers could migrate to the more prosperous countries within CARICOM thus driving a problem for Haiti in terms of brain drain. For CARICOM countries receiving Haitian nationals, the potential burden on their social and economic infrastructure creates fear and promotes unsubstantiated xenophobic reactions. While the Bahamas is not a signatory to the CSME its geographical proximity to Haiti, relative economic prosperity and concomitant connection to the US, has made it a prime attraction for Haitian migrants. Jamaica is also ideal due to its geographical location; indeed, Haitians have entered illegally using small boats. In recent times Haitians have been entering Guyana, and official reports claim that they do so primarily to eventually transit to French Guiana, an overseas department of France. Given the use of French creole in St. Lucia and the economic dominance of St. Lucia in the OECS, that country could also be attractive for

Haitians. Challenges aside, the relatively large population of Haiti presents a sizable market for CARICOM products. Indeed, based on 2018 population estimates, Haiti's population constitutes 60% of the total CARICOM population. An often-ignored fact of Haiti's size is that the country's membership of the CSME means that French, and not English, would be the dominant language of the bloc. International Organisation for Migration (2019) notes that Belize, Grenada, Guyana, Montserrat, St Vincent & the Grenadines and Suriname are the only CARICOM countries which "currently" allow visa free-entry for Haitians.

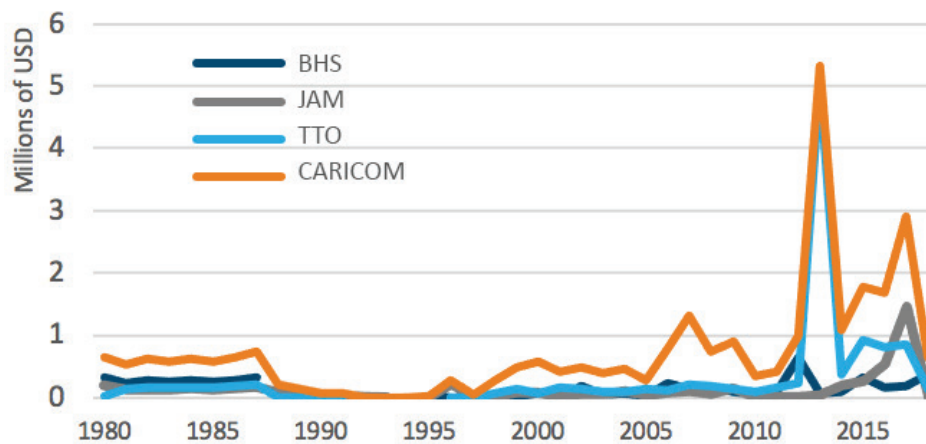
Haiti's trade with the rest of CARICOM increased in the post-1995 period after years of decline (see figures 4.1 and figure 4.2). This increased trade activity coincides with Haiti obtaining provisional membership of CARICOM in 1998 and membership in 2002. It's noteworthy too that the percentage of Haiti's imports from CARICOM accounted for by Trinidad and Tobago declined post-1995, which suggests an increased trade relationship with the rest of CARICOM and the importation of a wider range of commodities. Not surprisingly, Haiti's exports to CARICOM are dwarfed by its imports from CARICOM. CARICOM exports to Haiti have reached as high as approximately 60 million USD, while CARICOM imports from Haiti spiked to a high of approximately 5.5 million USD (in 2013), before returning to levels below 3 million USD.



**Figure 4.1:** Haiti's Imports from CARICOM (1980-2018)



**Figure 4.2:** Haiti's Exports to CARICOM (1980-2018)



**Source:** IMF Direction of Trade Statistics

## 4.3 The Common External Tariff

*‘The Member States shall establish and maintain a common external tariff in respect of all goods which do not qualify for Community treatment in accordance with plans and schedules set out in relevant determinations of COTED.’*

**Article 82: Establishment of Common External Tariff**

The article 82 of the RTC provides for CARICOM to establish and maintain a CET for goods imported from third party countries which do not qualify for any special treatment as determined by COTED. Additionally, Article 82 is supported by Article 83 provides for COTED to review the CET so as to ensure that it is uniformly applied throughout CARICOM and that its application does not adversely affect productive activity and international trade.

In 2017 a comprehensive review of the CET was conducted by COTED. Indeed, no comprehensive review was done since the establishment of the CET and the concomitant Rules of Origin in 1990. With the significant changes to the edifice of the global trading environment, such a review was necessary. This review is one of the activities which fall under the CSP. Outside of the goals of the CSP, there are instances where COTED has made adjustments to the CET to accommodate the interests of various member countries. The major outcome of the 2017 review is the *‘Revised Common External Tariff of the Caribbean Community,’* a document which is

based on the 2017 edition of the *Harmonized Commodity Description and Coding System* or simply the *‘Harmonized System’* (HS)<sup>18</sup>. The approximately 700-page document provides precise details on the tariff rates for individual products and specifies those products which are exempt from the CET. Indeed, “List A” of the schedule specifies all items for which the CET has been suspended for an indefinite period, subject of course to review by COTED. Additionally, “List D” provides for specific CET suspensions for individual and groups of countries within the CARICOM bloc. The items which are to be granted exemptions from the CET fall under ten specific areas and one broad area namely; industry, agriculture, fisheries, forestry and mining; tourism-related purposes; shipping; aircraft; educational and cultural purposes; health; for government and governmental purposes; military forces; diplomatic missions, international organisations and personnel; passenger personal effects; and other approved purposes such as good for use by religious and charitable organisations. These exemptions can be seen as necessary for the development of economic activity such as agriculture, fishing, and tourism. Additionally, imports necessary to ensure the smooth operations of the government, including national security, and directly promoting the welfare of citizens by enhancing health, education and culture.

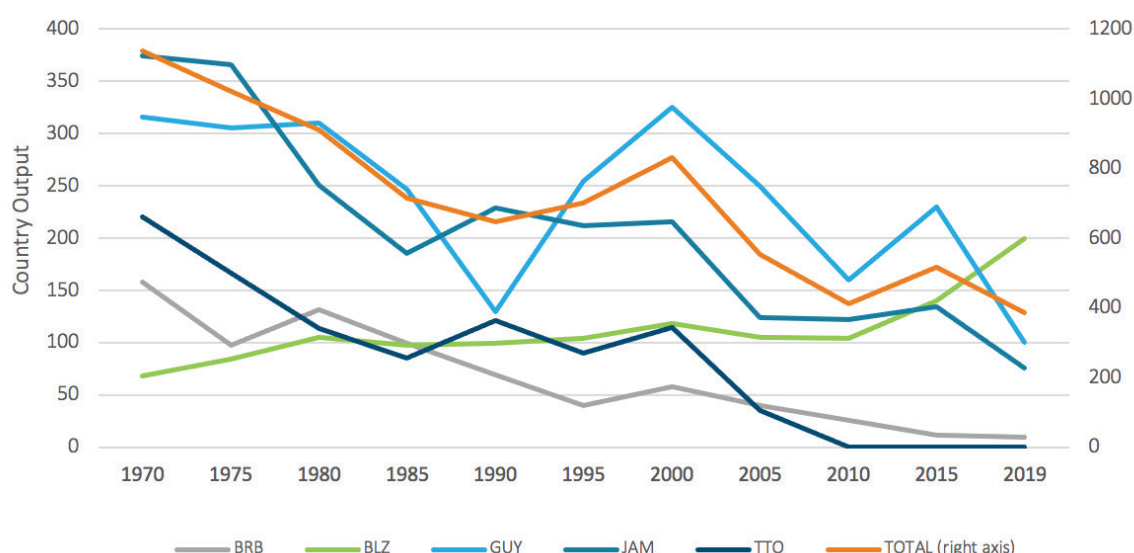
Outside of the revision of the CET, another significant achievement under the CET regime, post-2005, has been the commitment by COTED at its Georgetown meeting (November 2018) to incrementally enforce tariffs on sugar currently imported from extra-regional sources using exemptions. Indeed, the production of sugar cane and sugar are of historical, social and economic importance to the region, and while it’s no longer a dominant industry within the bloc it retains some degree of importance to a few CARICOM

<sup>18</sup> The HS is an international commodity classification system used for customs tariffs, international trade statistics, production statistics etc. The system covers approximately 98% of internationally traded goods.

economies. See figure 4.3. In keeping with Article 83 of the RTC, the agreement allows for the continued exemption of imported refined white sugar until regional producers can satisfy the quality, quantity and specifications required by regional manufacturers of good and beverages. More specifically, the conditional duty exemption on refined sugar would remain until regional sugar producers could meet 75% of regional demand. GraceKennedy<sup>19</sup>, a large regional

conglomerate headquartered in Jamaica, is a prime example of a company which benefits from the CET exemption on refined sugar. Undoubtedly, GraceKennedy wants to ensure a reliable source which can guarantee both the quantity and quality of refined sugar needed to ensure no disruptions to its operations. Figure 4.3 aptly captures the state of the regional sugar industry.

**Figure 4.3:** CARICOM Sugar Output ('000 MT)



Source: Knoema

The y-axis on the left captures the output totals for the main CARICOM sugar producers: Barbados, Belize, Guyana, Jamaica and Trinidad and Tobago. The y-axis on the right represents the total output of the previously mentioned five member countries. For the period 1970 to 2019 the output of sugar fell by about 66%. Of course, the regional sugar producers could not compete globally coupled with the loss of preferential access to European markets. The Sugar Association of the Caribbean (SAC) claims that while more than two-thirds of CARICOM's sugar demand is being met by extra-regional sources,

regional producers can meet the demand for the Anglophone members of CARICOM. Of course, while the SAC's claims have some merit, CARICOM producers of sugar simply cannot compete with major international producers such as Brazil and India. In the case of Guyana, the production of sugar is still relatively labour intensive thus ensuring costs remain high. For example, in 2017 the world price of sugar was about US\$ 0.125 per pound, while in Guyana it was about three times that at US\$ 0.40 per pound<sup>20</sup>. The graph also indicates that Belize, Guyana and Jamaica continue to produce sugar,

<sup>19</sup> GraceKennedy was established in Jamaica on February 14, 1922. The firm is now one of the largest conglomerates in CARICOM. The GraceKennedy Group has several subsidiaries in food services (manufacturing, distribution and retailing) and financial services (banking and investments, insurance, remittances and bill payments).

<sup>20</sup> <https://www.kaiteurnewsonline.com/2017/06/29/guysuco-now-produces-sugar-three-times-world-market-price/>

notwithstanding the continued closures and consolidations of sugar estates. Time will tell whether CARICOM sugar manufacturers can quickly show their capacity to produce quality refined sugar, in sufficient quantities, at internationally competitive prices and with minimal supply disruptions.

In December of 2007 the Heads of Government, at a special meeting, deliberated over the rising cost of living in the region, especially as regards the cost of food. It was decided that the CET was the ideal tool which could be used to bring relief to the region by lowering the cost of food. Member states were required to provide COTED with lists of goods that attracted CET and could impact the cost of living significantly. The foregoing aside there are other examples of adjustments to the CET for country-specific reasons. For example, in May 2019 Jamaica successfully applied for CET exemption on lithium-ion batteries and placed condensed milk and evaporated milk on the ineligible list.

A concomitant aspect of the CET is that of the “Community Rules of Origin.” The following is an excerpt (part one) of the relevant RTC article which governs the rules of origin, the other parts of the article provide greater clarity to the application of the rules and ways for resolving attendant issues.

*‘Subject to the provisions of this Article, goods that have been consigned from one Member State to a consignee in another Member State shall be treated as being of Community origin, where the goods:*

*(a) have been wholly produced within the Community; or*

*(b) have been produced within the Community wholly or partly from materials imported from outside the Community or from materials of undetermined origin by a process which effects a substantial transformation characterised:*

*(i) by the goods being classified in a tariff heading different from that in which any of those materials is classified; or*

*(ii) in the case of the goods set out in the List in Schedule I to this Treaty (hereinafter referred to as ‘the List’), only by satisfying the conditions therefore specified.”*

**Article 84: Community Rules of Origin**

## 4.4 Government Procurement

*‘The Member States undertake to elaborate a Protocol relating, inter alia, to:*

- (a) electronic commerce;*
- (b) government procurement*
- (c) treatment of goods produced in free zones and similar jurisdictions;*
- (d) free circulation of goods in the CSME, and*
- (e) rights contingent on establishment, provision of services and movement of capital in the Community.”*

### **Article 239 Undertaking**

Government procurement expenditure within CARICOM is estimated to be in the range of 15 to 20% of GDP<sup>21</sup>. Certainly, this is a considerable amount of expenditure. In the cases of SIDS, government plays a relatively greater role as markets are more likely to be incomplete and shallow, thereby requiring relatively greater government involvement in the provision of goods and services. At the multilateral level, the importance of government procurement has been recognized and initiatives were taken to ensure international competition, transparency and fairness in the conduct of activities related to government procurement.

Perhaps the most significant initiative at the multilateral level, on government procurement, occurred during the Tokyo Round of multilateral trade negotiations. On January 1, 1981, the Agreement on Government Procurement (GPA) came into effect. Following more negotiations, during what is arguably the most important trade round to date, the Uruguay Round, the GPA was updated and took effect on January 1, 1996. Currently, no member of CARICOM is a signatory to the GPA, neither do any of them hold observer status. Therefore, given the importance of government procurement to any country and given CARICOM's non-membership of the GPA, the onus has been on CARICOM to create a protocol on government procurement for its members.

Article 239 of the RTC states that the members of CARICOM agree to undertake the activities necessary for the creation of a protocol on government procurement. In 2014 the CARICOM Secretariat commenced a region-wide series of consultations geared towards developing a protocol for government procurement within CARICOM. Five years after, at the 30th inter-sessional meeting of the CHOG (February 26 and 27, 2019), the Agreement on the Protocol for Public Procurement was opened for signing.

<sup>21</sup> <https://caricom.org/government-procurement-takes-center-stage/>

<sup>23</sup> The CARICOM website “hosts” the Community Public Procurement Notice Board (CPPNB) where all CARICOM members, except the Bahamas and Jamaica, have listed national contact points. The notice board regularly provides open procurement notices. However, the notice board could be enhanced through the provision of more information under the information tab which remains incomplete. <https://cppnb.caricom.org/epps/home.do>



The Public Procurement Regime of CARICOM includes the following instruments:

- Framework Regional Integration Policy (FRIP) on Public Procurement;
- the Draft CSME Policy on Public Procurement;
- the Draft CARICOM Model Bill (Act of 2017) for implementing the provisions of the Protocol;
- Procurement Standard Operating Procedures (PSOPs);
- Standard Bidding Documents (SBDs);
- and the Community Public Procurement Notice Board (CPPNB)<sup>22</sup> which is at a nascent stage.

Government procurement is part of the CARIBCAN, CARICOM-Dominican Republic Free Trade Agreement (CARICOM-DR FTA), the CARICOM-Costa Rica Free Trade Agreement (CARICOM-CR FTA) and the CARIFORUM-EU EPA (CF-EU EPA). It is clear from these inclusions of government procurement in these different agreements that the issue is going to occupy much time in future negotiations between CARICOM and extra-regional trade blocs and countries.



## 4.5 Special Economic Zones

According to UNCTAD there are approximately 5,383 Special Economic Zones<sup>23</sup> (SEZ) in 147 countries, with significant growth occurring in developing countries (Bost, 2019). The World Free Zones Organisation (WFZO) (Hamroumi, 2018) estimates that in 2017 the Caribbean recorded a total of 94 free zones, accounting for approximately 4% of the total free zones in the world.

A free zone<sup>24</sup> is a subset of an SEZ. The Dominican Republic is the clear leader in the Caribbean with 60 free zones amounting to 64% of the total. Antigua and Barbuda, The Bahamas, Belize, Grenada, Jamaica, Haiti, St. Lucia and Trinidad and Tobago are the CARICOM members which have notable SEZs. Barbados and Guyana, part of the MDC grouping, do not have SEZs, however, they do have industrial parks (estates). In time it's highly likely that Guyana, with its newfound oil wealth, will have an SEZ or two.

**Table 4.1:** CARICOM Special Economic Zone Information

COUNTRY	FULL TITLE OF LEGISLATION/COMMENT
Antigua & Barbuda	Special Economic Zone Act, No. 17 of 2015
Bahamas, the	The Bahamas Free Trade Zone Act, No. 25 of 1984
Barbados	No SEZs Act
Belize	Commercial Free Zones (CFZ) Act of 1994
Dominica	No SEZs Act
Grenada	Free Trade and Processing Zone Act, No. 25 of 2015
Guyana	No SEZs Act
Haiti	Law of August 2, 2002, on free zones.
Jamaica	Special Economic Zones Act, 2016.
St. Lucia	Free Zone Act (Cap. 15:17) of 1999
St. Kitts	No SEZs Act
St. Vincent & the Grenadines	Export Free Zones Act, No. 15 of 1999
Suriname	There are no special economic zones nor industrial parks.
Trinidad & Tobago	Trinidad and Tobago Free Zones Act (Chap. 81:07) of 1988. Amended through Act, No.13 of 2010.

**Source:** ILO and WTO Trade Policy Reviews

<sup>23</sup> Given the plethora of names given to zones, even in cases where "identical" activities and fiscal arrangements apply, in addition to the growth in the types of zones, a general all-encompassing term was needed; special economic zone (SEZ) is that term. See Bost (2019) for more details.

<sup>24</sup> According to the World Free Zones Organisation (WFZO) a free zone can be defined as *"an area designated by one or more government(s) where economic activities, whether production or trade, physical or virtual with respect to goods, services or both, are permitted and relieved (totally or partially) from customs duties, taxes, fees or with specific regulatory requirements that would otherwise apply."*



At the level of CARICOM, Article 239 of the RTC specifies that CARICOM commits to construct a protocol relating to the treatment of goods produced in “free zones and similar jurisdictions” and also the Article 74 include provisions about the legal infrastructure (See Box 4.1). Surely, such a protocol will encompass the broader categorization of special economic zones. At the time of this report, there’s no indication of such a protocol being deliberated upon. Moreover, issues relating to free zones have not been included in annual reports of CARICOM nor the CSP. Of course, as members of the WTO, CARICOM member states<sup>25</sup>, are subjected to the regulations of that body. While the WTO does not treat exclusively with SEZs there are provisions within various WTO agreements which offer member countries guidance. For example, the WTO Agreement on Subsidies and Countervailing Measures (SCM) prohibits export subsidies and subsidies which require the use of domestic goods over imported goods (United Nations Conference on Trade and Development, 2019). Of course, the special and differential treatment extended to developing countries meant that CARICOM countries were allowed time to circumvent SCM and other similar agreements. The time for the phasing out of laws which run counter to WTO agreements would have expired in most instances with the remaining special and differential treatment extended for LDCs. Therefore, Haiti is more likely than the other members of CARICOM to qualify for an extension of special and differential treatment.

In what follows, information on SEZs, gleaned from the WTO Trade Policy Reviews for Haiti, Jamaica and Trinidad and Tobago, are presented:

- Free zones are permitted in Haiti under the Law of August 2, 2002, on free zones. The National Free Zones Council (CNZF) is responsible for implementing the Law on Free Zones. Free zone status may be

granted to firms exporting at least 70% of their output. Haiti allows three types of activities in its free zones: business activities; industrial activities; and any international trade-related service activity. (World Trade Organization, 2015)

- Jamaica’s Special Economic Zones Act, of 2015, entered into force on August 1, 2016, coincides with the end of the SCM Agreement grace period in 2015. Indeed, the law was created to bring Jamaica in line with its commitments under the SCM Agreement. The new law replaced the Jamaica Free Zones Act (1996) and the Export Free Zones Act (1982). While not specifying the types of activities allowed the act prohibits, or restricts the following economic activities; catering construction, extractive industries; health services; public utilities; real estate; telecommunications; and tourism. A critical difference between the SEZ Act and the act it replaces (Export Free Zone Act) is that there’s no minimum export requirement. Previously, at least 85% of free zone output had to be exported. (World Trade Organization, 2017)
- The Trinidad and Tobago Free Zones Act (Chap. 81:07) governs the activities and benefits of free-trade zones as they are called in Trinidad and Tobago. There’s a total of 16 enterprises operating in the free zones, employing approximately 1,500 workers. The Minister of Trade and Industry has oversight for free zones and acts upon the recommendations of the Trinidad & Tobago Free Zones Company Ltd., which regulates enterprises operating in the free zones. Free zone enterprises are attracted in non-energy related activities. Activities which are permitted include warehousing and storage; manufacturing operations; trans-shipment operations; export and import; assembling; processing, refining, purifying and mixing to name a few. Free-zone enterprises are allowed to sell no more

<sup>25</sup> The Bahamas and Montserrat are not members of the WTO.

than 20% of their output in the customs territory of Trinidad and Tobago. In turn, they benefit from indefinite exemptions on a wide range of taxes and fees such as import duties, corporation tax and work permit fees. A new SEZ Act is being drafted and will replace the current Free Zone Act (World Trade Organization, 2019).

**Box 4.1:** Article 74 (Legal Infrastructure)

*1. The Legal Affairs Committee shall co-operate with competent Organs of the Community to advise the Member States on the legal infrastructure required to promote investments in the Member States, including cross-border investments, bearing in mind the provisions of Article 68.*

*2. The Member States shall harmonize their laws and administrative practices in respect of, inter alia:*

- (a) companies or other legal entities;*
- (b) intellectual property rights;*
- (c) standards and technical regulations;*
- (d) labelling of food and drugs;*
- (e) sanitary and phytosanitary measures;*
- (f) competition policy;*
- (g) dumping;*
- (h) subsidies and countervailing measures; and*
- (i) commercial arbitration.*

## 4.6 Non-Tariff Barriers to Trade

The CARICOM members who are also members of the WTO are required to ensure that all trade related technical requirements, which fall under the WTO Agreement on Sanitary and Phytosanitary Measures (SPS) and the Agreement on Technical Barriers to Trade (TBT), must be justifiable, transparent and non-discriminatory and in keeping with international best practices. With the reduction and binding of tariffs under the WTO framework, it is naturally crucial for close attention to be given to non-tariff barriers. In keeping with Articles 57<sup>26</sup> and 74 of the RTC, the Caribbean Agricultural Health Food Safety Agency (CAHFSA) was established on February 25, 2011. The CARICOM organ with oversight for CAHFSA is COTED.

The primary objectives of the CAHFSA<sup>27</sup> are to:

- establish an effective regime of sanitary and phytosanitary measures pursuant to Article 57(1)(k) of the Treaty, in support of the goals of the Community Agriculture Policy as set out in Article 56 of the Treaty;
- provide regional and national support to the Community in the establishment, management and operations of their national agricultural health and food safety systems as they relate to the sanitary and phytosanitary measures of the SPS Agreement; and
- execute on behalf of those countries such actions and activities that can be more effectively and efficiently executed through a regional mechanism.

Notwithstanding the lack of financial resources, and a less than full complement of human resources, CAHFSA has achieved much. In particular, the agency has developed a procedure for dealing with intra-CARICOM trade disputes on SPS matters. This is perhaps one of the major achievements of CAHFSA as disputes concerning the intra-regional trade in agricultural goods have occupied an inordinate amount of time at COTED meetings (Caribbean Agricultural Health and Food Safety Agency, 2018). The SPS procedure developed by CAHFSA provides for a rapid science-based resolution of SPS related trade disputes. Naturally, CAHFSA also provides for the safe trade of goods extra-regionally. To carry out its mandate in keeping with international best practices CAHFSA collaborates with regional and international institutions<sup>28</sup> on SPS related matters.

Article 67 (part 5) of the RTC the CARICOM Regional Organisation for Standards and Quality (CROSQ) was established. The CROSQ has been delivering on its mandate which is primarily to establish standards based on international best practises and provide guidelines and technical assistance to the various national standard bodies.

<sup>26</sup> Article 57: Implementation of the Community Agricultural Policy

<sup>27</sup> More details on CAHFSA can be found at the agency's website, <https://www.cahfsa.org/>.

<sup>28</sup> Examples of organisations that CAHFSA works with are: Committee of CARICOM Chief Veterinary Officers (CCVOs), Pan American Health Organization/World Health Organization (PAHO/WHO), Caribbean Agricultural Research and Development Institute (CARDI), United States Department of Agriculture Animal and Plant Health Inspection Service (USDA-APHIS), the Food and Agricultural Organization of the United Nations (FAO), the World Organization for Animal Health (OIE), the International Plant Protection Convention (IPPC), and the WTO-SPS Committee.



## 4.7 Trade Facilitation

On February 22, 2017, the WTO's Trade Facilitation Agreement (TFA) officially entered into force. Starting with Trinidad in July 2015 and ending with Barbados in January 2018, a total of 11 CARICOM member states have ratified the Protocol of Amendment (November 2014) to the Marrakesh Agreement. The WTO was established through the Marrakesh Agreement (April 1994), therefore, the Protocol of Amendment adjusted the WTO Agreement. The CARICOM members which have not ratified the TFA are Haiti, Montserrat and Suriname, and of course the Bahamas, which remains a non-member of the WTO.

The multilateral cooperation provided through the WTO framework ultimately seeks to enhance global welfare by making trade freer, fairer, efficient, safer and resilient. The WTO Agreement contains several agreements related to major trade issues such as tariff and non-tariff barriers, subsidies and intellectual property rights, to name a few. Indeed, at the formation of the WTO, these and other issues

were well ventilated. However, work on these areas, while necessary are not sufficient to deliver an efficient system of international trade. Indeed, protocols had to be established to deal with issues regarding the customs system. The TFA was established with the mandate of arriving at better systems, better processes, for improving the flow of products across borders.

The adoption of the Automated Systems for Customs Data (ASYCUDA) is perhaps the most notable example of CARICOM member countries working assiduously towards improving their customs processes. Indeed, all CARICOM members, save for the Bahamas, use ASYCUDA. Further, some of them are either using ASYCUDA World or are in the process of upgrading to it.



## 4.8 Intellectual Property

The creation of international rules governing the intellectual property rights aspects of international trade was first accomplished during the Uruguay Round of trade negotiations. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) was the result of those negotiations and formed part of the fundamental changes to the multilateral trade framework occasioned by the birth of the WTO. The leadership of CARICOM, in their crafting of the RTC, were very cognisant of the trade issues relating to intellectual property rights and added an entire article (Article 66) to reflect same. Articles 64 and 74 of the RTC also treat with issues of intellectual property rights. Indeed, the crafting of the RTC would have intersected with the Uruguay Round (1986-1994) deliberations and so the issues at the forefront of the Uruguay Round would naturally have dominated international trade discussions at other fora such as those of CARICOM. With WTO agreements dictating the entire edifice of international trade CARICOM's trade agreements in the post-WTO period would have included provisions on intellectual property rights. For example, the CARIFORUM-EU EPA (CF-EU EPA) and the CARICOM-Cuba agreements explicitly treat with the issue of intellectual property rights.

However, while CARICOM has recognised and shown a commitment towards recognizing and respecting intellectual property rights not much movement has happened at the level of the regional bloc. Instead, the situation is as such where countries like Jamaica and Trinidad and Tobago are relatively more advanced in their legislation and enforcement of laws. For example, on January 23, 2020, Jamaica passed the Patents and Designs Bill<sup>29</sup>, which replaced the Patent Act (1857) and the Designs Act (1937) thereby bringing the country's laws into compliance with the

TRIPS. Trinidad & Tobago's Patent Act was enacted in 1996.

At the other extreme is Guyana, with many of its intellectual property laws dating back to the country's pre-independence period (World Trade Organization, 2015). Except for Montserrat, which remains a British colony, all members of CARICOM are members of the World Intellectual Property Organization (WIPO).

It's perhaps apropos to offer more details into how relatively advanced Jamaica and Trinidad and Tobago are as regards issues relating to intellectual property rights. Both countries have very vibrant music industries. Jamaica's music industry produces music in the Reggae and Dance Hall genres, both with international appeal. Trinidad's music industry primarily produces Soca music which flows directly into its annual carnival celebrations. Additionally, both countries lead the rest of CARICOM in the movie/videography industry. It's no surprise, therefore, why both countries lead the bloc as regards intellectual property rights. Music and movies aside, perhaps the most significant indicator of how advanced Jamaica and Trinidad and Tobago are can be seen in the amount of trademark which are taken out in both countries by companies such as Apple and Google. While the systems are by no means as advanced as those in developing countries, it's instructive that these technology companies trust them enough to file trademarks in these Caribbean jurisdictions. Of course, these filings, under section 44(d) of the US Trademark Act<sup>30</sup> are used to delay, or to keep "secret", the names of new products before they are filed in the US. Unlike the US, it takes about three weeks, from the time a request is made, to gain access to trademark filings in Jamaica, and requests must be done in person. This "delaying tactic" is understandable in the highly competitive world of mobile communications technology (Table 4.2).

<sup>29</sup> <https://jis.gov.jm/senate-passes-modern-patents-and-designs-bill/>

<sup>30</sup> <https://qz.com/808846/why-jamaica-knows-about-apples-new-products-before-the-rest-of-the-world/>



Table 4.2: Trademark Filings (2010 to present)

	AMAZON	APPLE	GOOGLE	MICROSOFT
Jamaica	0	275	15	1
Trinidad & Tobago	7	39	27	0
Total Filings	42	343	93	80

Source: qz.com



## 4.9 The Caribbean Court of Justice (CCJ)

While the CSME project has progressed in fits and starts, the CCJ was successfully inaugurated in Port of Spain, Trinidad on April 2005 and has adjudicated cases of national and regional importance. Twelve members of CARICOM are signatories to the court. The three non-signatories are the Bahamas, Haiti and Montserrat, who are also not signatories to the CSME agreement. The CCJ has original jurisdiction as regards interpreting and applying the provisions contained in the RTC and has replaced the Privy Council as the final appellate court for five CARICOM members; Barbados, Guyana, Belize, and Dominica.

To carry out its mandate the CCJ is responsible for

- hearing and deciding on disputes between countries or between persons and countries which involve issues which the treaty deals with, or
- by giving advisory opinions when member states ask for them, or
- by having national courts and tribunals refer issues to the CCJ for interpretation.

In carrying out its function of original jurisdiction the CCJ acts as a regional tribunal and has adjudicated over matters important to the CSME. The following examples are of critical importance not only for the litigants, but they provide a reference point to the citizens of CARICOM as regards how the CCJ can be used to safeguard their rights and improve their welfare within the framework provided for by CARICOM.

- *Trinidad Cement Ltd v Republic of Guyana* (No 2) [2009] CCJ 5 (OJ)<sup>31</sup>

The CCJ can order a CARICOM state, outside of the one where a litigant is incorporated, to implement and maintain the common external tariff as specified in the RTC. *Trinidad Cement Ltd.* argued that the Government of Guyana breached Article 82 of the RTC and suspended the CET on cement imported from third states without getting the necessary approval from COTED. The Government of Guyana, through its Attorney General, argued that *Trinidad Cement Ltd.* did not satisfy the definition of “national” as required by Article 32 of the RTC and therefore has no locus standi to bring the case against the Government of Guyana. The CCJ noted that in signing on to the agreement establishing the CCJ the Government of Guyana interpreted a firm incorporated under its (Guyana’s) Companies Act 1991 is to be regarded as a “national” therefore to view *Trinidad Cement Ltd.* as not satisfying the definition of a national would amount to discrimination based on where the firm was incorporated. Surely, to discriminate against a firm based on the “nationality” of said firm would run counter to the spirit of CARICOM as enshrined in the RTC. The CCJ ruled in favour of *Trinidad Cement Ltd.*

- *Myrie v State of Barbados* (No 2) [2013] CCJ 3 (OJ)<sup>32</sup>

Ms Shanique Myrie, a 22-year-old national of Jamaica at the time of the incident (March 14, 2011), was denied entry into Barbados via the Grantley Adams Airport. She claims to have received no reason for said denial and was subjected to a humiliating cavity search and insults as regards her nationality. A national of one state can seek compensation from another state for breaches of the RTC. Ms Myrie claimed that the attitude meted out to her was in breach of her rights to free movement within CARICOM as enshrined

<sup>30</sup> [http://www.worldcourts.com/ccj/eng/decisions/2009.08.20\\_TCL\\_v\\_Guyana.htm](http://www.worldcourts.com/ccj/eng/decisions/2009.08.20_TCL_v_Guyana.htm)

<sup>32</sup> <https://ccj.org/wp-content/uploads/2013/10/2013-CCJ-3-OJ.pdf>



in Articles 7, 8 and 45 of the RTC. The Government of Barbados disagreed that they breached Articles 7 and 8, and further Article 45 (*‘Member States commit themselves to the goal of free movement of their nationals within the Community.’*) was not in full force as while a decision was made on it at a 2007 CARICOM conference such a decision was not legally binding.

The CCJ ruled that Ms Myrie’s rights, as enshrined in Article 45, were violated. However, the court dismissed the other charges of discrimination as argued under Articles 7 and 8. Ms Myrie was awarded USD \$1,120.00 (pecuniary damages) and USD \$ 37,500.00 (non-pecuniary damages).

On March 20, 2020 the CCJ provided, for the first time, an advisory opinion on the interpretation and application of the RTC. The CARICOM Heads had sought advice from the CCJ on two questions which are related to decisions by the Heads on the following:<sup>33</sup>

- “to enlarge the list of CARICOM workers who were entitled to seek employment in each other’s country by including agricultural workers and security guards (“the enlargement decision”);” and
- “to agree the requests made by the states of Antigua and Barbuda and St. Kitts Nevis to opt out of that decision for a period of five years”

The CCJ was asked for an opinion on the following:

- “whether a Member State could lawfully opt out of that decision of the Conference;” and
- “whether the principle of non-reciprocity would allow nationals of any such Member State opting out to gain the benefits of the decision.”

As regards the first issue, the CCJ ruled that it was lawful for both Antigua & Barbuda and St. Kitts & Nevis to opt out of the agreement. It’s worthwhile to note that the CCJ took into consideration that both countries are categorised as LDCs. Further, the opt out was temporary and relegated to two specific categories of workers. On the second issue, the CCJ ruled that the principle of non-reciprocity should be applied to the two categories of workers in Antigua & Barbuda and St. Kitts & Nevis. In other words, no other CARICOM member state should restrict the movement of those categories of workers from the two aforementioned states. Of course, other CARICOM members can request to opt out. The CCJ in its opinion did not see opting out as prejudicial to the spirit of the RTC as regards the fundamental right of the free movement of skilled nationals.

<sup>33</sup> [https://ccj.org/wp-content/uploads/2020/03/Media-Release-Advisory-Opinion-20\\_03\\_20-1.pdf](https://ccj.org/wp-content/uploads/2020/03/Media-Release-Advisory-Opinion-20_03_20-1.pdf)



## 4.10 The CARICOM Strategic Plan (2015-2019)

At the 35th CHOG (2014) the first ever CARICOM Strategic Plan (Strategic Plan for The Caribbean Community 2015-2019: Repositioning CARICOM) was approved. Here after, the CARICOM Strategic Plan will be referred to as CSP. The purpose of the plan is to identify the most pressing issues facing the community and formulate strategies for dealing with said issues. In short, the strategic plan details the work the community intends to do for the period covered by the plan.

The strategic plan consists of six strategic priorities;

- Building Economic Resilience
- Social Resilience
- Environmental Resilience
- Technological Resilience
- Strengthening the CARICOM Identity and Spirit of Community
- Strengthening Governance Arrangements within CARICOM

The aforementioned areas of priorities are supported by two enablers;

- Coordinated Foreign and External Relations
- Research and Development and Innovation

Undoubtedly, the six areas of strategic priorities are regarded as “interoperable” and geared towards enhancing CARICOM’s economic, social, environmental and technological resilience through enhancing the governance, identity and spirit of the community. The importance of all areas of

priorities, notwithstanding, this report focuses primarily on the parts of the CSP which focus on the enhancement of CARICOM’s capacity as regards *building economic resilience*.

There are four broad strategies which fall under the strategic priority “*building economic resilience*”

- **ECN 1:** Accelerating implementation and use of the CARICOM Single Market and Economy.
- **ECN 2:** Integration into the Global Economy.
- **ECN 3:** Introducing Measures for Macroeconomic Stabilisation.
- **ECN 4:** Building Competitiveness and Unleashing Key Economic Drivers to Transition to Growth.

The CSP identifies 76 principal measures within the framework of the six strategic priorities. Of the 76 principal measures, 18 are concerned with the strategic priority of *building economic resilience*. At the request of the CARICOM Review Commission (CRC)<sup>34</sup> the CARICOM Secretariat prepared a report updating the CRC on the progress made as regards the CSP. The report examined the progress made towards the objectives of the CSP up to the end of 2016, i.e. two years into the plan. Notwithstanding the good intentions of the framers, the structure of the CSP makes it difficult to “independently” measure progress. To be specific, the review done for the CRC includes a table with four columns, namely; strategy; outcomes; principal measure; and rating. The principal measures, for the most part, are not granular enough to be effectively measured. It should be noted that the CSP consists of three volumes with volume 2 being the more elaborate of the volumes. Volumes 1 and 2 did not provide the level of granularity which would make

<sup>34</sup> The CRC was appointed in July 2016 by Prime Minister, the Hon. Andrew Holness, of Jamaica. The report of this commission (Golding, et al (2017)) will be examined at a later point in this report.

achievements easier to “measure.” Volume 3 was not publicly available. Additionally, the review done for the CRC excludes the second strategy (ECN 2) of the priority relating to *building economic resilience*. No reason is given for its omission.

Hassan et al (2020) provide an update of achievements as regards the implementation of the CSME. Like the CRC, Hassan et al (2020) assess progress as at the end of 2016; however, Hassan et al. (2020) provides a clearer measure by specifying the total

number of actions required per category and notes the percentage of total required actions completed. See table 4.3. While much has been accomplished in terms of the legal infrastructure and the Single Market, only 10% of tasks related to the Single Economy were completed. Surely, however, much would have been achieved during the period 2017 to 2019. Table 4.4 offers an update, but without the granularity provided in table 4.3.

**Table 4.3:** Summary of Implementation Status of CSME Actions (as at December 2016)

CATEGORIES	FULL TITLE OF LEGISLATION/COMMENT	ACTIONS REQUIRED	ACTIONS COMPLETED	PERCENTAGE COMPLETED
<b>A. Legal &amp; Institutional Infrastructure (All sub-categories)</b>		<b>261</b>	<b>192</b>	<b>73.6</b>
<b>B. Single Market</b>	Free Movement of Goods	<b>39</b>	<b>22</b>	<b>56.4</b>
	Movement of Temporary Service Providers	<b>26</b>	<b>8</b>	<b>30.0</b>
	Free Movement of Persons	<b>163</b>	<b>115</b>	<b>70.6</b>
	• Free Movement of Skills	26	13	50.0
	• Facilitation of Travel	72	63	87.5
	• Mechanism for Accreditation and Equivalency	39	18	46.2
	• Agreement on Social Security	13	13	100
	• Protocol Amending Agreement on Social Security	13	8	61.5
<b>C. Single Economy</b>	Macroeconomic Policy Harmonization & Coordination	<b>130</b>	<b>13</b>	<b>10.0</b>
	• Financial Services Agreement	13	0	0
	• Capital Market Integration	26	0	0
	• Investment Policy and Code	26	0	0
	• Intra-CARICOM Double Taxation Agreement	26	0	0
	• Public Procurement Protocol	26	13	50.0
	• Consumer Protection	13	0	0
<b>Total</b>	Free Trade and Processing Zone Act, No. 25 of 2015	<b>619</b>	<b>350</b>	<b>56.5</b>

**Source:** Hassan et al (2020)

**Table 4.4**

<b>PRINCIPAL MEASURE</b>		<b>COMMENTS</b>
<b>1</b>	Fully implement the five (5) regimes of the CSM in Member States, in accordance with the agreed revised timetable.	See information on St. Ann's Declaration (2018).
<b>2</b>	Advance Macro-Economic Policy Coordination.	CARICOM Commission on the economy re-established in 2019.
<b>3</b>	Address the constraints to intra-regional trade with a view to increasing the level of intra-CARICOM trade.	See related comments at 11, 12, 13, 15 & 16.
<b>4</b>	Technical and Financial Assistance to disadvantaged countries, regions and sectors; and other interventions to enhance cohesion among Member States.	Points 4, 5, and 6 are concerned specifically with "disadvantaged" countries. Save for the application of Article 164 no other information was found.
<b>5</b>	Promotion for increased utilization of CSME arrangements.	
<b>6</b>	Facilitate full participation by the private sector including production integration.	
<b>7</b>	Implement the Programme of Measures for Fiscal and Debt Sustainability in Member States towards restoration of confidence in CARICOM Economies and reversal of the negative perceptions of economic management.	Progressing with challenges.
<b>8</b>	Establish an integration monitoring framework to assess progress towards a stable macro-economic environment in Member States.	Progressing with challenges.
<b>9</b>	Improve risk management for the finance and economic sectors as a safeguard of economic development.	Progressing with challenges.
<b>10</b>	Advance formulation of regional policies to support production integration in target sectors (enable CSME).	No updates found.
<b>11</b>	Advance Development of Strategic Plan for the Services Sector.	Draft Regional Strategic Plan and an Implementation Plan for Services examined at special meeting of COTED (Jan. 2019).
<b>12</b>	Implement the programme of action towards Private Sector stimulation and reform of the business regulatory environment.	CARICOM Private Sector Organisation formed, July 2019.
<b>13</b>	Institute arrangements for on-going engagement with private sector.	
<b>14</b>	Advance Implementation of approved policies: The Common Agriculture Policy, Food and Nutrition Security Policy, Common Fisheries Policy.	No updates found
<b>15</b>	Implement the programme of action outlined by the Regional Transportation Commission – short and medium-term initiatives.	CARICOM Multilateral Air Services Agreement signed by 2 members, ratified by 1 and provisionally applied by 3 (2019).
<b>16</b>	Develop the framework for effective delivery of air and maritime transportation.	
<b>17</b>	Advance implementation of priority actions of the CARICOM Energy Policy.	Based on the institution's work plans for 2018 and 2019, it would appear the CARICOM Energy has achieved much re its mandate.
<b>18</b>	Pursue the implementation of a resource mobilisation strategy based on improved access to both traditional and non-traditional sources to support the Community Growth Agenda as determined by the Commission on the Economy.	Progressing with challenges

**Source:** Golding, et al (2017) & Author's Assessment

NB: The comments column provides information pertinent to progress for each principal measure. The comments which state "progressing with challenges" are taken from the CARICOM review for the CRC.

## 4.11 The Way Forward

### Article 164 (Promotion of Industrial Development)

*‘Upon application made in that behalf by the less developed countries, COTED may, if necessary, as a temporary measure in order to promote the development of an industry in any of these States, authorise such States to suspend Community origin treatment to any description of imports eligible therefor on grounds of production in one or more less developed countries.’*

(Paragraph 1, Article 164 of the RTC)

While progress has been made towards achieving the goals of the CSME, CARICOM governments have used the RTC to secure the welfare of the citizens of their respective countries. On January 1, 2020<sup>35</sup> the Government of St. Lucia announced that it was implementing Article 164 of the RTC. Of course, St. Lucia would have sought and received permission from COTED, prior to January 2020, to invoke the provisions guaranteed by Article 164. Article 164 partly draws on the classical infant industry argument. St. Lucia, and other LDCs within the CARICOM bloc, are allowed to apply third country tariff rates to CARICOM MDCs so as to allow the growth and development of “infant industries” within CARICOM LDCs. The regime will remain in effect for a total of 10

years for most of the products on the list,<sup>36</sup> and 5 years for two products. During this period, imports from other LDCs, of products on the list, will enter duty free. While the intentions of Article 164 are justifiable the outcome of the move is not immediately clear. Of course, St. Lucia is the largest economy of the OECS countries, all of which are categorised as LDCs. While St. Lucia represents the most recent use of Article 164, St. Vincent & the Grenadines did implement the regime as of January 1, 2016 on 4 product categories, while Dominica did so as of October 2019. These developments are relatively new, but of significant importance to deepening the CARICOM integration process. Indeed, the LDCs are using the provisions of the RTC to build their manufacturing capacity. On the other hand, the MDCs, such as Jamaica and Trinidad & Tobago, could see displacement of their products. Time will tell how impactful the application of Article 164 is on intra-CARICOM trade in particular and the welfare of the bloc, in general.

### THE LANDELL MILLS REPORT (2012):

An effective, dynamic and relevant CARICOM integration movement requires a secretariat with the resources necessary to carry out its mandate, and within an efficient organizational framework. The Landell Mills Report was commissioned for the purpose of assessing the operations of the CARICOM Secretariat and to propose possible recommendations for its reform. The report boldly states that CARICOM is in crisis so much so that the very existence of the bloc is threatened. The report cites three reasons for this dismal outlook; persistent discontent as regards the slow painful progress of the integration process; a weakened structure and operational framework; and fiscal strictures occasioned by the 2007-2008 financial crisis and the dismal economic outlook for the post-2012 period. Having

<sup>35</sup> <http://www.govt.lc/news/implementation-of-the-extended-article-164>

<sup>36</sup> The list includes curry powder; pasta; flour aerated waters; malt; beer; stout; animal feed, oxygen and carbon dioxide; acetylene; candles of paraffin wax; solar water heaters for domestic use; paint and varnishes (including enamels and lacquers).

clearly situated the issues facing the bloc, the report goes on to recommend three steps for arresting the declining efficacy of the CARICOM secretariat as it manages the integration process. These three steps are:

- Clearly prioritising specific activities which can be achieved relatively quickly and move the bloc towards achieving its long-term goals. Five-year strategy documents were recommended to manage the process. These strategies are necessary for not only specifying goals and realistic objectives, but also documents achievements and hindrances thereby informing future actions. The CSP for the period 2015-2019 has been covered in the previous section. No information is forthcoming as regards the status of the CSP for 2020-2024.
- Strengthen the current CARICOM organs and institutions of CARICOM by putting measures in place to ensure that the myriad units integrate well with each other and are held accountable. Indeed, CARICOM is a relatively large organisation by regional standards and with different moving parts it's inevitable that overtime various arms of the institution could become increasingly independent unless constant assessments, refocusing and realignments are done.
- The final recommendation focuses specifically on the restructuring of the CARICOM Secretariat, based on strengthening its current structure as opposed to adding new parts to the current edifice. Specifically, the report recommended the strengthening of the power of the Secretary General so as to offer more effective leadership; establishing an Implementation Office which would focus exclusively on the process of accomplishing agreed upon outcomes; and providing the CARICOM Secretariat with the resources necessary to carry out its obligations.

### CARICOM REVIEW COMMISSION (2017):

In July of 2016, the Prime Minister of Jamaica, the Most Honourable Andrew Holness, appointed the CARICOM Review Commission (CRC) to review Jamaica's participation in CARICOM. The CRC was led by Mr Bruce Golding, a former Prime Minister of Jamaica. Divided into four working groups, the CRC focused on; the economic impact of CARICOM, especially on the Jamaican economy; the mechanisms geared towards decision-making, implementation, enforcement and dispute settlement; the effectiveness of functional cooperation; and the possibilities and implications of Jamaica's economic relationships outside of CARICOM. At the onset it's apropos to note that the CRC places most of the blame for the so called "implementation deficit" squarely at the feet of the national governments. The following excerpt speaks to this position of the CRC.

*'The Commission noted that while it is often and unfairly blamed for CARICOM's slow pace of development, its powers are very limited. Much of the implementation deficit lies with national governments over which the Secretariat has no authority.'*

Perhaps the starkest recommendation of the CRC is that Jamaica should seriously consider withdrawing from the CSME and retain a status similar to that of the Bahamas, if significant changes are not forthcoming. Given the spectre of the dissolution of the West Indian Federation, and the economic size and leadership role of Jamaica, this recommendation would have reverberated throughout the bloc. In total, the CRC proposed 33 recommendations, with the final recommendation being concerned with



Jamaica's withdrawal. The CRC also called for "a clear, definitive commitment by all Member States to a specific, time bound, measurable and verifiable programme of action to fulfil all their obligations and complete all requirements for the CSME to be fully established and operational within the next five years." The commitments sought include; full free movement of people; a harmonised investment policy; rights of establishment; and modernisation and harmonisation of intellectual property rights legislation, to name a few.

In sum, the report is comprehensive as regards the range of issues it covers, and reiterates the recommendations contained in reports such as the Landell Mills Report. However, if the strong language of the report is to be taken seriously, then the commitment it requires from CARICOM might very well make the withdrawal of Jamaica highly likely. Of course, the list of commitments required of CARICOM are broad and allows room for more specific and realistic targets to be set, but even with such considerations, the sub-optimal performance of CARICOM within the last few decades does not offer much hope for realistic achievements of the myriad commitments in the time frame suggested. In some ways, therefore, the CRC has committed the very "sin" that CARICOM has repeatedly committed. The CRC has set the bar too high. That being said, Jamaica's leadership on this matter is needed and is timely. The final part of this subsection looks at what is perhaps the most significant response of CARICOM to the CRC's report ("Golding Report").

### THE ST. ANN'S DECLARATION (2018):

A special meeting of the CHOG was held in Trinidad on December 3-4, 2018 with the purpose of fast tracking the implementation of the CSME. The timing of the meeting, a few months after the publishing of the Golding Report, and on the eve of the final year of the strategic plan, was surely not incidental. The outcome of the meeting is contained in the aptly named St. Ann's Declaration on the CSME.

As laudable as the special meeting was, and while the attendant declaration offers much hope, the spectre of the "implementation deficit" still looms large. Save for noting an interim update by the chairman of the restructured CCE the communique for the 40th CHOG (July 2019) did not indicate significant deliberations forthcoming on the agenda of the special meeting of December 2018 and its concomitant declaration. Further, with the 40th CHOG marking 5 years since the launch of the five-year strategic plan and the final year of the plan, it's remiss that no mention is made of a status update to the plan and commitments for the plan. It is assumed, of course, that if such a discussion did occur, a summary of said discussion would have been included in the communique.

Box 4.2 enumerates the full list of commitments of the St. Ann's Declaration. The commitments made cover a range of pressing issues. While the list consists of 15 commitments there's much overlap. The following represent the broad areas covered by the list:

- accelerated implementation of the commitments made;
- private sector engagement;
- full free movement and enlargement of the categories of skilled workers;
- agreements on air and maritime transportation;
- agreements on public procurement;
- rights of establishment;
- a regime of sanctions (dispute settlement mechanism); and
- integration of Haiti.

## 4.12 Main Challenges

The 21st century has visited upon CARICOM, and indeed the wider world, a multiplicity of issues which stretch the resolve of nation states and regional blocs. Financial crises, terrorist attacks, protracted wars, hurricanes, flooding, drought and deadly diseases have battered the world since the turn of the century. In this type of environment, it's extremely difficult for CARICOM countries (SIDS) to improve the welfare of their citizens. By extension, therefore, it's also extremely difficult to strengthen the CARICOM regional integration project. There are myriad issues, but the following are the main ones which CARICOM will have to grapple with, as the burden cannot be carried by a single, small, open, nation state.

### The issues are:

- free movement of labour;
- food and climate security;
- integrated productive capacity;
- macroeconomic policy coordination;
- foreign policy coordination and trade negotiations; and
- human and financial resources for the CARICOM Secretariat.
- modern legislation in areas such as intellectual property rights;

Proposals for dealing with these issues are covered in the final section.

### Box 4.2: Commitments of the St. Ann's Declaration (2018)

- We have agreed on a formalised, structured mechanism to facilitate dialogue between the Councils of the Community and the private sector and labour;
- We have also agreed to amend the Treaty to include as Associate Institutions representative bodies of Private Sector and Labour;
- We have agreed that in accordance with Article 50 of the Revised Treaty which deals with the principle of accelerated implementation, that the principle will be applied to any initiative which is consistent with the Revised Treaty;
- We agreed that those Member States so willing would move towards full free movement within the next three (3) years;
- We will reinforce the operation of our security mechanisms to ensure the integrity of the regime allowing the free movement of CARICOM nationals;
- We will examine the re-introduction of the single domestic space for passengers in the Region;
- We have agreed to work towards having a single security check for direct transit passengers on multi-stop intra-Community flights;
- We will conduct a special session on Air and Maritime Transportation at the Intersessional meeting of the Conference in February 2019 to focus on this critical aspect of integration as a whole and the CSME in particular;

- We will include Agricultural Workers, Beauty Service Practitioners, Barbers and Security Guards to the agreed categories of skilled nationals who are entitled to move freely and seek employment within the Community;
- We reiterate that a skills certificate issued by one Member State would be recognised by all Member States;
- We will complete legislative and other arrangements in all Member States for all categories of Free Movement of Skilled Persons;
- We will finalise the regime that permits citizens and companies of the Community to participate in the Public Procurement processes in Member States by the year 2019;
- We will take all necessary steps to allow for mutual recognition of companies incorporated in a CARICOM Member State;
- We have mandated the Community Council to develop appropriate recommendations on the proposal for the introduction of a regime of sanctions for the consideration of the Conference;
- We welcome Haiti's commitment to full integration into the CSME by 2020;

**Source:** [caricom.org](http://caricom.org)

# External Agenda



In this section, CARICOM's trade agreements with various countries and blocs are explored. More emphasis is placed on the relationships with Canada, Europe, and the US. Table 5.1 presents information on bilateral agreements.

As has been noted before, all the members of CARICOM are SIDS. McGillivray, Naudé, & Santos-Paulino (2010) note that, "Small Island Developing States (SIDS) are very different to other developing countries. Relative to

**Table 5.1:** CARICOM Bilateral Regional Trade Agreements

REGIONAL TRADE AGREEMENTS	MAIN FEATURES
<b>CARICOM-Colombia</b>	<b>Agreement on Trade, Economic and Technical Cooperation</b> Trade liberalization and facilitation, as well as promotion and protection of investment. Reciprocal trade applies to the MDCs. The agreement provides for the phasing out of non-tariff barriers.
<b>CARICOM-Costa Rica</b>	<b>Free Trade Agreement</b> Reciprocal for CARICOM MDCs. Duty-free or preferential access for a wide range of products.
<b>CARICOM-Cuba</b>	<b>Trade and Economic Agreement</b> Duty-free treatment on specific goods agreed by both sides: specific treatment for a seasonal list of agricultural products; elimination of tariffs on specified products through four annual reductions. The Agreement also deals with taxation, trade promotion and facilitation, services, tourism investment, and intellectual property rights.
<b>CARICOM-Dominican Republic</b>	<b>Free Trade Agreement</b> Mutual granting of tariff concessions between CARICOM MDCs and the Dominican Republic. The Agreement also deals with services, investment, and government procurement.
<b>CARICOM-Venezuela</b>	<b>Trade and Investment Agreement</b> Non-reciprocal preferential agreement, granting most CARICOM exports to Venezuela preferential or duty-free access.

**Source:** World Trade Organization (Trade Policy Review, Jamaica (2017))

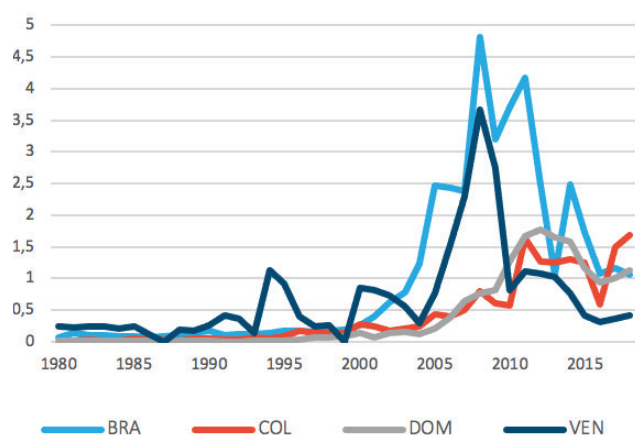
GDP they have the highest levels of foreign trade and aid receipts of all developing countries. Remittances from abroad are a far more important source of income for SIDS, and some depend very heavily on export revenues." Given these apt characteristic features of CARICOM, in addition to the data presented thus far in this report, building new trade relationships and strengthening old ones is crucial for shoring up the economic resiliency of the region. In this section, important agreements between CARICOM and key extra-regional countries and blocs are explored.

Figures 5.1 (a) to 5.1 (d) provide information on CARICOM trade with some of its major trade

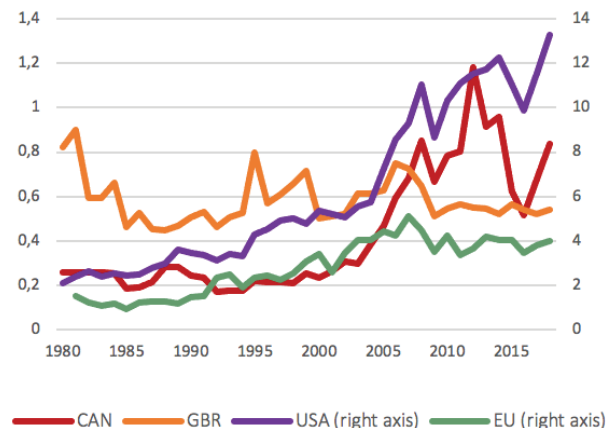
partners. Outside of the LAC region CARICOM extra-regional trade has shown a fall in the value of trade between CARICOM and the UK. Indeed, CARICOM's imports from the UK fell from more than US \$800 million in 1980 to approximately US \$550 million in 2018 and the exports fell approximately from US \$700 million in 1980 to about US \$400 million in 2018. Further, CARICOM trade with Canada surpassed the bloc's trade with the UK since the mid-2000s, thereby underscoring the significant changes in terms of CARICOM trade with its main partners in an environment of globalisation, the creation of the WTO and reduced colonial ties with the UK.



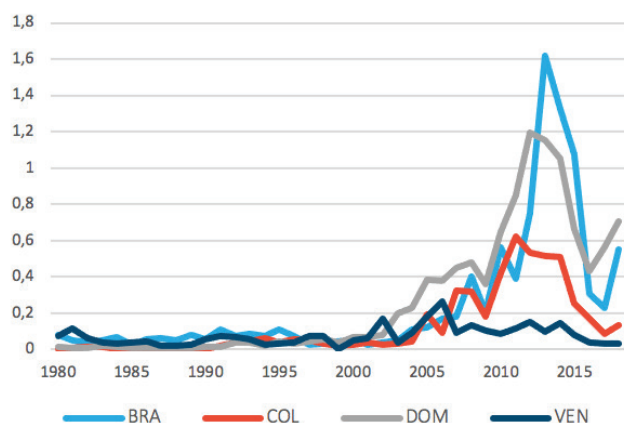
**Figure 5.1: a. CARICOM Imports 1980-2018 (USD Billions)**



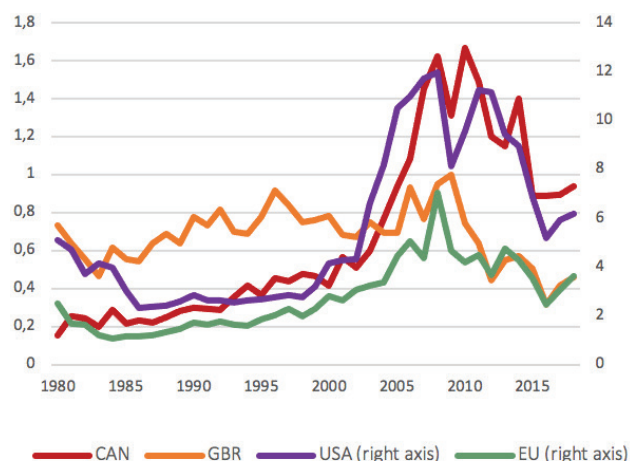
**Figure 5.1: b. CARICOM Imports 1980-2018 (USD Billions)**



**Figure 5.1: c. CARICOM Exports 1980-2018 (USD Billions)**



**Figure 5.1: d. CARICOM Exports 1980-2018 (USD Billions)**



**Source:** IMF Direction of Trade Statistics

In table 5.2 information on CARICOM trade are analysed using a gravity model. Intra-regional and inter-regional exports and imports are explored. The periods before and after 1995 are used with 1995 being an important watershed given the formation of the WTO. Each observation point consists of a CARICOM country and a trade partner which in some cases is another CARICOM member state. The four data sets (one for each model iteration) consist of between 194 to 197 countries. The results of the different iterations of the model give the following outcomes:

- Intra CARICOM trade has become more important. Relative to total exports, intra-

regional exports have grown from about 4 times (1980-1994) to 15 times (1995-2014) more than the exports to non-CARICOM states exports.

- Trade with the EU has diminished in relative importance. In terms of CARICOM exports, the multiple falls from 3 (1980-1994) to a multiple of about 2 (1995-2014).
- Trade with the US has also diminished in relative importance. For CARICOM imports from the US has moved from a multiple of 2 to a multiple of 1, and CARICOM exports to the US have decreased from a multiple of 4 to 2.

- Unlike the EU and the US, the trade of CARICOM with the countries of MERCUSOR (full and associate members except for Guyana and Suriname) shows an increase in relative importance over the two periods being considered here. Indeed,

for CARICOM exports we see an increase from a multiple of 0.75 to approximately 2. The information for imports also show an improvement but the results for the post-1995 period are not statistically significant.

**Table 5.2:** Gravity Model of CARICOM Trade<sup>37</sup>

	1980-1994	1995-2014	1980-1994	1995-2014
	IMPORTS	IMPORTS	EXPORTS	EXPORTS
<b>Population_o</b>	0.728***	1.004***	0.910***	1.219***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
<b>Population~_d</b>	0.730***	0.696***	0.573***	0.607***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
<b>Income_o</b>	0.693***	1.042***	0.863***	1.394***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
<b>Income_d</b>	1.035***	0.838***	0.623***	0.696***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
<b>Distance</b>	-0.665***	-1.135***	-0.835***	-0.561***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
<b>Language</b>	0.390**	0.426***	0.867***	0.386***
	(0.0031)	(0.0000)	(0.0000)	(0.0000)
<b>CARICOM</b>	1.445***	1.782***	1.329***	2.688***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
	4.2419	5.9417	3.7773	14.7022
<b>European Union</b>	-0.174	-1.079***	1.130***	0.465***
	(0.1432)	(0.0000)	(0.0000)	(0.0000)
	0.8403	0.3399	3.0957	1.5920
<b>United States</b>	0.592***	0.177*	1.274***	0.717***
	(0.0000)	(0.0269)	(0.0000)	(0.0000)
	1.8076	1.1936	3.5751	2.0483

<sup>37</sup> The Pseudo Poisson Maximum Likelihood (PPML) estimator (Santos & Tenreyro, 2006) was used to estimate the four iterations of the gravity model. The period chosen was based on the availability of data as provided by the large international database provided by CEPII (<http://www.cepii.fr/>).

<b>Mercosur</b>	-0.350**	-0.089	-0.281*	0.765***
	(0.0030)	(0.6071)	(0.0395)	(0.0005)
	0.7047		0.7550	2.1490
<b>NAFTA</b>	-0.238	-1.401***	0.323*	0.897***
	(0.1479)	(0.0000)	(0.0400)	(0.0000)
		0.2464	1.3813	2.4522
<b>_cons</b>	5.069***	6.146***	7.776***	-0.482
	(0.0000)	(0.0000)	(0.0000)	(0.6090)
<b>N</b>	23131	41070	21079	38188
<b>R-Square</b>	0.5607	0.5864	0.6279	0.6426

**Source:** Data obtained from CEPII (<http://www.cepii.fr/>). Gravity model estimates done by Author.

P values are in parentheses: \*( $p < 0.05$ ), \*\*( $p < 0.01$ ), and \*\*\*( $p < 0.001$ )



## 5.1 The Caribbean Basin Initiative (CBI)

The US Congress in 1983 passed the Caribbean Basin Economic Recovery Act (CBERA) which led to the launching of the CBI. The CBI is a set of trade programs which allow for the US to facilitate the economic growth and development of Caribbean economies through the provision of duty-free access of eligible articles from CBI beneficiaries to the US. In order to benefit from the programme, the products must satisfy all of the following: 1) be imported directly from a CBI beneficiary country into the U.S. customs territory; 2) be wholly the growth, product or manufacture of a CBI beneficiary country or be substantially transformed into a new or different article in the CBI beneficiary country; and 3) contain a minimum of 35 percent local content of one or more CBI beneficiary countries (15 percent of the minimum content may be from the US (Office of the US Trade Representative, 2019)).

While CBERA has no fixed expiration date, it was enhanced by the establishment of the Caribbean Basin Trade Partnership Act

(CBTPA) of October 2000. The CBTPA was set to expire in September 2020, however, on Wednesday October 16, the WTO General Council approved an extension of the CBERA waiver which allows for continued duty-free access of eligible products to the US until September 2025. The CBTPA provides for special tariff treatment for the import of apparel products from the Caribbean. There are currently 17 beneficiary countries and dependent territories which receive CBERA benefits. On January 1, 1984, 20 beneficiary countries and dependent territories became eligible to receive benefits under CBERA. Four other countries and dependent territories joined the programme bringing the total membership to 24. See box 5.1 where the date of membership is excluded for the original beneficiaries. In the post-2003 period, 8 countries were no longer eligible to benefit from CBERA due to them signing on to other free trade agreements, and Curacao joined in 2013.

At its inception, CBERA reflected a partnership between the US and its neighbours in Central America and the Caribbean. At the moment, however, CBERA is dominated by all the members of CARICOM save for Suriname.

### Box 5.1

#### CBERA BENEFICIARY

1	Antigua & Barbuda
2	Aruba (April 11, 1986)
3	Bahamas, The (March 14, 1985)
4	Barbados
5	Belize
6	British Virgin Islands
7	Curacao (December 23, 2013)
8	Dominica
9	Grenada

10	Guyana (November 24, 1988)
11	Haiti
12	Jamaica
13	Montserrat
14	St. Kitts Nevis
15	St. Lucia
16	St. Vincent & The Grenadines
17	Trinidad & Tobago

#### CBTPA BENEFICIARIES

1	Barbados
2	Belize
3	Curacao
4	Guyana
5	Haiti
6	Jamaica
7	St. Lucia
8	Trinidad & Tobago

Source: Office of the US Trade Representative (2019)

Indeed, CARICOM makes up about 82% of the beneficiary countries and dependent territories.

According to the Office of the US Trade Representative (2019) Haiti has been the largest beneficiary of CBI trade agreements in recent years. Given the special economic development needs of Haiti, the country benefits by several amendments to CBERA, as shown below.

- **Hemispheric Opportunity through Partnership Encouragement Act (HOPE) 2006.**

Apparel imports from Haiti qualify for duty-free access to the US if and only if they are made from yarns from Haiti, the US and in some instances from former CBERA beneficiary countries. The agreement allows for the use of yarns and fabric from third party countries as long as at least 60% of the value of inputs come from a combination of the US, FTA partner countries and regional preference partner countries. The quota level is calculated annually and stands at 1.25% of total US apparel imports. This quota has been underutilized. The quota programme allows for up to 70 million square meter equivalents per annum. To receive benefits under the HOPE Act Haiti needs to show demonstrable improvements in areas such as the rule of law; elimination of barriers to US trade and investment; and the protection of worker rights, to name a few.

- **Hemispheric Opportunity through Partnership Encouragement Act (HOPE II) 2008.**

The HOPE II Act essentially continues and expands the agreements made under HOPE. Haitian goods could enter the US free of duty either directly from Haiti or through the Dominican Republic. Perhaps more importantly HOPE II puts measures in place to ensure that Haiti meets international labour requirements, for example manufacturers who fail to meet the labour requirements are identified and assisted so as to become compliant.

- **Haiti Economic Lift Programme (HELP) 2010.**

The HELP Act extended all of Haiti's agreements under the CBI through to September 2025. Additionally, the quota on apparel was increased to 200 million square meter equivalents, and new preferences were established for certain non-apparel textile goods.

- **Trade Preferences Extension Act (TPEA) 2015**

The value-added quota for apparel, which wasn't covered in the HELP Act, was extended until December 2025 with the quota level remaining at 1.25% of total US apparel imports.



## 5.2 EU-CARIFORUM EPA & The Cotonou Agreement

The CARIFORUM-EU EPA (CF-EU EPA) was signed in October 2008 by 14 CARICOM member states, the Dominican Republic and the EU (Box 5.2). The CARIFORUM entity was created, instead of using CARICOM, as all of the Caribbean signatories were not part of CARICOM. Indeed, the Dominican Republic remains a non-member of CARICOM. Haiti signed the agreement in 2009. The agreement is being provisionally applied in all member states except for Haiti, which operates under observer status. The Cotonou Agreement, the predecessor of the CF-EU EPA, provided for the preferential

access of goods to the EU market. These preferences were incompatible under WTO regulations and therefore a new dispensation was needed. The CF-EU EPA provided a new dispensation based on the principle of reciprocal trade. However, with the blessings of the WTO, by way of a waiver, the Caribbean countries have duty-free quota-free (DFQF) access to the EU, but EU DFQF access to the Caribbean is to be phased in over a period of 25 years. Burri & Nurse (2019) describe the CF-EU EPA as “a “deep” free trade agreement”. Indeed, the agreement goes beyond trade the trade in goods and services and includes issues related to investment, innovation, intellectual property, government procurement and development cooperation. Box 5.3 presents a list of the contents of the CF-EU EPA framework.

### Box 5.2: Cariforum States

1 Antigua & Barbuda	9 Haiti
2 Bahamas	10 Jamaica
3 Barbados	11 St. Kitts Nevis
4 Belize	12 St. Lucia
5 Dominica	13 St. Vincent & The Grenadines
6 Dominican Republic	14 Suriname
7 Grenada	15 Trinidad & Tobago
8 Guyana	

Source: EU 2014

While the CF-EU EPA allows CARIFORUM countries to access the European Market on favourable terms it's generally accepted that save for the Dominican Republic the rest of CARIFORUM, which is essentially the CARICOM portion of the bloc, have not sufficiently exploited the opportunities provided them. The “Golding Report” (Golding & et al, 2017) notes that, “[t]here seems to be insufficient effort on the part of both governments and the private sector to grasp these opportunities.” The inability of CARICOM firms to take advantage of opportunities for trade is not unique to the bloc's trade relationship with the EU. Indeed, the problem lies with the capacity, or lack thereof,

of the CARICOM domestic manufacturing sector. What's needed, therefore, is critical support towards enhancing of the capacity of local firms, however, even with improved capacity CARICOM firms will find it still difficult to penetrate foreign markets on a reciprocal basis. Of course, trade relationships with European countries come with developmental support. To give but one example, in 2019, the UK, which is no longer in the EU, provided approximately 55 million pounds to fund irrigation infrastructure; facilitate market access; support the production of value added products; and address climate change<sup>38</sup>. On the issue of developmental cooperation,

the Cotonou Agreement, which provides for development cooperation between the EU and the ACP states, is set to expire in February 2020. A successor agreement is still to be finalized.

The BREXIT referendum of 2016 was a certainly a major disruption to the European integration project. The governments of CARICOM, and various regional stakeholders, were also very

concerned. However, the disruption of BREXIT provides opportunities to build new bridges. As of August 2019, twelve CARICOM states have signed the CARIFORUM-UK EPA. The Dominican Republic has also signed, and Suriname has approved in principle. Haiti, currently in political turmoil, hasn't signed. This agreement automatically took effect on January 31, 2020, the date the UK officially exited the EU.

### **Box 5.3: Contents of the CARIFORUM-EU EPA Framework**

#### **Part I: Trade Partnership for Sustainable development (Articles 1-8)**

Objectives, principles, sustainable development, regional integration, monitoring, cooperation in international fora, development cooperation, cooperation priorities

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#### **Part II: Trade and Trade related Matters (Articles 9-201)**

##### **I. Trade in goods (Articles 9-59)**

Customs duties, trade defense instruments, non-tariff measures, customs and trade facilitation, agriculture and fisheries, technical barriers to trade, sanitary and phytosanitary measures

##### **II. Investment, trade in services, e-commerce (Articles 60-121)**

##### **III. Current payments and capital movement (Articles 122-124)**

##### **IV. Trade related issues (Articles 125-201)**

- 1. Competition
- 2. Innovation and Intellectual Property
- 3. Public Procurement
- 4. Environment
- 5. Social Aspects
- 6. Protection of personal data

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#### **Part III: Dispute Avoidance and Settlement (Articles 202-223)**

Consultation and mediation, dispute settlement procedures

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#### **Part IV: General Exceptions (Articles 224-226)**

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#### **Part V: Institutional Provisions (Articles 227-232)**

Joint CARIFORUM-EC Council, CARIFORUM-EC Trade and Development Committee, CARIFORUM-EC Parliamentary Committee, CARIFORUM-EC Consultative Committee

#### **Part VI: General and Final Provisions (Articles 233-250)**

Protocol I: Concerning the Definition of the Concept of 'Originating Products' and Methods of Administrative Cooperation

Protocol II: On Mutual Administrative Assistance in Customs Matters

Protocol III: On Cultural Cooperation

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**Source:** Singh et al (2014)

<sup>38</sup> [http://www.jamaicaobserver.com/latestnews/british\\_high\\_commission\\_announces\\_major\\_agriculture\\_projects?profile=1373](http://www.jamaicaobserver.com/latestnews/british_high_commission_announces_major_agriculture_projects?profile=1373)

## 5.3 CANADA-CARICOM Free Trade Agreement

The governments of Canada and the member states of CARICOM agreed in January 2001, during the 6th Canada-CARICOM Summit to begin exploratory work towards an FTA. Trade negotiations towards the formation of the Canada-CARICOM FTA were officially launched in August 2007. It should be noted that this agreement is not the beginning of trade agreements between the two parties. Indeed, the Caribbean Canada Free Trade Agreement (CARIBCAN) is an important longstanding agreement between CARICOM and an international partner. However, CARIBCAN is a non-reciprocal agreement which is incompatible under WTO rules. A new agreement for cooperation is therefore necessary. After seven rounds of trade negotiations no agreement was reached for a reciprocal successor agreement, instead, Canada successfully applied to the WTO for an extension of the CARIBCAN waiver until 2023 (Deonarine, Hosein, & Khadan, 2016). At the time of the writing of this report there has been no significant change as regards returning to the negotiating table.

As of 2012, the top 5 import commodities of CARICOM from Canada include, wheat, medicaments, fish, meat and paper, while the top 5 export commodities from

CARICOM are aluminium ore, gold, alcoholic beverages, organic-inorganic compounds and vegetables. As regards the share of CARICOM trade, 2013 data puts Canada's share at 5% behind the US (42%), the rest of the world (22%), the EU (19%) and CARICOM itself (13%). One upside is that between the year 2000 and 2012 the general negative trade balance between CARICOM and Canada declined from -88.7% to -65.7%. Kindly see Deonarine, Hosein, & Khadan, (2016) for more details.

CARICOM's Revealed Comparative Advantage (RCA) with Canada declined between 1995 and 2018. To be specific, the percentage number of goods for which CARICOM has a comparative advantage with Canada fell from approximately 25% in 1995 to 20% in 2018. Of course, there's a similar decline for other major partners such as the US and the UK.

Deonarine, Hosein, & Khadan, (2016) support the view that the export of services, from CARICOM to Canada, in the areas of health, education, business and finance, could be of significant benefit to CARICOM. This conclusion was arrived at based on trade complementarity considerations. However, regulatory barriers were cited as a major hindrance to any significant penetration of the Canadian market for services.

## 5.4 Other External Relationships

### **SOUTHERN COMMON MARKET (MERCOSUR)**

While CARICOM has engaged MERCOSUR in the past, no agreement has been reached between the two blocs. Guyana and Suriname, both countries on the mainland of South America are Associate Members of MERCOSUR. The member states of the bloc are Argentina, Brazil, Paraguay and Uruguay. Venezuela is currently suspended from participation in the bloc.

### **CARICOM AU RELATIONSHIP:**

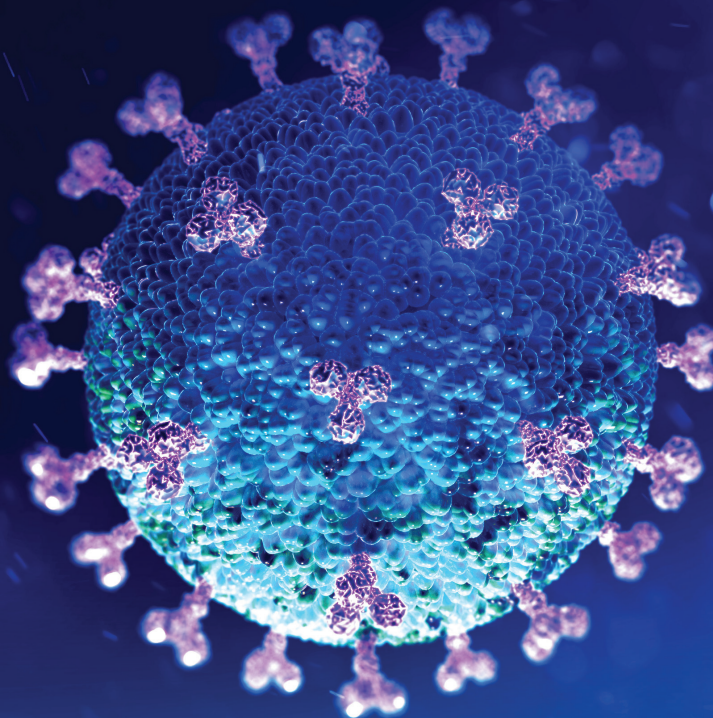
To date, the relationship between CARICOM and the countries of Africa on the issues of economic development and trade has primarily occurred through the ACP. Further, the ACP provides a framework for

cooperation among countries in Africa, the Caribbean and the Pacific, to engage the EU as a collective, on matters of trade and support for economic development. At the time of writing, the focus is on negotiating as a bloc of countries on a Post-Cotonou Agreement. The foregoing aside, during 2019 the Presidents of Ghana and Kenya toured members states of CARICOM, therefore increasing the possibilities for deepening economic and trade ties between the Africa and CARICOM. Indeed, a significant portion of the population of CARICOM states is made up of people of African descent.





# CARICOM & COVID-19



The year 2020 marks the start of a decade filled with challenges and expectations for CARICOM. On the eve of the new decade the authorities in Wuhan, China, confirmed the outbreak of a novel coronavirus in Wuhan China. Outside of the epicentre of the crisis, a cruise ship, the Diamond Princess, owned by Princess Cruises, became the “site” of a major outbreak of the novel coronavirus. As a result, one of the early reactions by CARICOM countries was to restrict the docking of cruise liners. By early March 2020, CARICOM countries began to shut down in various degrees. All schools were closed, persons were encouraged to work from home, and large public gatherings banned. Table 6.1 gives a snapshot of the impact of COVID-19 on CARICOM. According to the IMF approximately 90% of the countries

around the world will have a recession in 2020. Declines in remittances and tourist arrivals are the main sources of economic decline for most of CARICOM. The abrupt decline of oil prices represents a positive impact for CARICOM countries except the major oil producers. Indeed, Guyana aside, all the other CARICOM economies are expected to suffer a decline in output. Guyana’s case is an anomaly as that country became an oil producer in 2020. The significant demand shock to the global oil industry coupled, with the price war between Russia and Saudi Arabia, and the broader economic impact of COVID-19 would have led to a significant revision of Guyana’s abnormally high growth rates for 2020, prior to and after the onslaught of COVID-19.

**Table 6.1:** Impact of COVID-19 on CARICOM

COUNTRY	2020 GROWTH RATE EST.		REMITTANCES GROWTH RATE			COVID-19 CASES	
	ORIGINAL	COVID-19	2008	2009	2020	(D/C)*	/100K <sup>^</sup>
<b>Antigua &amp; Barbuda</b>	3%	-10%	5%	-5%	-9%	3/25	25.5
<b>Bahamas</b>	-1%	-8%	N/A	N/A	N/A	11/83	21.1
<b>Barbados</b>	1%	-8%	-32%	12%	-32%	7/81	28.2
<b>Belize</b>	2%	-12%	5%	3%	N/A	2/18	4.5
<b>Dominica</b>	5%	-5%	1%	-2%	-4%	0/16	22.2
<b>Grenada</b>	3%	-8%	1%	-4%	-7%	0/21	18.7
<b>Guyana</b>	86%	53%	-2%	-4%	-8%	9/82	10.4
<b>Haiti</b>	1%	-4%	11%	0%	N/A	8/85	0.7
<b>Jamaica</b>	1%	-6%	2%	-13%	-23%	8/463	15.6
<b>St Kitts Nevis</b>	4%	-8%	10%	-3%	-6%	0/15	28.2
<b>St Lucia</b>	3%	-9%	1%	-3%	-5%	0/17	9.3
<b>St Vincent &amp; the Grenadines</b>	2%	-5%	-7%	8%	-14%	0/16	14.4
<b>Suriname</b>	3%	-5%	-24%	74%	N/A	1/10	1.7
<b>Trinidad &amp; Tobago</b>	1%	-5%	-15%	15%	-25%	8/116	8.3

**Source:** IMF WEO April 2020 (growth estimates), World Bank (2008, 2009 remittances estimates), author’s calculations (2020 remittances), Worldometer.info/coronavirus (COVID-19 cases), \*deaths/cases (May 2, 2020), <sup>^</sup>cases per 100,000

Growth rates aside, remittances, a significant source of foreign exchange earnings for CARICOM economies, is expected to decline in 2020. Using data from the 2007-2008 financial crisis, and the overall estimates for the decline in remittances to the LAC region in 2009 and 2020, estimates for individual CARICOM countries are calculated. In 2009 remittances to the LAC region fell by approximately 11% and are expected to fall by about 19% in 2020. For some countries, such as Belize, Haiti and Suriname, it was difficult to make an estimate based on the 2008/2009 numbers. Barbados reflects the largest estimated decline, and it should be noted that

relative to say Jamaica, there's more volatility in Barbados' annual levels of remittances.

Naturally, the impact on tourism is starker in those economies more dependent on tourism, such as the Bahamas, Barbados and Jamaica. Outside of being a major earner of foreign currency there are links to other sectors such as the agricultural sector. Given the broader connection to other economic activity, table 6.2 indicates both the direct impact of a 75%<sup>37</sup> decline (shock) in tourism activity on GDP, in addition to its total (direct and indirect) impact on GDP, relative to pre-crisis estimates for 2020. The table presents worst case scenarios for the economies listed.

**Table 6.2:** Impact of tourism decline on 2020 GDP (% loss of GDP relative to pre-crisis estimates for 2020)

	DURATION	DIRECT	TOTAL
<b>Bahamas</b>	April-June	-3.8	-9.4
	April-Sep	-6.9	-17.2
	April-Dec	-10.5	-26.2
<b>Barbados</b>	April-June	-2.1	-6.4
	April-Sep	-3.7	-11.7
	April-Dec	-6.5	-20.3
<b>Guyana</b>	April-June	-0.5	-1.2
	April-Sep	-0.8	-2.2
	April-Dec	-1.4	-3.6
<b>Jamaica</b>	April-June	-1.8	-5.7
	April-Sep	-3.3	-10.7
	April-Dec	-5.4	-17.3
<b>Suriname</b>	April-June	-0.2	-0.5
	April-Sep	-0.4	-0.9
	April-Dec	-0.6	-1.5
<b>Trinidad &amp; Tobago</b>	April-June	-0.5	-1.3
	April-Sep	-0.9	-2.5
	April-Dec	-1.5	-4.0

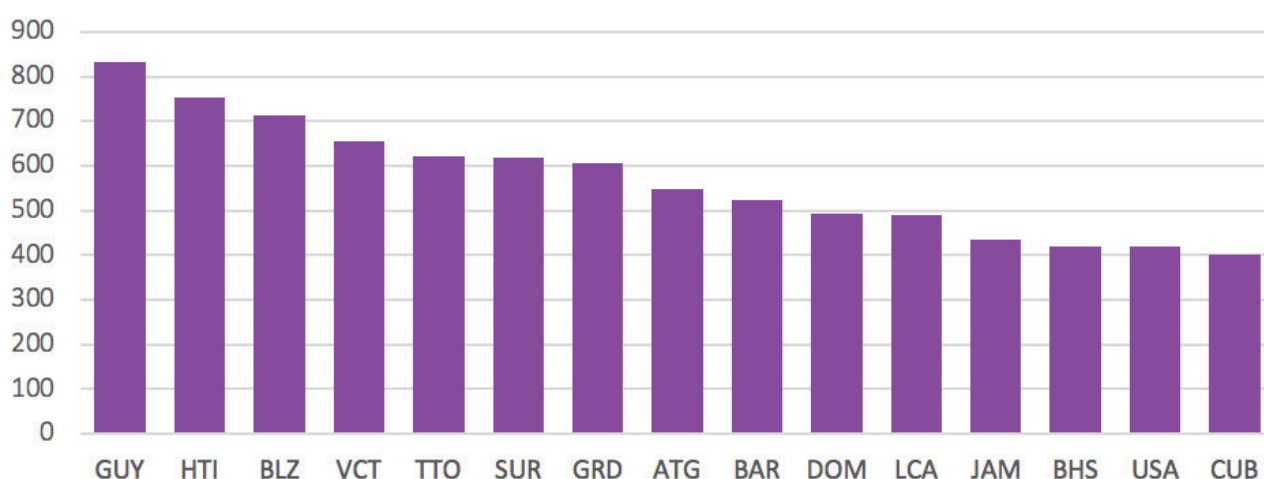
**Source:** IDB Blogs

<sup>39</sup> See blog at the link below for different scenarios re the decline in Caribbean tourism.  
<https://blogs.IDB.org/caribbean-dev-trends/en/covid-19-tourism-based-shock-scenarios-for-caribbean-countries/>

To date, CARICOM has escaped a proportionate amount of deaths relative to what has obtained in Italy, the US and the UK. In some cases, such as Grenada, no confirmed COVID-19 deaths have been recorded by the end of April 2020. The number of confirmed cases, as is the case with any outbreak of disease, is lower than the actual number of cases, especially given a lack of testing. CARICOM governments have allocated funds to assist their more vulnerable citizens, and support has been pledged by the CDB, the IDB and the IMF. One of the early and enduring characteristic features of those who die from COVID-19 is that they suffer from underlying illnesses (comorbidities) such as diabetes

and hypertension, i.e. non-communicable diseases (NCDs). This is of special concern to CARICOM as the incidence of NCDs in the bloc is relatively high. Figure 6.1 shows the NCD mortality rate for CARICOM. The rates for Cuba, the Dominican Republic, and the USA are added for comparison. While outbreaks of novel viruses are “black swan” type events, the high incidence of NCDs in CARICOM poses a serious threat to the welfare of the region and compromise the ability of significant portions of CARICOM populations to fight off infection. A healthy workforce leads to a thriving and prosperous economy.

**Figure 6.1:** Age-standardised NCD Mortality Rates 2016 (per 100,000 Population)



**Source:** The World Health Organisation (WHO)

## THE WAY FORWARD

Within the context of the food security concerns, increased regional cooperation in the area of agriculture is a crucial area within which CARICOM regional integration can be deepened in direct response to the vulnerabilities which have been laid bare by COVID-19. This observation is supported from several angles. The first two decades of the 21st century have been particularly difficult for the Caribbean region as evidenced by; the decimation of the banana and sugar industries as the world moved towards an international

trade framework based on reciprocal trade; the global financial crisis of 2007-2008 and the significant levels of national debt in many countries severely impacted the capacity of regional governments to improve the welfare of the most vulnerable of their citizens, food security being an inevitable concern in a region which is a net importer of food; NCDs have disproportionately affected CARICOM relative to the rest of the region, among other lifestyle changes proper diets are crucial to reducing the incidence of NCDs; and finally, the intensity and frequency of tropical storms



require improvements in the level of resilience within the region to quickly recover from such events, a regional agricultural production strategy can surely mitigate the severity of natural disasters.

The Caribbean Development Bank & the Food and Agricultural Organization (2019) presents an authoritative account on the way forward for agriculture in the Caribbean. The report recommends a number of initiatives for advancing agriculture and by extension mitigating the effects of several hindrances to the development of the region's people.

**Some of the initiatives are as follows:**

- Enhance synergies between agriculture and food security.
- Catalyse behavioural change across the production-to-consumption continuum by providing nutrition education through behavioural change communication.

- Stimulate further intra-regional cooperation to address food safety concerns.
- Strengthen legal and regulatory instruments that govern rights to productive resources for youth and women.
- Invest in scientific research.
- Develop and diffuse climate-smart agriculture.
- Enhance intra-regional cooperation on trade and value chains.
- Facilitate public-private dialogue.

**Box 6.1: CARICOM Production Integration**

**THE FOLLOWING EXCERPTS WERE OBTAINED FROM ARTICLE 52 OF THE RTC.**

1. *'In order to achieve the objectives of its industrial policy, the Community shall promote, inter alia:*

- *the co-ordination of national industrial policies of the Member States;*
- *the establishment and maintenance of an investment-friendly environment, including a facilitative administrative process;*
- *the diversification of the products and markets for goods and services with a view to increasing the range and value of exports;*
- *the organisation and development of product and factor markets;*
- *the development of required institutional, legal, technical, financial, administrative and other support for the establishment or development of micro and small economic enterprises throughout the Community; and*
- *in collaboration with the social partners, the advancement of production integration."*

3. *COTED shall, in collaboration with competent organs and bodies of the Community and the private sector, establish criteria for according special consideration to particular industries and sectors. Such criteria shall include, in particular, arrangements relating to the prospects of the industry for successful production integration.*

8. For the purpose of this Article, ‘production integration’ includes:

- (a) the direct organisation of production in more than one Member State by a single economic enterprise;
  - (b) complementary production involving collaboration among several economic enterprises operating in one or more Member States to produce and use required inputs in the production chain; and
  - (c) co-operation among economic enterprises in areas such as purchasing, marketing, and research and development.
- 

Initiatives specific to agriculture aside, the development of regional value chains is of great concern in light of the significant disruptions to global value chains occasioned by the COVID-19 pandemic. The small size of CARICOM member states means that the region is both heavily dependent on trade and concomitantly exposed to external shocks. Therefore, while some countries are revisiting the question of what constitutes an acceptable level of integration into global value chains, CARICOM countries have to be concerned not only with the degree of integration with other countries, but also the mix of countries and regions they interact with. The framers of the RTC (see box 6.1) recognized the importance of production integration as regards advancing the CARICOM project, however, smallness, and its associated issues, constrains the realization of significant gains. Greater productive integration within the regional value chains of the LAC region is therefore a natural consideration. ECLAC (2014) makes a case for greater cooperation between CARICOM and the rest of the LAC region, especially those geographically closer states such as Cuba, the Dominican Republic, and the states of Central America. The following is an excerpt from ECLAC (2014).

*‘The CARICOM member countries’ small size, macroeconomic and environmental vulnerability, limited production base, heavy dependence on external markets and exposure to natural disasters make it essential for the economies of the subregion to receive more cooperation from Latin America. A number of more developed countries in the region could join forces to carry out cooperation activities in the areas where the Caribbean needs them most, in order to maximize the impact of these initiatives.’*

**ECLAC (2014), pg. 97**

# Conclusion & recommendations



The political, business, professional and academic leadership of CARICOM have commissioned many consultancies, written many plans, compiled many reports and signed many agreements, all with the aim of deepening the CARICOM integration project. However, while progress has been made in several areas, especially areas of functional cooperation, there's much room for improvement. Actually, the CARICOM integration project is often said to be suffering from the so called "implementation deficit." At the centre of it all is a CARICOM Secretariat that needs a financial boost, and a reorganization of its structure of governance.

On a deeper level we must recognize the geographic and economic structural features which are binding constraints on the economic growth and development of the Caribbean. Indeed, apart from Haiti, and perhaps Jamaica, the countries of CARICOM have small populations which create a binding constraint on achieving economies of scale, therefore increasing the need for securing export markets. Nevertheless, securing access to markets requires firms with the capacity to produce goods in sizeable volumes, and at a consistent quality for large foreign markets. Additionally, every effort must be made to enhance the effectiveness of the intra-regional customs space. Free zones, the growing trend towards seeking new CET exemptions and the lack of competition policies work against the efficacy of the intra-regional customs space.

**The main issues which CARICOM will have to contend with are:**

- free movement of labour;
  - food and climate security;
  - modern legislation in areas such as intellectual property rights;
  - integrated productive capacity;
  - macroeconomic policy coordination;
  - foreign policy coordination and trade negotiations; and
  - human and financial resources for the CARICOM Secretariat.
- The following proposals are recommended for dealing with the aforementioned issues.
- 1.** It's generally agreed that CARICOM's implementation deficit is largely a function of inaction at the level of CARICOM governments. The free movement of skilled labour is perhaps the single most important issue which can be resolved through greater coordination of efforts among governments.
  - 2.** To secure the welfare of CARICOM greater interaction with the wider world is necessary. Indeed, as has been noted before SIDS are especially dependent on international trade. To this end CARICOM needs to broaden and deepen its international trade relations. For example, deeper relationships with countries in South America and Africa could be beneficial because of the high complementarities.
  - 3.** In order to enhance the relationship with traditional trade partners in the developed world, in an era of reciprocal trade, it is important for the nations of CARICOM to modernize legislation. Given the shortage of the human resources needed to draft legal texts it's necessary for the human resources to be shared among the various countries.
  - 4.** CARICOM firms are characteristically small by world standards by working towards joining forces regionally firms could overcome many of the issues they currently face e.g. access to capital and high costs of raw materials.
  - 5.** Greater utilization of regional expertise such as exists in the CCE.
  - 6.** Given the global push back against the rapid globalization of recent decades and given the importance of trade to the countries of CARICOM, greater efforts need to be put into coordinated trade negotiations. To this end, the Office for Trade Negotiations should be given the resources needed to effectively

represent the interest of the region at international fora.

**7.** Finally, as has been recommended in other publications, the CARICOM Secretariat needs to be adequately resourced, and given greater powers to implement SMART (Specific, Measurable, Achievable, Realistic and Time-Bound) initiatives for advancing the CSME.



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