



The World Today

Are We Heading For A Free Trade Agreement With The United States?

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The recently held Seventeenth meeting of Heads of Government of CARICOM has ended with general satisfaction that a substantial stride has been made towards the establishment of a CARICOM Single Market and Economy (CSME). It is, of course, seventeen years since the Grande Anse Declaration proposing the establishment of the CSME, and fourteen years since the actual design of the programme for implementation of this new level of regional integration was agreed. During the intervening period, much water has flown under the bridge as far as movements in our Hemisphere towards liberalization of trade and production are concerned.

The CARICOM countries even before the Grande Anse Declaration, along with those of Central America, Haiti and the Dominican Republic, had a headstart, with decision of the United States of America (prompted by the Government of Jamaica) to grant us easier access to their market through the Caribbean Basin Initiative(CBI) of 1981. But some years later we were forced to wake up from congratulating ourselves about this, when we realized that Mexico had, in the second half of the 1980's, completely reorganized its strategy of economic development based on state ownership and intervention towards one of privatization, downward movement of high tariffs, and openness of the economy to foreign private investment, and put itself in a position to join the US and Canada in the North American Free Trade Area (NAFTA) of 1994.

NAFTA took from us, in effect, much of the advantage in access to the US market which we had gained with the CBI. For example, between 1994 and 1996, Jamaica's garment exports fell by 7 percent, with the elimination of 7000 jobs, and Jamaican ministers were soon arguing that "...Mexico can now export its products to the United States free of duty, which makes it more profitable for producers to operate from there"; and that "[a]ll we are asking is to be put on a level playing field with Mexico".

But as CARICOM was waiting for a US answer to calls for NAFTA parity, some of our states, anxious to recover from the deep economic recession that hit the Caribbean and Latin America in the 1980's, and having gone through a period of severe structural adjustment in the 1980's and early 1990's, felt the need to find some way of accessing the US market on a substantial scale. To the consternation of many CARICOM governments, in 1995, both Jamaica and Trinidad & Tobago declared themselves "NAFTA-ready", and announced their intention to make application to join NAFTA. Naturally, this raised concern among other Caribbean countries which had committed

themselves in 1992 to “greater collective effort for joint representation in international economic negotiations...with immediate effect”.

Fortunately or unfortunately, their cause for anxiety diminished, as it became apparent that President Bill Clinton was unwilling to test the “NAFTA fatigue” of the Congress with an agreement pursued with Chile, much less one concluded with some Caribbean countries. The matter was, in effect laid to rest, as the President pursued his Free Trade Area of the Americas initiative (FTAA) originally announced in December 1994.

But the Trinidad and Tobago and Jamaica initiatives reflected an important shifting of the ground in relation to the relevance of integration experiments of varying kinds. This shifting of the ground would not cease. With the effects of globalisation and global economic liberalization now evident, analysts and institutions—sympathetic to the Caribbean Basin countries have begun to argue that countries like the small ones of the Caribbean with the major part of their economic relations (exports/imports/investment/) pointing in the direction of North America should be linked into the NAFTA.

Events over the last two years suggest that this sentiment is still on the table. With the lagging of the FTAA, the United States has pursued bilateral free trade area agreements (FTA’s) all over the world with a vengeance.

For us, what is of relevance is what we might refer to as the “splitting” of the Caribbean Basin Initiative arena by the United States through the offer, and subsequent conclusion of negotiations, for an FTA with the countries of Central America. With that offer, the Dominican Republic, immediately asked for inclusion, and is now a member of the US-DR-Central America Free Trade Area (US-DR-CAFTA).

Some Central American states are still having difficulty with getting parliamentary agreement to, or ratifying, this US-DR-CAFTA. But we should not draw any comfort from this. But its signing immediately imposes on us the necessity to ask ourselves (as CARICOM) some questions: What are the implications for us of this new FTA? Will it give the participating countries access advantages over us? Will we, in response, need to seek a similar agreement with speed? If we do so, will it make our CSME irrelevant if we find ourselves granting access concessions equal to the ones which we have granted ourselves? Will we have to concede to the European Union any advantages that the Dominican Republic (a member of the Caribbean Forum, CARIFORUM, for EU-ACP negotiations) has granted to the US as a member of US-DR-CAFTA?

In a sense, Trinidad and Tobago anticipated the implications of some of these questions by seeking in the last few years to proceed unilaterally to sign bilateral FTA’s with Costa Rica and Dominican Republic. Again, this did not immediately please some CARICOM governments, and it was agreed subsequently to engage in a joint negotiation with Costa Rica and the Dominican Republic.

But the central questions which we need to be anticipating and considering are: what would be our response if the United States made an offer to CARICOM of a bilateral

FTA? Would we feel that we could manage that at this time? Would we feel that we needed to stick out for “special and differential treatment”? Would CARICOM, as a collective grouping, be able to stick together if the US pressed the issue? And what would be the implications of staying out?

Last year the CARICOM Heads agreed that the implications of signing bilateral FTA's with third countries should be looked into. The issue is urgent. It should be put out for public discussion.