



## The World Today

### INTEGRATION IS A BARGAIN

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An undercurrent of concern within the Region about the effects of the implementation of the Caribbean Single Market (CSM) and the impending CSME has come as something of a surprise. The hesitations of the OECS countries and rumblings among the populations of some states have suggested that they are not quite sure of the benefits of these new integration endeavours. This has disappointed those who felt that a consensus on the value of movement from CARICOM to CSME had been achieved long ago.

Yet, talk about making the transition from a Caribbean Common Market to a CARICOM Single Market and Economy has been in the air for almost twenty years – since the Grande Anse Declaration of 1989. And Governments and opinion makers generally, in the Region have written about it in such a way as to suggest to the populations of the Region that the Single Market and Economy is simply another step in a seamless evolution of our now long standing integration process that effectively started with CARIFTA in 1968 – nearly forty years ago.

Indeed, that is how the theories in the textbooks tend to describe the process; and how our technocrats have tended to talk about it. Yet, just as we thought that we could move on to a CSME, an undoubtedly unanticipated hitch in the onward journey that has been marked by CARICOM governments' decision to attempt an implementation of a CSM before proceeding to a CSME. And this has indicated to keen observers that our Governments themselves, however loud the celebrations have been about the establishment of the CSM, have had to recognize that the smoothness of the process, as described theoretically, has come up against some impediments and resistances.

For whatever reason, some Governments and citizens feel that what is promised from CSME may not come about; or that the sacrifices involved in bringing the CSME into existence may be too great to bear. And, as the lack of consensus between Government and opposition in Jamaica on the relevance and value of a single market and economy for that country suggests, it is obvious that these feelings are not restricted to the so-called “small islands” of the OECS.

The Caribbean Free Trade Area initiative was in fact the result of a combination of the efforts of both small and large countries in our Region. For Antigua, in 1965, joined with Barbados and Guyana to get the effort going after the demise of the Federation in 1962. This marked a recognition that the small size of our individual economies required

integration first, in order to come to terms with the size of production systems and markets required to effectively compete in the production of industrial goods in the modern world; and secondly, to provide the means of employment for our people through the creation of industrial enterprises, so that we would not simply continue to be importers of goods from the developed world and exporters of agricultural commodities.

In addition, the political initiators of CARIFTA were persuaded by our technocrats, and by their own observations of the world, that the trend of development through regional integration was not only being accepted by the large countries of Western Europe determined to compete with the big market of the United States created through the integration process of federation, but by countries in the developing world, particularly in Central America and among the Andean countries (Venezuela, Colombia) in our Hemisphere.

CARIFTA implied a bargain between the larger and smaller countries of our Region. This was that while for a period the smaller ones would continue to produce mainly agricultural commodities, as time went on, the larger countries would move on from simple industrial goods to more sophisticated ones, and that the simpler industrial activities would begin to pass on to the smaller ones. They, in turn, could use the CARIFTA market to sell those industrial products. CARICOM would advance that process.

This bargain was to be consolidated by providing the smaller countries with funds (through the Caribbean Development Bank), to create the infrastructure for industrialization, and an instrument (the Caribbean Investment Corporation) to facilitate the drawing in of interested investors into these countries.

The record shows that this bargain worked for a while. And by the mid-1970's countries like Antigua (which had abandoned sugar production), St Kitts and St Lucia, had begun to attract investments in industrial manufactures. This encouraged the consolidation of the Caribbean Common Market, created in 1973 by the Treaty of Chaguaramas.

This process, referred to as regional import-substitution industrialization, was based on imposing tariffs (or import duties) on certain industrial goods imported by CARICOM countries from the outside world, in order to give our industries (referred to as "infant industries") a chance to grow and strengthen themselves. Regional protection of the regional market was the order of the day.

But this bargain broke down. First the recession that gripped the so-called More Developed Countries (MDC's – Jamaica, Trinidad, Guyana) of CARICOM towards the end of the 1970's and well into the 1980's, led them to closing off their markets to goods produced within CARICOM itself. Secondly, some could not pay for the goods that they still bought, leading to the breakdown of the mechanism - the CARICOM Multilateral Clearing Facility - the financing facility for advance payments to manufacturers with subsequent settling through the Central Banks. This created huge debts of some countries to others.

Thirdly, and most importantly, the MDC's which had got into economic difficulty, were persuaded by the International Monetary Fund and the World Bank, which were financing the restabilisation of their economies, that regional protection through higher import duties (and therefore protection of the "infant industries") was no longer the way to go in the emerging new type of international economic system being brought into existence through the process of what we now call "globalisation".

Instead, the IMF and the World Bank, supported by countries (like the United States which provided most of their funding), proposed that there should be a general lowering, or at least standardization, of tariffs (import duties) throughout the (western) world, so that there would be no discrimination in the access of goods from one country to another. No differences of economic size or of level of development, or in the sophistication of industrialization processes among countries would, in principle, be recognized. Countries, and their economies, would have to compete, on a relatively equal basis.

The acceptance of this new philosophy of economic growth was accepted by our MDC governments, and the smaller countries were induced to accept it as well. That acceptance was marked by a declaration of our Heads of Government in 1984 – the Nassau Declaration on Structural Adjustment and the Advancement of Regional Integration. And paradoxically, it was consolidated, by Governments at the point of acceptance of the need for a Caribbean Single Market and Economy, in their declaration of 1992 – The so-called Grande Anse Declaration. That Grande Anse Declaration was transformed into the Revised Treaty of Chaguaramas, the constitution of the CSME.

These declarations marked the acceptance of "structural adjustment" of all economies to the global economy, through a process of "liberalization" (opening up, or freeing up as we would say) of CARICOM economies, to match the liberalization of the global economy.

But we can also see more clearly now that the declarations also marked the end of the process of "import-substitution industrialization" on which the Caribbean Common Market was based.

The effect of the recession the 1980's (which affected the whole Hemisphere), and the liberalization of CARICOM economies led to a stifling of the import substitution process that was the supposed basis of the Caribbean Common Market. This affected, in particular, the burgeoning industrial activities of the smaller or OECS economies, marked by the closure of factories and the loss of employment.

But we can also see more clearly now, that the Declarations on the CSME marked the end of the process of "import substitution industrialization" on which the Caribbean Common Market was based. In effect, the bargain among the countries that underpinned the Treaty of Chaguaramas was no more. Few Government or technocrats dared to say this openly. Instead, faced, later, with justifying the CSME to their citizens, Governments began to give conflicting signals as to its relevance and benefits.

The CSME is supposed to be based on new types of understandings and new arrangements – a new bargain – among our countries. The belated hesitations of the OECS countries, and even resistances in the some of the larger countries, suggest that not many are clear on what the new integration bargain is supposed to be.

We shall discuss this issue in our next article.