

CARICOM

ECONOMIC AND CO-OPERATION RELATIONS

Given the smallness and openness of our economies, trade will always be more than important for the CARICOM countries. That is, trade on both levels – intra and extra-regional. Even while emphasising that increases in intra-regional trade would be evidence that the CSME is working and that new regional products are being produced and traded, particularly inputs and intermediate products, changes in the structure of our extra-regional trade might be even better proof – particularly exports.

Regional integration takes many shapes and forms. For the Caribbean Community, it is primarily a combination of full integration, coordination, functional cooperation and any combination that makes working together effective and producing value-added.

The Caribbean Community established the CARICOM Single Market and Economy in a context of 15 small vulnerable economies faced with declining growth, declining access to preferential markets and not enough production to meet the market opportunities we did have. That is as true in 2016 as it was in 1989 when the decision was taken at Grand Anse with the additional concerns about unsustainable debt levels, the need for fiscal space, graduation and less access to donor funds and perhaps less accommodating global environment.

Competitiveness was a major consideration in constructing the CARICOM Single Market and Economy (CSME). The Community made the commitment to the deepening of regional integration through the establishment of the CSME in order to achieve sustained economic development based on international competitiveness, coordinated economic and foreign policies, functional co-operation and enhanced trade and economic relations with third countries.

The CSME seeks to establish a single economic space and macro-economic environment within which business and labour operate and which stimulates greater production and

production efficiency and competitiveness, production integration, higher levels of domestic and foreign investment, increased employment, and growth of intra-regional trade and of extra-regional exports. The single market infrastructure and the macro-economic framework provide the single space and support for competitive and increased production for domestic, regional and extra-regional markets.

The CSME is therefore intended to better position Member States to increase production and competitiveness and to grow by having access to and using the resources of the Region as a whole rather than relying only on the resources of the particular Member State. It thus also provides a platform for accessing extra-regional markets and for international trade.

The CSME also takes into consideration the difference in resources and levels of economic development and that the Less Developed Countries are entering the CSME at a disadvantage regarding size and additional vulnerabilities and provides for safeguards and differential implementation.

The CSME currently comprises:

- Sector development focusing on development of the production sectors particularly in terms of regional policies, strategies for achieving increased production, competitiveness and exports of goods and services with respect to:
 - Agriculture, Export Services, Transportation, Tourism, ICT, Energy and SMEs.
- Operating in the single economic space with a focus on the Ease of Doing Business and comprising:
 - The market infrastructure of –

- The five Free Movement regimes – goods, services, skills, capital and establishment - with related legislative and administrative arrangements;
 - Competition Policy and regulations, consumer protection, transfer of Social Security Benefits, protection of Intellectual Property with the latter still to be determined;
 - On-line Registry, Single Jurisdiction, CSME Application Processing System (CAPS), the CARICOM Rapid Alert System for the Exchange of Information on (non-food) Consumer Goods - CARREX, Complaints Procedure, the Labour market Information System (LMIS) as some of the support measures to be put in place;
 - Contingent Rights, Public Procurement, E-commerce, Free Circulation and Free Zones as the Built-in agenda that is still to be completed.
- The macro-economic framework of –
- harmonisation of policies, laws, and regulations; enhanced monetary cooperation; and common external economic policies;
 - Investment Code and Incentives Regime, Revised Double Taxation Agreement, CARICOM Financial Services Agreement, Risk Management Framework for Fiscal Sustainability which have been developed and are yet to be finally agreed;
 - Integrated Capital Market, Currency Convertibility, Deposit Insurance System, Regional Credit Information Sharing where for the most part, the technical work has been completed.

Strategies and Focus of the Community with a preoccupation on Growth

Development and Resilience, Heads of Government established a Commission on the Economy to focus on fiscal sustainability, debt management, resource mobilisation and employment together with the cross-cutting support of ICT and Energy. Heads of Government also agreed a Caribbean Community Strategic Plan 2015-2019 for a CARICOM focus over the next few years, CARIOM on the strategic priorities of:

- building resilience in four (4) strategic priority areas which are inter related and/or integrated –
 - Economic Resilience, stabilisation and sustainable economic growth and development;
 - Social resilience – equitable human and social development;
 - Environmental resilience;
 - Technological resilience;
- Strengthening the CARICOM identity and spirit of the Community; and
- Strengthening Community Governance.

These are being complemented by two (2) enabling strategic priorities:

- Coordinated foreign and external economic relations; and
- Research and development and innovation.

The **Community Strategic Plan** identifies Building Economic Resilience as a Priority to focus on market integration, macro-economic policy coordination and harmonization, and production integration. This is intended to create an enabling environment for stabilization and transitioning the economies of Member States to growth through:

- Accelerated implementation, use and advancing the CARICOM Single Market and Economy;
- Introduction of measures for macroeconomic stabilisation; and
- Building competitiveness and propelling key economic drivers - agriculture, export services, SMEs, transportation, ICT and energy.

More specifically

With respect to cross-cutting sectors of:

- Transportation –
 - The Regional Transportation Commission has the mandate to substantively address long outstanding and increasingly urgent transportation matters particularly relating to:
 - *framework for effective delivery of transportation;*
 - *cost and sustainability of transportation in the Region;*
 - *ease of travel;*

- ICT – the Community is to consider the Roadmap for:
 - The Single ICT space will be a key enabler for the CARICOM Single Market and Economy.

By design, the Single ICT space will be bolstered by activities related to:

- Bringing technology to the people, creating digital citizens and entrepreneurs;
- Cyber security;
- (defining the) CARICOM Digital Agenda 2025; and
- Resource mobilization.

It is anticipated that most major components of the Single ICT space will be in place by 2019.

- The Energy Sector - particularly in the area of renewable energy and energy efficiency has been the beneficiary of increasing attention and funding and establishment of the new regional institution – the Caribbean Centre for Renewable Energy and Energy Efficiency (CCCREE) in Barbados.
- Human Resource Development.
 - The Commission on Human Resource Development has the mandate to support the thrust towards international competitiveness in the development, production, and delivery of goods and services.

With respect to the production sectors:

- The positioning and role of the private sector is critical to production and trade and therefore its organisation is important;
- There continues to be need for public and private sector partnership in the development and diversification of the production sectors;
- SMEs are of course of significant importance for CARICOM since they account for the greater part of our economic activity and while we recognise that we have not forged ahead as much as we need to, we are in the process of finalising a regional Policy, Plan of Action and the Legislative framework for SMEs.
- A Strategic Plan and Plan of Action are currently being developed for Services – Professional; cultural, entertainment and sports; health and wellness; education; financial; construction; tourism; and ICT Services.
- The Agriculture Sector along the entire Value chains
 - At the regional level is being anchored by the agriculture Cluster established by the Community which is actively seeking to address the key binding constraints which have been identified as hindering production and exports. This is being done particularly in the context of reducing the Region's high food import bill, increasing export and achieving food and nutrition security. The current focus is on four (4) commodity groups – roots and tubers, small ruminants, herbs and spices and fisheries but this is not yet being done in a significant enough way.

External Economic and Trade Relations

The complement for the CSME is of course the promotion and diversification of our economic and trade relations. The Revised Treaty of Chaguaramas establishing the

Caribbean Community including the CARICOM Single Market and Economy at Article 80 provides for Co-ordination of External Trade Policy as follows:

ARTICLE 80
Co-ordination of External Trade Policy

1. *The Member States shall co-ordinate their trade policies with third States or Groups of third States.*
2. *The Community shall pursue the negotiation of external trade and economic agreements on a joint basis in accordance with principles and mechanisms established by the Conference.*
3. *Bilateral agreements to be negotiated by Member States in pursuance of their national strategic interests shall:*
 - (a) *be without prejudice to their obligations under the Treaty; and*
 - (b) *prior to their conclusion, be subject to certification by the CARICOM Secretariat that the agreements do not prejudice or place at a disadvantage the position of other CARICOM States vis-à-vis the Treaty.*
4. *Where trade agreements involving tariff concessions are being negotiated, the prior approval of COTED shall be required.*
5. *Nothing in this Treaty shall preclude Belize from concluding arrangements with neighbouring economic groupings provided that treatment not less favourable than that accorded to third States within such groupings shall be accorded to the Member States of the Community, and that the arrangements make adequate provision to guard against the deflection of trade into the rest of CARICOM from the countries of such groupings through Belize.*

CARICOM has concluded a number of Bilateral Trade, Economic and Technical Co-operation Agreements with Latin America starting with Venezuela and Colombia since 1992 and 1994 respectively. In the Caribbean, currently our most active engagement relates to our Agreement with Cuba which is in the process of being enhanced. While trade continues under our Agreement with the Dominican Republic, we are expecting to soon be able to resume discussion on how our Trade and Economic arrangements could be made more effective recognising that both DR and CARICOM are Parties to the Economic Partnership Agreement with the EU.

Our Co-operation agreements also include with Mexico and Chile, again going back to 1974 and 1996 respectively.

In considering the possibilities for enhancing these relations and identifying mechanisms to do so, the following should also be noted particularly with respect to Central America.

- Our first advantage is that Belize, a member of CARICOM is a member of Central America/Central American Integration System (SICA).
- The Community has Free Trade Agreements with Costa Rica and with the Dominican Republic both of which are members of SICA;
- CARICOM had launched negotiations with Central America (CA-4: Guatemala, El Salvador, Honduras, Nicaragua; plus Panama) at Ministerial level regarding accession to the CARICOM-Costa Rica Free Trade Agreement. This was followed by the first round of technical negotiations as far back as 2007. There has been no further engagement since that time. Central America continues to signal its interest in advancing the negotiations;
- There is a pending request from Panama for negotiations; and

- Mexico had once expressed interest in concluding an agreement with the Community. In giving consideration to this issue, the COTED in 2008 had seen Belize as playing a key role as the connection in establishing formal trade links between CARICOM and Mexico.

Impact and Challenges

To date these Agreements have not changed the structure of CARICOM's trade with these countries and the composition of our exports. Levels of trade remain relatively low and CARICOM continues to experience trade deficits except in a few instances like the Region's trade with Cuba. Trinidad and Tobago is the Region's largest exporter though Guyana has in recent years been making significant exports of rice to Venezuela under its Petrocaribe Agreement. Interestingly, Suriname has been able to maintain consistent exports of fish products to Colombia but this is apparently being handled through Panama.

There are some specific challenges that have been identified which are seemingly endemic. Many of these apply to CARICOM's trade, intra- and extra-regional, in general and include:

- Transportation or inadequacy thereof;
- Trade financing even while noting that Barbados, Jamaica and Trinidad and Tobago have EXIM banks;
- SPS issues including labelling and packaging;
- TBTs.

There is a lack of awareness of opportunities. Further, where the opportunities are recognised, often there is a need

- for market information which in many instances could or should be available through embassies and/or trade facilitation offices (as for example, Trinidad and Tobago's in Cuba) and also the national support bodies for commerce and industry.
- To increase production and competitiveness;
- To become less risk averse; and
- Give greater consideration to niche market approaches

Specific to our Agreements with Central America in particular are the incomplete implementation of our Agreements as well as language being seen as a barrier that is not being addressed assiduously enough.

Mechanisms

Regional approaches are always challenged by the different interests of Member States. Mechanisms already exist in the form of joint Councils in various forms in all of our Agreements. These need to be used to the extent intended.

Other possible mechanisms to promote, diversify and expand economic and trade relations would also include the following existing platforms as having potential:

- The Community of Latin American and Caribbean States (CELAC);
- Association of Caribbean States (ACS)

CONCLUSION

Not surprisingly, almost all of the recommendations presented today form the basis of the Community Strategy on the way forward for the growth, development and resilience of the Caribbean Community. Hence, our agreement on the CARICOM Strategic Plan, the establishment of the Commissions for the Economy, Transportation and Human Resources Development as well as the focus on ICT and Energy and ensuring we have Monitoring and Evaluation systems in place.

CARICOM by its very nature has to trade. There will continue to be deficits particularly in the absence of competitive production for our own and for other markets. There are obvious advantages in focussing this trade and economic cooperation with our partners in Latin America and the Caribbean. There are established links through Belize to Central America and Guyana and Suriname to South America which we also need to exploit more than we are now doing.

The challenge is not so much recognising what is required and how this should be addressed but more with having the will and courage to take the necessary action and to do so in a timely manner for inter alia, enhancing trade and economic relations among Latin America and Caribbean countries.

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