

Governance and Caribbean Integration

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INTRODUCTION

The revised treaty of Chaguaramas creating the Caribbean Single Market and Economy (CSME) made CARICOM the world's second deepest regional integration scheme. The CSME envisions the free movement of goods, services, capital and certain categories of skilled labour. It also envisions harmonization and coordination of economic policy and eventually a single currency. While ambitions under the CSME are very high, the institutional structure remains minimal, surpassed even by the Andean Community. The link between economic and political integration remains a contentious issue in a region where failed attempts at political unity still haunts the political landscape and where national sovereignty is guarded suspiciously. For this reason, the CSME still operates in an intergovernmental framework. Decisions are still made by unanimous voting in both the Heads of Government Conference--the highest decision making body—and the Council of Ministers. Even the newly created Caribbean Court of Justice (CCJ) lacks supranational authority in the form of direct effect of decisions.

The question at this juncture is how far can an intergovernmental framework go in efficiently accomplishing the goals of the CSME? This paper attempts to answer this question by situating the Caribbean experience of regional integration in a theoretically informed framework. Recent efforts at improving regional governance in the Caribbean is also examined in comparative perspective, looking at steps taken in other regional schemes in the developing world. Finally, insight from theorists examining the conditions necessary for supranational governance is used to examine ways of furthering the process of economic and political integration.

I. INTERGOVERNMENTALISM VS. SUPRANATIONALISM

The question of institutional design and regional governance has spurred rich theoretical debate with contributions from academic fields such as economics, political science and law. Traditionally, academics highlight the dichotomy between intergovernmental and supranational institutions in regional governance. Supranationalism is a method of decision making in organizations where power is delegated to independent institutions and where decisions are made by majority voting. Furthermore, decisions made by Governments or institutions have direct effect in domestic law. Intergovernmentalism on the other hand is a method of decision making where member states retain full control and decisions are taken by unanimous voting.¹ This dichotomy is not as rigid as some would believe, however, since intergovernmental structures include a wide range of possibilities from the informal setting of APEC to more advanced structures like CARICOM. The EU itself has a complex multi-level governance structure with both intergovernmental and supranational institutions interacting together. The discretion that these supranational institutions enjoy varies depending on the issue area.

Some economists such as Bela Belassa and Lawrence Krause believe that supranational institutions are neither necessary nor automatic following economic integration. Belassa states that an “intergovernmental approach appears to be sufficient to ensure satisfactory operation of an economic union” (quoted in Hansen, 1969: 254). Krause, staying dedicated to the economist belief in the invisible hand states that:

Economic integration requires coordination of many economic policies and this involves essentially political decisions, but formal institutions may not be needed

¹ This should not be confused with the theory of intergovernmentalism. In the context above, intergovernmentalism simply refers to the method of decision making in organizations.

to bring this about. Governments do not need to be told, for instance, that excessive inflation in an open economy quickly leads to difficulties for themselves and their trading partners. They can see for themselves the rapidly deteriorating balance of payments and pressures immediately arise for corrective action. A 'hidden hand' toward policy coordination is directed by the market mechanism and it has been proven to be very effective with the EEC (Krause 1967: 20).

Krause comes to this conclusion with reference to the developed countries of the EEC. However, among developing countries with distributive difficulties and high politicization of integration issues, this "hidden hand" gives way to opportunistic unilateral behaviour. Insular motivations to secure immediate development for the nation state at the expense of the region may cause member states to cheat or defect unless mechanisms are created to monitor, detect and punish such behaviour. Furthermore, Belassa refers to the minimum requirements for the *satisfactory* working of an economic union. Belassa continues however that moving from just satisfactory to optimal operation necessitates supranational agency (1962). Belassa's verdict for CARICOM would probably be that it has to decide whether it wants the CSME to really matter or simply be, in the Honourable Owen Arthur's words, the "fifth wheel of a coach; not much of a hindrance to progress; nor not much of an aid" (CARICOM, 2004).

Theorists belonging to the neofunctionalist school seriously doubt the ability of the intergovernmental framework to achieve high levels of economic integration as envisioned by the CSME.² Championed by renown theorist Ernst Haas in his explanation of the process of European integration, this theory speaks of the automatic process of

² Neofunctionalism is a theory of regional integration developed most extensively by Ernst Haas to explain the process of European integration. It states that when countries integrate key policy areas starting with economic integration in the form of a free trade area, this will "spill over" into other areas of policy, gradually reaching political areas. This happens when transnational actors with interests in the wider community lobby for further integration. Haas also describes a shift of loyalties from the nation state to the regional authority.

“spill over” from the economic to the political sphere of integration. The logic behind this process is that in order to fulfill initial purposes, actors find themselves agreeing to “widen the spectrum of means considered appropriate to attain them,” thereby delving more and more into political spheres out of necessity (Haas and Schmitter, 1964: 707). This is referred to as the gradual politicization of actors’ purposes. For example, the liberalization of trade and the creation of a customs union necessitates coordination and harmonization of macroeconomic policies. The complexity of this coordination will eventually spill over into political areas, ultimately creating supranational institutions. According to Haas, once created, supranational institutions take on a life of their own, creating dynamism and forward movement in the integration process. In the end, successful integration entails actors shifting their loyalties from the nation state to a new centre (Haas, 1958).

Intergovernmentalists such as Andrew Moravcsik (1998) emphasize the role of member states in the integration process. Moravcsik believes that states, and not supranational institutions, retain full control of the integration process, and supranational institutions are only created through a convergence of interests and a conscious decision by actors. This theory has evolved over time to first a theory of liberal intergovernmentalism which combines national preference formation with bargaining theory to explain institutional choice; then an institutional dimension was incorporated where actors decide to pool or delegate sovereignty to create credible commitments (an overview is given in Laursen, 2003). While some focus on the differences between neofunctionalism and intergovernmentalism, Moravcsik’s revised thinking shows

common understanding with Haas in finding an instrumental or functional role for institutions.

II. NEOFUNCTIONALISM DEFUNCTED?

When European integration stalled in the 1960's due to Charles de Gaulle's politics, Ernst Haas himself declared neofunctionalism obsolete. Further criticism arose when this model of the process and logic of integration was applied to regional schemes in the developing world. The model simply did not fit and could not stand under empirical scrutiny. First of all, Haas explained the dynamics of EU integration through the actions of supranational institutions which are currently non-existent in CARICOM and most other developing countries. Critics also highlighted that this "gradual politicization" and inevitable "spill over" arguably had not taken place outside of Europe. The domestic politics of developing regions do not provide fertile ground for this type of process. In CARICOM for example, any hint at political integration will send warning signals to political elites who still remain in control of the integration process and who place a high value on national sovereignty. Also, spill over assumes a pluralistic industrialized society from which demands for further integration emanate.

Before rejecting this theory, however, it should be explored for relevance and insight. Not because this process of gradual politicization has not taken place *so far* in the Caribbean means that it is not on the Horizon or that the inherent functional logic is flawed. There are obstacles in the Caribbean that prevent the gradual and smooth progression to political integration but this progression may actually be taking place, albeit at a painfully slow pace and is furthermore necessary for the success of the

CSME. The level and complexity of coordination and decision making required to create a single market and economy extends beyond the capacity of individual nation states. Such harmonization includes harmonization of investment incentives, interest rate policies, taxation policies and exchange rate policies. The call for stronger institutions in this context is not only a theoretical view, but can also find support in empirical observation³.

III. CARICOM EXPERIENCE IN THEORETICAL PERSPECTIVE

In certain respects, CARICOM pays homage to certain aspects of neofunctionalism. Steps from a simple free trade area (CARIFTA) to a common market and now a CSME are quite amazing given the deep suspicion in the Caribbean of anything that looks like political integration. Interestingly enough, when initiatives were made to transform CARIFTA to CARICOM, Jamaican Minister of Foreign Trade Robert Lightbourne lamented on this process of spill over saying that Caribbean integration “appears to be growing into a federation in everything but name” (Axline, 1978: 964).

CARIFTA was created after the short-lived federation (1958-1962) in part as a response to the UK’s application to enter the EEC and the desire to promote economic development in the region. An interesting but overlooked aspect of this move is that from this very early period, certain leaders and technocrats realized the possibilities of spill over and the implications of economic linkages. They realized that there was a sequence that could not be reversed: Economic linkages had to precede any attempt at political federation. The federation indeed failed in part because there were no linkage structures in place such as trade or transport in the Caribbean at that time (Will, 1991: 8).

³ This point is elaborated further in section IV on the Paradox of Intergovernmentalism.

Lord Errol Barrow, Premier/Prime Minister of Barbados (1961-1976) was an early supporter of federation and appeared to realize the logics of this spill over process. Having attended the London School of Economics, his approach to integration was based on economic functionalism as a necessary step toward political integration (Will, 1991:14). After federation failed following Jamaica's withdrawal, Premier Barrow consequently entered in secret negotiations in 1965 with Guyana's Premier, Forbes Burnham, with a vision to form a free trade area. The plan was then to invite other British West Indian territories to join. Trinidad's Premier/Prime Minister Eric Williams (1959-1981) went on record favoring West Indian economic linkages and ultimate West Indian Unity (Will, 1991: 16). CARIFTA was later signed by Barbados, Guyana, Trinidad and Antigua in May 1968.

Jamaica held off on signing until later that year because the government in power was paranoid about any attempt at political integration. CARIFTA contained a non-binding annex with a list of measures such as a common external tariff and harmonization of fiscal policies that were to be considered by member states (Milne, 1974: 292). The less developed countries of CARICOM (LDCs) also delayed signature because of distributive issues. By August, all the original members of the failed federation finally signed the CARIFTA agreement.⁴

CARIFTA progressed toward deeper integration as it was realized that bolder steps were needed to accomplish original objectives such as economic development and intra regional trade. On the eve of the creation of CARICOM, Jamaican Prime Minister Michael Manley declared that the creation of a common external tariff and the necessary harmonization of policies were important steps following from CARIFTA (Axline, 1978:

⁴ Belize joined in 1971

964). In 1973, Treaty of Chaguaramas brought CARICOM into being calling for the implementation of a common external tariff and harmonization of economic policies.

The 1980's ushered in a new phase in Caribbean integration where even bolder steps were required of Caribbean leaders. The fall of the Berlin wall unleashed the forces of globalization, marked by economic liberalization and the creation of new regional trade blocks world wide. Caribbean leaders also faced the reality that if Caribbean people were to really benefit from integration, the region had to move beyond free trade in goods to incorporate services, capital and labour. This was the key to realizing the promise of economic development in a region that traded very similar primary products. At the time of the formation of CARIFTA, intra-regional exports remained at a low 10% and with the creation of CARICOM this hardly increased. This meant that regional integration was not a major or even noticeable source of economic growth or development and Caribbean countries faced better prospects through relations with extra regional partners. The Grand Anse Declaration of 1989 responded to these concerns, calling for deeper integration which ultimately gave fruit to the current CSME.

The CSME envisions the free movement of goods, capital, services and certain categories of skilled labour; the harmonization and coordination of macroeconomic policies; and eventually a common currency. The CCJ was created, in its original jurisdiction, to interpret the revised treaty and resolve trade disputes. Jamaica, Trinidad and Tobago and Barbados set a deadline of 2004 for the creation of the CSM while the rest of CARICOM members set a deadline of 2005.⁵ In 2006, the single market leg of the CSME was officially inaugurated by CARICOM members and a 2008 deadline was set for concluding the single economy (a single currency and harmonization of economic

⁵ Jamaica's difficulties with creating the CCJ however delayed the deadline set by these 3 countries.

policies). The original process of integration that started with CARIFTA has indeed extended to other economic and political fields.

Perhaps the most important point to be taken from Neofunctionalism is the logic of spill over. Whether or not political integration is an objective for the Caribbean as may be the case in the EU, it has an *instrumental* function that is implicit in achieving the high levels of economic integration envisioned in the CSME. The absence of more spill over into political spheres, as critics point out, does not negate the functional logic. So strong is this logic that regional agreements around the world seem to be rethinking governance structures and the instrumental role that they play. In fact, this noticeable attention to governance issues in the developing world may be the hallmark of this wave of integration. In 1995, Mercosur adopted the “Action programme for Mercosur until the year 2000” which includes a statement expressing the need to evaluate the appropriateness of current institutional structures. In 1996, the Andean Group responded to the needs of deeper integration by finalizing a series of institutional reforms in the Trujillo Summit and changing the name of the group to the Andean Community. The Andean Community is currently the most institutionalized regional scheme in the developing world.

In CARICOM, “the Consultation on Options for Governance to Deepen the Integration Process” was held in February 2003 to address the slow implementation of CARICOM. The Rose Hall Declaration on “Regional Governance and Integrated Development” was adopted later that year recommending a Caribbean Commission with executive authority and the development of community law. Most recently, in 2005 the ASEAN Summit mandated an Eminent Persons Group to come up with proposals for

deeper integration. It thus appears that even though these schemes currently have debilitating institutional deficits, there are clear impulses calling for spill over⁶.

IV. THE PARADOX OF INTERGOVERNMENTALISM

The only other region in the world to create a single market and economy besides the Caribbean is the EU and it has done so quite successfully. In the initial stages of creating the internal market, the EU (then the EEC) faced the difficulties of decision making that many other regional schemes face; even those with lower levels of integration. In the 1980s, key decisions necessary for accomplishing the internal market were held hostage to unanimous voting. This is not surprising given the inherent complexity of harmonizing legislation. Unanimous voting was a legacy of the “Luxemburg Compromise” of 1966 that gave member states the right to veto decisions taken in the Council of Ministers, due in part to Charles de Gaulle’s opposition to a supranational model of governance. The Single European Act of 1986 responded to the needs of an internal market by allowing qualified majority voting within the Council of Ministers for decisions relating to the establishment of the internal market. EU legislation also enjoys direct effect in domestic jurisdictions and this is supported by supranational institutions such as the EU Commission and Court of Justice which help create a body of EU community law.

The European single market influenced CARICOM’s move to a CSME, yet the governance structures in place to accomplish this are drastically different. The treaty of Chaguaramas creating CARICOM was simply revised with nine protocols to bring about

⁶ A detailed look at these developments in regional governance is explored in section V, CARICOM in comparative perspective.

the CSME. These nine protocols have to be signed and ratified by each member state to bring about different aspects of the CSME. Signing these protocols however means nothing without subsequent implementation and this presented a significant administrative and legislative problem for Governments who were hard pressed to meet the deadline for the single market. A report from the CSME unit in the Government of Barbados recalls that as a result of the CSME, there were several hundred different actions required among member states (Association of Caribbean States, 2003: 1).

CARICOM has thus chosen the most difficult method of achieving the CSME because each member state retains the exclusive sovereignty to implement community decisions. Even though the single market was officially inaugurated in 2006, this was a difficult process and some were initially pessimistic about reaching the deadline set for its completion. Some also wondered how the single market and eventual single economy would be achieved without institutional reform. The Rt. Hon. Owen Arthur, Prime Minister of Barbados noted in 2004 that “a false pragmatism in the Caribbean continually asserts itself: it is the false pragmatism that holds that economic and political affairs can be compartmentalized. The Caribbean is therefore expected to achieve the very highest form of economic union known to mankind...and to do so without major political readjustments” (Barbados Government Information, 2006: 2).

The absence of a body of community law that stands above domestic legislation or is applied automatically in domestic jurisdictions is also a point of criticism for CARICOM. Unanimous voting in the CARICOM Council of Ministers and Heads of Government Conference and the weak legal framework of the CCJ have also been criticized by leaders and technocrats who think that more is needed to create the CSME.

Opposition Leader of the Jamaica Labour Party, Bruce Golding, said in early 2005 that "One of the weaknesses of the revised Treaty of Chaguaramas is that it has no sanctions...against countries that fail to conform to the undertakings" (The Gleaner, 2005). He then compared CARICOM to the EU where terms of compliance and non compliance were clearly stipulated. Golding cites as an example the fact that if a country in the EU incurs a deficit in excess of three per cent, it is liable to be sanctioned or immediately fined 1 per cent of the year's GDP. The EU Council of Ministers also has the authority to stipulate the framework of corrective action that members states can take (The Gleaner, 2005). Mr. Golding lamented that this does not exist in CARICOM.

Regional governance is an interrelated system that provides assurances when needed from the elaboration straight through to the implementation of rules. Even though Article 9 of the Revised Treaty of Chaguaramas creates a legal obligation to comply with the rules and regulations of the community, the effectiveness of this is compromised because of the absence of an executive body to ensure enforcement and implementation. The fact that community decisions do not enjoy direct effect further compromises the legal security of CARICOM. In this context, it is not surprising that the Expert Group of Heads of Government reported in 2003 that "the actual movement of regional integration is on the whole pathetically slow" (CARICOM, 2003: Para B7)⁷. CARICOM's experience in creating the single market is but one of many examples of the difficulties of achieving economic integration in an intergovernmental framework.

The paradox is that many schemes in the developing world were influenced by the EU model of integration. Mercosur, founded in 1991, was not only inspired by the EU, but was assisted by the European Commission in its formation . The founding Treaty of

⁷ This observation was made with reference to implementing the CSM leg of the CSME.

Asuncion has the initial goal of a customs union, but also aspires to create a common market and achieve full macro economic coordination, including a single currency, and the free movement of goods, capital, labour and services. Yet, the EU model does not extend to the area of governance. Mercosur's experience also questions the ability of an intergovernmental framework to achieve deep levels of economic integration. Even if Mercosur surmounts the impasse of unanimous voting, implementation of decisions is still a particularly difficult area. In 2005, a study showed that only 40% of unanimously agreed decisions in Mercosur were effectively incorporated into domestic law.⁸ Another report done by the EU Commission highlighted Mercosur's inability to realize its potential because of the weak institutional structure:

The lack of supranational institutions has impeded progress towards deeper integration. The absence of a strong technical body vested with the power to propose and implement laws at the Mercosur level has been a major obstacle to moving forward with the integration process. This has contributed to a weak integration scheme, an imperfect customs union, which cannot be deepened without the full commitment of all members (Kirkham and Cardwell, 2006: 419).

This comment could have easily been made about CARICOM as the situation is very similar. The reality is that in Mercosur as in CARICOM, even though institutional strengthening is necessary, the consequent progression to some form of political integration is met with constitutional and political barriers.⁹ The Commission's recommendations quoted above therefore have to be tempered by understanding that one size does not fit all and what works for the EU cannot necessarily be copied in other regions. Furthermore, supranational governance may not be necessary in every scenario.

⁸The study is cited in Kirkham, Richard and Paul James Cardwell (2006). "The European Union: A Role Model for Regional Governance?", *European Public Law* 12(3): 403-432, pp 419. The actual study was written by J. Vervaele (2005) "Mercosur and Regional Integration in South America", *ICLQ* 387.

⁹ See for example Jamaica's attempt to establish the CCJ to interpret the revised treaty of Chaguaramas and resolve disputes in its original jurisdiction; and serve as a final court of appeals that would replace the Privy Council. The Privy Council ruled that the latter move was unconstitutional.

Supranational and highly legalized institutional arrangements are not inherently superior and may just present unnecessary costs and cumbersome layers of bureaucracy. Admittedly, intergovernmental and highly informal structures have served certain schemes quite adequately. ANZCERTA (Australia-New Zealand Closer Economic Relations Trade Agreement) for example has a minimal organizational structure and lacks formal regional institutions such as a formal dispute settlement mechanism. ANZCERTA however has experienced “relative success” (Kirkham and Cardwell, 2006). This form of decentralized cooperation of course cannot work in all types of arrangements either. ANZCERTA is a two-state regional grouping with limited objectives, aiming only at eliminating barriers to trade and encouraging competition. Furthermore, with a common legal heritage and trust between the two countries, decentralized cooperation is made easier (Kirkham and Cardwell, 2006).

Trade offs exist for different types of governance structures as each presents pros and cons. Kenneth Abbott and Duncal Snidal (2000) study the benefits of different levels of legalization and find that “soft law” can actually be an optimal choice in certain settings as seen in the example of ANZCERTA.¹⁰ Soft law allows flexibility, compromise and avoids the costs of hard law while providing some of its benefits. Hard law, described as legally binding obligations that are precise and that delegate authority for interpreting and implementing the law, is important when there are significant benefits from cooperation but the temptation to defect is high. It reduces transaction costs, establishes credible commitments and creates legal security which engenders confidence. Legal security and trust is extremely important in trade pacts since performance is

¹⁰ See also Abbott, Kenneth, Robert Keohane, Andrew Moravcsik, Anne-Marie Slaughter and Duncan Snidal (2000).

nonsimultaneous and involves commitments with only the expectation of reciprocity (Abbott and Snidal, 2000: 429). Hard law also solves “incomplete contracting problems”—i.e. when treaties or agreements are vague and run the risk of auto-interpretation—by delegating authority to judicial or other institutions to interpret and elaborate principles (Abbott and Snidal, 2000: 433). This shows that there are many gray areas between hard and soft law and the choice between the two extremes is not a “binary” one (Abbott and Snidal 2000, 422). Vague and imprecise treaties with unspecified obligations can be given teeth through delegation to third parties such as a court or other legislative body. Another important benefit of hard law is that it commits domestic agencies such as legislatures or opposition parties to the integration agenda. Given the range of possibilities for institutional design, whatever choice is made in the end should respond to the particular types of collective action problems (i.e. decision making and implementation).

The problems faced by CARICOM governments are what game theorists would describe as Prisoner’s dilemma. In the PD game, even though cooperation would be the optimal choice for the players involved, the incentives to defect for short run individual gain are very strong and this consequently leads to a sub-optimal outcome—i.e. opportunistic behaviour.¹¹ In regional schemes, cheating ultimately creates distrust and uncertainty that further retards the process. It has been argued that the hope of long-term benefits in iterated games can be strong enough to prevent opportunistic behaviour in the short run. In third world settings, however, this kind of patience is almost non-existent. Governments of developing countries face severe developmental challenges and want tangible benefits more sooner than later to appease demanding electorates. This is critical

¹¹ See Brams, Steven (1975). *Game Theory and Politics*. The Free Press: New York.

in understanding the obstacles to integration in developing countries (Mytelka, 1973). In 2002, for example, Jamaica signed an air services agreement with the US Federal Aviation Administration at the expense of CARICOM's collective negotiations with the agency. Jamaica's argument was that "to depend on the slow-moving CARICOM bureaucracy would have further jeopardized Jamaica's hard-pressed tourist industry (Codova and Vance, 2003: 1).

Commitment institutions such as an executive body can remedy this situation of prisoner's dilemma by making opportunistic behaviour more difficult and costly and thus less attractive. In general terms, the role that such an executive structure can play is summarized in the following way:

A central governing institution has two main roles: to research and initiate proposals for new community law; and to pursue the implementation of the existing law. With regard to the latter task, a regional body is required to monitor and negotiate with member states to establish whether they are meeting their obligations. However, a stronger option is to confer power on a regional body to pursue legal actions in a specially established court of the regional scheme (Kirkham and Cardwell, 2006: 426).

V. CARICOM IN COMPARATIVE PERSPECTIVE

The EU structure of governance is easily dismissed by developing countries as not suited to the political/economic environment of the developing world. The Andean Community (Bolivia, Colombia, Ecuador and Peru) however provides a good comparative model for CARICOM. This regional grouping brings together developing countries under a very advanced institutional framework. It has undergone significant institutional reform in an effort to deepen the integration process, which was threatened by stagnation and economic difficulties. To help address the problem of credible

commitments and legal security, it has adopted direct applicability of community law for decisions taken in the Council of Foreign Ministers, the Commission and the resolutions of the Secretariat. The Andean Community, like the EU, went a step further in supranational governance by creating an executive body with autonomous power—the General Secretariat—in charge of ensuring compliance. In cases of non-compliance by member states, the Secretariat can bring the non-complying state to the Court of Justice of the Andean Community. Majority voting is also applied in certain circumstances as stipulated in Article 26 of the *Cartagena* founding agreement.

ASEAN has also recently started to seriously address governance issues. Created in 1967, ASEAN has historically prided itself in its “ASEAN way” which emphasizes informal decision-making through consultation and consensus. It started out as a loose arrangement with no strong institutions or formal dispute resolution mechanisms. ASEAN has moved toward a process of deeper integration however, envisioning an ASEAN community by 2020. The ASEAN leaders seem to have realized that this weak institutional framework is anomalous to this ambitious programme. In 2005, the ASEAN summit appointed an Eminent Persons Group (EPG) to come up with proposals for integration. Their efforts created a blueprint for a charter that would codify rules and norms, which currently do not exist in ASEAN and address the need for implementation and compliance with these rules. The blueprint included possible sanctions or even expulsion of misbehaving members.

Earlier this year at the 40th anniversary summit, ASEAN Heads of State approved agreements to establish an integrated community of pooled sovereignty, a single market and a common series of security and economic policies. *The Cebu Declaration on the*

Blueprint of the ASEAN Charter undertook to write the region's charter which will essentially "change the ASEAN's four-decade old policy of decision by consensus and non-interference in individual country's affairs" (12th ASEAN Summit, 2007). The Summit appointed a task force to complete this charter by November of this year. It was also agreed at the Summit to accelerate the creation of the single market, making the new target 2015. This is a very new and exciting development in perhaps the last place one would expect to see this kind of spill over. Even the Asian, or rather ASEAN institutional culture seems to be giving way to functionalism.

VI. CARICOM'S RESPONSE TO REGIONAL GOVERNANCE

"There is hardly a voice that could be found in CARICOM...that would not be concerned with the slow pace of our integration efforts in the region (CARICOM, 2006: Para B5). These concerns with the implementation of the single market precipitated a wave of activity to seriously evaluate governance options that are necessary to move the process forward. This culminated in the *Rose Hall Declaration on "Regional Governance and Integrated Development"* adopted at the 24th Heads of Government Conference of CARICOM. The declaration contained decisions "in principle" to: 1) Set up a permanent CARICOM commission or other executive mechanism in charge of proposing and implementing decisions; 2) reform the secretariat; 3) strengthen the role of the Assembly of Caribbean Community Parliamentarians; 4) adopt the principle of automatic resource transfers for the financing of community institutions and 5) develop a system of "mature regionalism" where "critical policy decisions taken by Heads of Government or other community institutions will have the force of law throughout the region as a result of the operation of domestic legislation and the Treaty of Chaguaramas, appropriately revised,

and the authority of the Caribbean Court of Justice in its original jurisdiction, taking into account the constitutional provisions of member states” (Rose Hall Declaration).

The Expert Group of Heads of Government along with a technical group were further mandated with the task of preparing a final report elaborating on these proposals to deepen and perfect the integration process. Some of the proposals made were borrowed from the 1992 report of the West Indies Commission, *A Time for Action*. The main theme of this recent report is the need for a “collective exercise of sovereignty” to carry the process forward. This is a particularly interesting document because it demonstrates the tensions between the need for supranational agency on the one hand, and the desire to retain national sovereignty.

The concept of mature regionalism recognizes that “there is an urgent need for some CARICOM decisions to have the character of Community Law and not merely of regional political declarations.” At the same time, the contentious issue of supranationality was raised with regard to these recommendations. The proposals are very careful however not overstep the boundaries set by the desire to retain national sovereignty. While the proposals called for a Commission to prepare “draft instruments of implementation” to give effect to community decisions, these draft instruments had to be *formally approved by the Heads of Government* or other competent authority approved by the Heads of Government. To facilitate this development of community law, a revised Treaty of Chaguaramas would undertake to enact national legislation, for example through a “CARICOM Act” in each country, which would give legal effect to the rights and duties arising under the draft instruments. In this way, according to the report,

“community law will rest, not on a pillar of supra-nationality, but on one of national sovereignty, albeit sovereignty exercised collectively” (CARICOM, 2006: Para C5).

The *Rose Hall Declaration* highlights the need for spill over from economic into political areas to achieve the CSME. However, one cannot avoid the question of how far this type of governance structure will go. Despite the novelty of the idea of Community Law under a collective exercise of sovereignty, unanimous voting could be a stumbling block to carrying the process forward if we allow history to be our guide. Suggesting majority voting is undoubtedly an issue, which in all practicality may be too sensitive for CARICOM right now. Nevertheless, as the process of integration gets deeper, the decision making process will become more complex and will put immense strain on a system requiring majority voting. The very nature of an economic union will surely bring about disagreements since anything decided at the regional level will ultimately affect the citizens of each member state in a very real and personal way. In a situation of unanimous voting, the integration process may only move as fast as the slowest member allows.

However, perhaps what CARICOM needs is to try first and then see where or if problems arise. Theorists describe this as the “trial and error” process that brings about institutional change through “organization learning” when problems arise (Levitt and March, 1988). In this theory, action taken is routine based on interpretations from the past. In the case of CARICOM, the failed West Indies Federation is greatly affecting the range of decisions that are contemplated today. Organizations however are said to adapt to feedback about outcomes, so if CARICOM tries this type of governance structure without success, this could precipitate further changes. To go further, the body of

experience that is provided or imported from the EU and other schemes will certainly affect CARICOM's reservoir of routines and expand the range of possible options. What is certain is that movements towards political integration will be a bumpy process requiring political will for success.

VII. CARRYING THE PROCESS FORWARD

At the 14th Intercessional Meeting of CARICOM Heads of Government in 2003, the Prime Minister of Trinidad and Tobago went on record saying "I now formally put on the table Trinidad and Tobago's intention to enter into discussion with any Caribbean country willing to pursue with us the objective of Caribbean Political Integration." The Prime Minister of St. Vincent and the Grenadines, Ralph Gonsalves, has also made impassioned calls for Caribbean unity perhaps based on an idea of a Caribbean identity (Gonsalves, 2003). Whether the need for political unity is based on sentiment or practicality, the question still remains of how political unity will be realized in a region that is arguably emotionally and physically unprepared for this step. As Prime Minister Gonsalves asked in a speech at the 30th Anniversary celebrations of CARICOM: "what is to be done right now to construct, or prepare the construction of deeper union between CARICOM countries?" (Gonsalves, 2003: 28).

In an attempt to find the relevance of neofunctionalist theories in developing country regions, authors have explored conditions under which political integration will take place in response to the needs of economic integration (Nye, 1965; Mattli, 2002; Haas and Schmitter, 1964). Celebrated theorists such as Ernst Haas, Joseph Nye, Philippe Schmitter and Karl Deutch have examined a set of conditions for successful integration

both economically and politically. Although Haas spoke specifically about the conditions of forming a final federal state, or “amalgamated security community” in the case of Deutch, these conditions can be insightful in examining how to achieve the extent of political integration necessary for the CSME.

Perhaps the most important condition facilitating political integration is the level of transnational flows and economic ties. The demands made by transnational society for credible commitments and security is the bedrock of the logic of neofunctionalism. Transnational society consists of stakeholders in integration whose interests lie in smooth and predictable exchanges. In the Caribbean however, regional integration remains in the control of political elites and a true understanding and awareness of the benefits of the CSME does not exist in Caribbean society. This is aggravated by the fact that intra regional trade is relatively low. A report by the Economic Commission for Latin America and the Caribbean (ECLAC) observes “the regional market is not a major destination for exports of goods and services from CSME countries (ECLAC, 2005: 79). To give an example, only about 1.8% of Jamaica’s economic activities depends on the regional market. The figure for Trinidad and Tobago is 7.4% and Barbados, 9.1% (Barbados Government, 2006). The CSME has therefore had its fair share of critics as some wonder what the point of this structure is. Edward Seaga commented that the “miserably low” statistics for intra regional trade do not warrant the superstructure of a common currency (The Jamaica Gleaner, 2005) and sees the CSME as a “wayward journey” (The Gleaner, 2004).

The ECLAC report however continues to point out that “the importance of regional integration lies, therefore, in increased productivity and efficiency more than in a

significant expansion of exports ”(ECLAC, 2005: 108).” The difficulty this presents to a developing region like CARICOM is that leaders are judged on the benefits they bring to people immediately. The CSME therefore represents a “leap of faith”, especially for the smaller economies of the Organization of Eastern Caribbean States (OECS) who wonder where their place in the CSME is. The judgment in the ECLAC report does not mean, however, that the infrastructure for trade cannot be developed. For example, the report also noted that many factors hinder the expansion of intra regional trade, particularly in the areas of energy and transport. The Trade and Investment Development cooperation of Trinidad and Tobago estimated that the cost of transporting a 20 to 40 foot container between Trinidad and Barbados is higher than the cost to transport it between Trinidad and London (ECLAC 2005: 89). Improving communication, travel and movement of goods within CARICOM will be essential for future progress.

Asymmetry is another factor that stands in the way of a smooth spill over from the economic to the political sphere of integration. James McCall Smith did a study of the factors leading to the adoption of legalistic dispute settlement designs and sees asymmetry as an intervening variable (McCall Smith, 2000).¹² The decision to adopt legalistic designs is seen as a “rational choice” where actors weigh the economic value of the treaty on the one hand (in this case the revised treaty of Chaguaramas) against their desire for policy discretion. The extent to which actors favor legalistic mechanisms to ensure compliance and credible commitments depends on how much they stand to gain from integration.

According to McCall Smith, legalistic mechanisms of dispute settlement are expected to occur in regional integration schemes with a high depth of expected

¹² The most legalistic mechanisms involve direct effect in domestic law.

economic integration. The logic behind this is that institutions are able to mitigate the “transaction costs” that arise from complex interaction in regional trade pacts. Transaction costs, as defined by Walter Mattli, are the costs of “specifying, negotiating, monitoring and enforcing the contracts that underlie exchange (Mattli, 1999: 9). In reducing these transaction costs, legalistic mechanisms increase the economic value of the contract. The down side however is that legalistic mechanisms will not only tie the hands of governments, robbing them of autonomy to manage unforeseen domestic backlashes, but will also constrain the ability to conduct transactions with extra regional partners.

One of the hypotheses that McCall Smith comes up with is “where asymmetry is high, legalism is unlikely to be high, even in cases where the proposed integration is deep” (McCall-Smith, 2000: 169). When McCall-Smith turns to empirical data, CARICOM is of course included in his study where asymmetry explains the anomaly of a high depth of integration matched with low legalism. This study was concluded before the CCJ came into being but even so, the highest level of legalism (i.e. direct effect in domestic law) does not exist in CARICOM and remains a contentious issue. In a more general sense, other theorists such as Ernst Haas and Philippe Schmitter see asymmetry as an obstacle to deeper integration and spill over from economic to political areas (not limited to dispute settlement mechanisms). These authors identify asymmetry as an intervening variable between the progression from economic to political integration (Haas and Schmitter, 1964).

The issue of the distribution of the benefits of regional integration has been a divisive issue between the smaller disadvantaged economies of CARICOM and the more

developed countries (MDCs). Since the formation of CARICOM and even CARIFTA, these less developed countries made their participation contingent upon commitments by the MDCs to address these asymmetries by corrective mechanisms. The LDCs' dissatisfaction with the lack of distributive measures delayed their signing of the CARIFTA agreement. When CARICOM negotiations came around, the same situation occurred. The issue of the location of industry was a particularly sensitive area.

The Georgetown Accord signed in 1973 struck a compromise between the LDCs and MDCs, which enabled a two-staged agreement to establish CARICOM. The MDCs (Barbados, Guyana, Jamaica and Trinidad and Tobago) would sign the agreement first on August 1, 1973 and then the LDCs (Belize, Dominica, Grenada, St.Kitts-Nevis-Aguilla, St. Lucia and St. Vincent) on 1st May, 1974 (Hall, 2003: 5). The Georgetown Accord contained agreements such as the harmonization of fiscal incentives to industry, and the Establishment of the Caribbean Investment Corporation—a corrective mechanism charged with providing equity investment in projects in the LDCs. The Accord also allowed special measures allowing exceptions to the LDCs.

Decades later, distributive issues came to the forefront and delayed OECS' participation in the CSME. In the 25th Heads of Government Conference in 2004 Prime Minister of Antigua and Barbuda expressed the concerns of the OECS saying:

Whereas the OECS current account has widened significantly due to export performance deterioration, Trinidad and Tobago has been able to increase its current accounts surplus via increased exports of goods and services. These imbalances are temporary but structural. They reflect real differences in economic capacity, factor prices labour market conditions, resource endowments and economies of scale in the production and export of goods and services (Monlouis, 2005).

Indeed, Trinidad and Tobago accounts for over half of intra regional trade and in a study conducted by the UN for the period 2002 to 2003, 80% of CARICOM trade was carried out among the larger countries of CARICOM. The Prime Minister of Antigua and Barbuda therefore called for the review of chapter 7 of the revised treaty of Chaguaramas which deals with disadvantaged countries, regions and sectors. An ECLAC report also agreed that Chapter 7 needs more attention, and believes that its enforcement is essential to ensuring greater participation from LDCs. “The lack of precision in the treaty’s terminology and area of application is an obstacle to its implementation” (ECLAC, 2005: 79).

Haas’ theorizing about the process of spill over is based on a “pluralistic type of politics” where interest groups make demands for carrying the process forward. Linked to the problem of low intra regional trade and consequent benefits to Caribbean society therefore is the level of pluralism in Caribbean societies. Measuring the actual level of pluralism in the Caribbean is beyond the scope of this paper but perhaps of most importance for the CSME is the need to engage the social partners in the integration process. Education awareness and cooperation from civil society, the private sector, non-governmental organizations and other interest groups is needed to propel the process of regional integration. These groups need to be made aware of both the benefits and costs of the CSME. A survey done in 2003 showed that 65% percent of Jamaicans had never heard of the CSME and only 10% could name some component of it (The Gleaner, 2006). Admittedly, efforts have been made to raise public awareness and engage the private sector. In 2004 for example, the Heads of Government Conference launched the CARICOM Radio Services initiative to keep Caribbean people aware of developments in

CARICOM. Jamaicans have also become more aware of matters pertaining to the CSME in recent months although State Minister of Foreign Affairs in Jamaica, Senator Delano Franklyn, still refers to an “information deficit” which dates back to the formation of CARICOM (The Gleaner, 2006).

Deutch mentions a variety of other factors that are of relevance to CARICOM such as the mobility of persons between the units of a prospective amalgamated security community. The CARICOM Heads of Government is seriously contemplating extending the list of skilled persons allowed freedom of movement to include unskilled labour, despite fears of the possible disruptive effects in national economies. Deutch also mentions that a “down payment” of tangible gains soon after the event, if not earlier, is necessary which again highlights the fact that the CSME is essentially a “leap of faith” for the Caribbean. Another interesting observation Deutch makes is the need for administrative capabilities in the main political units to be present to facilitate amalgamation. This makes the important point that the CSME will require efforts at both the regional and national level to create the capacities necessary for success.

VIII. CONCLUSION

Political Scientist Gordon Lewis once said, “only an economically and politically integrated Caribbean could maximize the sub region’s economic and political power and provide insulation against its provincial divisions” (Lewis, 1968: 343). Decades later these guidelines remain the same if not more important. Even though Ernst Haas’ neofunctionalist theory has been criticized because of its irrelevance to regional schemes involving developing countries, the logic of spill over should not be so easily discarded.

The historical and political context in which integration is taking place in CARICOM and other developing countries makes spill over very difficult, but the logic whereby activities associated with sectors initially integrated “affect neighbouring sectors not yet integrated, thereby becoming the focus of demands for more integration” still applies to CARICOM and it seems to other developing areas as well. The demands for regional integration have been more determined by exogenous shocks in the political economy rather than transnational society, but the functional significance of supranational agency is still presented by the exigencies of a CSME. The move to rise to this challenge will be particularly difficult for CARICOM given the historical context of integration. What was perhaps “automatic” in the EU will require a greater level of political will in CARICOM and engagement of CARICOM society.

Accompanied with the sentimentality attached to the idea of Caribbean unity, CARICOM needs to present practical and tangible gains through an increase in intra regional trade and clear the hurdles that block the region from achieving the political integration that indeed precludes the successful operation of the CSME. Education is essential in making Caribbean people aware of why the CSME is important for the region. Once there is a genuine demand for deeper integration from the Caribbean people as they link integration with development, so too will there be a demand for institutions to add certainty and credibility to the movement.

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