The Sir Arthur Lewis Institute of Social and Economic Studies (SALISES) 
University of the West Indies

International Conference on « The CARICOM Single Market and Economy »

The European Contribution and the role of the FTA in the process of Economic Integration in the Caribbean

La contribution européenne et le rôle des DFA dans le processus d’intégration économique de la zone Caraïbe

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February 2004
Abstract:

The participation of the French West Indian and Guianese territories in the process of economic integration within the Caribbean zone today raises more crucial questions and problems than those dealt with a few years ago, during the 1990’s. Certainly, after the creation of CARICOM, great steps have been taken by various Caribbean countries to realize an unique economic space, able to guarantee better circulation of their products, quicker convergence of their population’s income levels and an increase of their bargaining power on an international level. However, aren’t the steps that remain to be taken the more important ones, given the fact that numerous obstacles still block the route to integration?

In this paper, the arguments used to reply to this question and to other implied questions are developed around three major themes: results, stakes and future prospects?

An assessment with regard to the member countries shows mixed results after thirty years of integration efforts. Certain have registered real advances, their economies have been modernized, but generally, economic and social indicators paint a rather glum picture: unemployment rates remain very high, coverage rates are very weak and are often indicative of a heavy dependence on larger import markets, etc. Moreover, the principal commercial partners of CARICOM countries are non-member countries such as the United States and the United Kingdom.

Yet, the stakes of economic integration are very clear. It favors the creation of scale economies for member countries, which in turn engender a cumulative growth process. It favors the economic unification of countries who have different levels of development, to the benefit of the lesser developed countries. For the Caribbean specifically, integration is becoming necessary considering the new order of international trade which requires preferential agreements.

How then, can this integration be boosted and what are its prospects, concerning in particular an improvement of FTA participation?

Responses must be sought by examining and evaluating the different options offered to Caribbean countries to permit them to develop intra-Caribbean trade and to better integrate themselves into international trade. With regard to the option which incorporates the role of the FTA, it must be highlighted that the conditions for success are very much present since today’s context is very favourable, financial means are available and the will of the concerned authorities has been clearly expressed.
Résumé:
La participation des DOM des Antilles et de la Guyane dans le processus d’intégration économique de la Caraïbe soulève aujourd’hui des questions et des problématiques bien plus cruciales que celles abordées il y a quelques années, au cours de la décennie 90.
Certes, avec la constitution du CARICOM, une grande étape a été franchie par divers pays de la Caraïbe pour aller vers un espace économique unique pouvant garantir une meilleure circulation de leurs produits, une convergence plus rapide des niveaux de revenus de leurs populations ou encore un accroissement de leur pouvoir de négociation au niveau international.
Cependant, celles restant à franchir ne sont-elles pas les plus importantes tant il est vrai que de nombreux obstacles vers cette intégration sont encore bien présentes ?
Dans ce papier, l’argumentaire des explications pour répondre à cette question et celles qui en sont induites peut être déroulé dans trois directions : le bilan, les enjeux et les perspectives.
Le bilan déjà au niveau des pays membres est plus que mitigé après plus de trente ans d’effort d’intégration. Certains ont enregistré de réelles avancées, les économies ont connues une modernisation mais, globalement, les indicateurs économiques et sociaux des pays livrent une photographie sombre : les taux de chômage restent très élevés, les taux de couverture sont très faibles et traduisent souvent une grande dépendance aux grands marchés d’importation, etc. En outre, pour ces pays membres du CARICOM, les principaux partenaires commerciaux sont des pays tiers tels que les Etats-Unis et le Royaume-Uni.
Pourtant, les enjeux liés à l’intégration économique sont très clairs. Elle procure pour les pays membres des économies d’échelle qui engendrent un processus cumulatif de croissance. Elle favorise la convergence économique des pays de niveaux de développement différents, au profit des pays les moins développés de la zone. Pour la Caraïbe précisément, elle devient une nécessité compte tenu de la nouvelle donne du commerce international qui réclame l’abrogation des accords préférentiels.
Mais alors, comment relancer cette intégration et quelles sont ses perspectives, en particulier, celles liées à une meilleure participation des DFA ?
Il faut rechercher des réponses en examinant et en évaluant les différentes options offertes aux pays de la Caraïbe pour leur permettre de développer le commerce intra-Caraïbe et de mieux s’intégrer au commerce mondial. Sur l’option rattachée au rôle des DFA, il convient alors de souligner que les conditions de succès sont bien présentes puisque le contexte actuel est très favorable, les moyens de financement sont disponibles et les volontés des autorités concernées ont été exprimées clairement.
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Whether independent, associated states, or states/regions that are politically attached to larger countries, the Caribbean islands today have economies, social patterns and cultures which reflect their common history, colonisation, comparable realities and under development. After an initial experiment with regionalism which allowed them to implement a policy of substitution of imported goods necessary to develop their industrial sectors, the countries of the region opened their doors in the 1970’s to foreign capital, in the hope of jumpstarting the process of development. This experience was not quite successful: the industrial sector remained embryonic and imports were not reduced. The ensuing debts lead to the IMF’s proposal of different adjustment policies, which were based essentially on the opening up of borders to international trade. At the same time, the GATT and later the WTO were finding it difficult to speed up the processes of globalization and trade internationalization. These difficulties were largely due to the protectionist behaviours of certain states.

Between bloc protectionism and unilateral liberalism, regional integration appeared as a solution that would permit these states to realize commercial exchanges on a more extensive market, while at the same time protecting themselves from strong international competition. Although this approach was initiated by developed countries, (EC, NAFTA), it quickly attracted developing countries in search of methods of reinforcing their industrial fabric, without having to suffer the competitive attacks from industrialised countries.

The integration of the « wider Caribbean » which had timidly begun in the 1960’s accelerated with the creation in 1973 of CARICOM. The aim was to set in motion the process of improving the main macroeconomic indicators through the development of trade. Aided additionally by the signing of several agreements with Europe (Lomé convention), The United States (the CBI plan) and Canada (CARIBCAN plan), the objective was to increase both intra and inter-regional trade, which were necessary to build up a considerable Caribbean market.

At the end of the 90’s, integration entered its third phase. The ACS, following CARICOM’s example, began the process which would lead the region towards the creation of a united body, where France and the European Union intended to strengthen their roles through the French Territories of America (FTA), which are Europe’s Ultra-Peripheral Regions (UPR).

Today, in this constantly changing geopolitical universe, the econo-political context is different to that of the 1970’s: it presents at least one double constraint. Firstly, with the new rules of international trade, the preferential agreements recently granted by the EU must be gradually suppressed. It is thus necessary to rethink the region’s insertion into world trade. Secondly, the extension of the European Union to the countries of Eastern Europe signals the beginning of a difficult period for the FTA and likewise for the Caribbean countries that are signatories of the Lomé convention. In fact, the arrival of these new members is synonymous with new applications for aid and investment, thus reducing the share allocated to Caribbean countries.

In this new context, the integration of the FTA/UPR into their regional environment is more than desirable, for their own interests, those of the neighbouring countries, and also those of France and Europe. It is in this vein that national and European public policies in recent times have been trying to provide appropriate solutions, aiming to establish conditions that favour the integration of the FTA into the heart of the Caribbean region.

Today, more than 30 years after the signature of the first Lomé convention, two essential questions arise:

- What have been the consequences of the European contribution to integration in the Caribbean?
On the basis of new instruments such as the Programming law, the Community Initiative Programme INTEREG III B, the DOCUP 2000-2006, the Fund for Regional Cooperation –FRC-, what are the perspectives for real integration of the FTA into the wider Caribbean?

I. Economic Integration in the Caribbean: a necessity

The problems encountered by the GATT to intensify trade amongst nations are surely at the origin of regionalization as an intermediary stage between internationalization and globalization. Regionalization, a process by which several countries come together to remove the discriminatory barriers from amongst them, is presented as a solution to the different obstacles faced by the globalization process. Generally, regionalization takes the form of an Economic Community or an Economic and Monetary Union, but since the Caribbean does not yet have the means of achieving the latter, the region contents itself with the former.

With the creation of CARICOM and other integrationist movements, definitive efforts have been agreed upon to develop intra-Caribbean trade, in order to attain a convergence of growth and revenue. Henceforth, these efforts represent the basis upon which the ACS relies for a more complete and large-scale integration of the wider Caribbean.

1. From a theoretical point of view

The theoretical debate on trade liberalization was introduced in the 1950’s due to the unexpected consequences of two conflicting processes. On one hand, trade globalization, imposed by the globalization of certain companies attempting to respond to a growing demand for new products. On the other hand, regionalization, presented as a response to the fragility of developing countries seeking to imitate the European Economic Community by uniting, in order to become a force during international business negotiations.

The small and insular countries of the Caribbean are concerned by the latter process. Very early, Caribbean economists such as A. Lewis (1950) began to look into the problem of integration in the Caribbean. A first attempt was realized by the formation of CARIFTA in 1960, followed in 1973 by CARICOM. From the 1980’s onwards, with the revival of globalization, the context was a different one. Large countries began to look into regional integration; regionalization was back with a vengeance. This was the case in the Americas, with NAFTA (1991) and MERCOSUR (1991), in Asia with ASEAN (1992), In Europe with the European Union (1993) and in the Caribbean with the ACS (1995).

Henceforth, it was in this new context that the effects of regional integration were globally analyzed, and considered as the creation of a zone of free-trade or customs agreements.

An integrated zone can appreciated on the basis of two effects which work in opposite ways: the effect of « traffic creation » if supplies within the zone reduce production costs in member countries, and the effect of « traffic diversion » if the inverse occurs.

Viner’s classic analysis (1950), later completed by the works of Vanek (1965) and de Kemp (1969), highlights the possibility of globally negative effects in a free-trade zone, linked to the risk of traffic diversion, which jeopardizes the zone’s impact on its member countries. An increase in intra-zone trade always generates a profit for the exporter, while the effect on the importer remains ambiguous. Once profit is not certain for all member countries, there is no reason to prefer regional integration to trade multi-lateralization. It must be recalled that during this period, the developing countries that exported mainly primary products had export agreements which guaranteed a high level of coverage. The uncertainty of substantial profit
realization may explain the failure of integration attempts in the regions of Africa, Latin America and the Caribbean. However, an analysis of the different situations points to another reason for this failure: the fact that the member countries’ economies are not complementary. This condition, which was not often fulfilled by these countries, (whose economies were more often than not competitive and not complementary) does not necessarily limit integration. Meade (1955) and Lipsey (1957), in introducing the effect of « consumption of positive intermediate goods» which can balance the effect of diversion, explained that it does not automatically entail a complete loss of efficiency. Nevertheless, their reasoning proved insufficient to curb the enthusiasm of the defenders of multilateralism, who were campaigning for a revival of trade globalization.

Over the course of the 70’s, there was a renewal of the theory. The study by Melo, Panagariya and Rodrik (1992) of « The New Dimensions in Regional Integration » demonstrated that the consequences of economic integration go beyond its effects on the exchange of goods, services and factors, to reach institutional cooperation. Thus, little does it matter that the countries compete with each other where production is concerned, if they are able to together set up the technical services that are common to research, health, the environment, and other areas. Furthermore, it was also demonstrated that the unfavourable effects of the free-trade zone can be limited and even reversed. All of these elements are not foreign to the revival of interest observed during this period, in economic integration.

The situation has been relatively modified, new theories attempt to answer old questions, and emphasize the advantages of belonging to an integrated zone:
- countries benefit from a protected market while being free to export without restrictions;
- suppression of tariff barriers within the zone reduces production costs, since imports are cheaper;
- each country is able to use its resources more efficiently, so as to develop products with more added value.

As a result, there is an intensification of trade within the integrated zone and multiple profits for each country. We are dealing here with a situation of « traffic creation » which is not compatible with an increase of competitiveness on an international level.

It must be highlighted however, that unexpected effects like « traffic diversion » may occur. A situation may arise where a country from the integrated zone, in the name of trade preference, abandons its initial, lower-priced supplier in favour of a more costly producer from within the zone. If we compare the gains of the integrated zone to the losses of the importing country, we may determine that the situation is not detrimental to the importing country, because it can still realize a net profit. According to Phan (1999), an act of regional integration which could lead to « traffic diversion » is not necessarily an unfavourable factor for the importer, provided that the regional agreement does not entail substantial deterioration of the terms of trade. Similarly, Krugman (1992) argues that simultaneous consideration of both « creation and diversion of traffic » can on the contrary give rise to arguments in favour of regionalism. He insists on the need that countries will experience to gradually integrate themselves into regional blocs, as trade becomes increasingly globalized. It is simply up to each country to profit from the « creation of traffic » within the integrated zone, while being free in its exports, in order to gradually reduce its dependence on “external” countries. Moreover, these countries must not remain indifferent to other cheaper suppliers, even if they are outside of the zone.

Although this approach provides economic arguments in favour of integration, it nevertheless emphasizes the considerable difficulties that must be overcome, for integration to be successful. While it is true that an integrated zone permits weaker countries to improve their production,
growth, and average revenue, it also permits the richer nations to benefit from similar improvements. In this case, the question of convergence may arise. From very early on Myrdal (1957) provided an answer by underscoring the fact that integration can lead to the convergence of member countries, but that it can also, by a cumulative process of growth, widen the gap between the poor and rich countries of the integrated zone. The richer countries being more attractive, they have a wider capacity to accumulate wealth, and thus aggravate poverty in the less affluent countries. This process creates a vicious cycle which, at a certain stage, prevents convergence: development is polarized. Needless to say, the reduction of the gap between richer and poorer countries depends on the concentrated efforts and political goodwill of each country for development in the zone to be consistent.

Among the lessons to be learnt from this analysis is that it does not defend protectionism or multilateralism, but highlights how difficult it is to achieve convergence and display political goodwill, two conditions required by this line of reasoning. By being based upon the role of scale economies and the hypotheses of imperfect competition, the new theories of geographic economy throw new light on the disparities which may exist among countries belonging to the same zone of integration.

According to Lucas (1988), integration can thus represent a delaying factor to regional convergence. The development of commercial trade can lead certain countries to become specialized in sectors where they enjoy a comparative advantage and where the effects of training are almost nonexistent, allowing them consequently to quickly improve their growth. More recently, Krugman (1991) put forward the possibility for the more developed countries to attract industries that are seeking to benefit from bigger markets. In addition, wage differentials and cheaper prices on industrial products may attract workers. Within this context, Krugman and Venables (1995) showed that every policy on regional integration that aims to reduce transport costs, in order to develop the trade of industrial goods, risks facilitating the emergence of a more developed « centre » to the detriment of the poorer « periphery ». However, once transport costs continue to drop, we can expect a process of revenue convergence in which the peripheral countries profit and those in the centre lose out.

From this debate it can be appreciated that the difficulties faced during the setting-up of a zone of integration must not curb the zeal of the countries involved, because the benefits associated with belonging to a free-trade zone are undeniable.

It is clear then that integration, despite the difficulties that it might generate, is often necessary in regions where there is disparity among countries, as much in terms of growth as in terms of revenue. Furthermore, it appears that integration is even more likely to result in convergence among countries if each country tries to develop its industrial sector within a wider market which is protected by a common external tariff.

Finally, as shown by Heliodoro (2002) the success of certain integrationalist movements in Latin America, such as MERCOSUR, corroborates the theory whereby regional integration is an important stage of insertion in the global economy for developing and emerging countries. Even today, the negotiations between the European Union and African, Caribbean and Pacific (ACP) countries are proving to be extremely important in reinforcing the weight of the ACP countries in international agricultural negotiations.

2. With respect to the Caribbean’s Economic Reality
The FTA and other island sovereign-states (Virgin Islands, Puerto Rico) apart, this region can be considered as a developing zone. Caribbean economies are often faced with very similar problems. They are primarily affected by the limited size of their market: Cuba, the island with the largest population, only has 11 million inhabitants. The richest countries (The Bahamas, The Caiman Islands and Barbados) enjoy an average yearly revenue of about US $10,000, but the majority of the region’s inhabitants have yearly revenues of less than $5,000. Haiti is a particular case, with an average revenue of less than $1,000.

**Primary sector in crisis**
The region’s economies are characterized by an ailing primary sector. They are marked by non-dynamic specialization in primary products such as sugar cane and bananas, which face increasingly insurmountable problems on the global market. Since the 1970’s, this specialization has never been able to bring in substantial revenue for Caribbean countries, because the primary products have undergone and continue to suffer from constant blows, in terms of trade. These products are more and more marginalised in international trade, resulting in the death of sugar and banana protocols.

Gathered at the heart CARICOM, Caribbean states have no real power in international negotiations to wield in the market for primary products.

To this day, though international commercial negotiations aim to knock down tariff barriers, industrialized countries continue to replace them with non-tariff barriers, keeping Caribbean countries specialized in traditional agricultural products. Moreover, Europe’s common agricultural policy maintains unfair competition on behalf of European exporters, which discourages the small Caribbean producers. Similarly, the research carried out in industrialized countries, in the field of biotechnology leads to new substitute products being placed on the market, which in turn also increases competition.

However, the reasons that have been evoked are not the only ones responsible for the decrease in agricultural exports from the countries of this zone. There is also a lack of internal competitiveness linked to the numerous production constraints, among which must be cited: a lack of infrastructure; an insufficient mobilisation of savings which hinders the banking system’s capacity to finance production; production structures that are not geared towards the transformation of agricultural products.

In addition to these problems, two major hurdles in the region’s economic situation can be identified:

- A total absence of common strategy for market protection, though this is necessary to ensure a reduction in the agricultural deficit and to protect the markets held by the region’s economies, in the face of agricultural imports from industrialized countries. In fact, in the long run, these imports can lead to the ruin of agricultural production. The establishment of a common external tariff for the different product categories is often proposed as a possible solution.

- The fact that many countries belong to different zones of regional integration considerably slows down the process of integration, and prevents them from having a common strategy in their trade negotiations. This is the case of the region’s banana producers, such as Belize, which belongs to both the Central American Common Market and the ACS, or Saint Lucia and Dominica, which are members of CARICOM and of the ACS. These countries, which belong to the same region that is seeking to become more integrated, are competing with each other on the international banana market, instead of using their situation to reinforce their power of negotiation.
Overcoming these difficulties requires a conscious effort on the part of these countries to get involved in the decision-making process of regional groups, in order to together define their strategies.

**A similar situation in secondary and tertiary sectors**
The industrial sector, despite the considerable efforts that have been made, is not very developed and has not yet found its bearings. The region’s industrial fabric was severely weakened when the substitution strategy applied during the 70’s, undermined by two oil crises and European protectionism, ran out of steam before its impact could even be felt.
In addition, it is true that the tertiary sector which is primarily developed around two activities, tourism and commerce, is considered to be the least sluggish sector. But today, the countries of this insular region are still heavily dependent on external markets, in particular the United States, with whom they continue to practise a strong bilateral trade. Furthermore, it is observed that external accounts are increasingly reduced and certain countries, such as Jamaica and the Dominican Republic, are sinking deeper and deeper into debt.

Today, it can be said, in general terms, that the Caribbean economy which was essentially based on agriculture at the beginning of the 20th century, has advanced considerably. Services have replaced agriculture in most of these countries, and the manufacturing industry has also been developed in certain of them, thus increasing the average revenue, which in the late 90’s was placed at US $7,666, with 13 countries exceeding this average.
However, the gap which separates the region’s richest and poorest countries confirms the analysis made by Krugman (1991). This gap stands at 65 to 1 between the richest country (the Caiman Islands) and the poorest country (Haiti). According to the Inter-American Development Bank and the Social Sciences Research Council of New York, that together financed a study of the reasons for this gap where economic growth is concerned, external trade seems to be the key factor in growth performance. In fact, the countries registering the highest rates of growth are those that are heavily involved in international commerce, primarily through the establishment of industrial free-trade zones, as is the case in the Dominican Republic and Jamaica.

In the process of regional integration, the Caribbean countries which encounter similar problems can benefit from the capacities of one or another of the group’s members to set up more efficient regional structures, in order to deal with the problems which plague them. This holds true in domains as diverse as higher education (common universities), health standards, or even plant conservation and technical standards (regional laboratories).

The preceding theoretical permits above all else, the emphasis of its impact on the development of trade among countries belonging to the same zone of integration, ad the role that regional groups can play in reinforcing their weight during international negotiations, as long as certain conditions are met.

### 3. Regarding inter-Caribbean trade

After more than 30 years of integration efforts, the flow of commercial trade among Caribbean countries appears to have had mixed results. The formation of CARICOM as a zone of integration has developed intra-regional trade on one hand, which grew from 7.3 % of total exports in 1970 to 13.1 % in 1983. But in 1990, this was reduced to 12.3 %. The percentage of the 80’s is in fact inferior to that of the years preceding the community’s existence. After this period of stagnation, trade was revitalized during the 90’s. Hence, from the 12.3 % recorded in 1990, the percentage of total exports rose to more than 19.1 % in 2000. Nevertheless, according
to Bennett (1998), these results are well below what they should be within the framework of an economic union, where trade plays an important role. To make the situation even gloomier, it appears that the countries that profit most from this free-trade regime are those that are outside of the zone. There has been a considerable increase in the importation of raw materials used in CARICOM production, which in turn make up the majority of intra-zone exports and imports. The explanation for this lies essentially in the fact that is difficult to enforce the rules of origin.

Are CARICOM countries turning more towards the exterior than towards their own regional market? The tables below tend to confirm this theory. The food-processing sector’s percentage of imports has been maintained, with a slight increase in 2000, but that of the manufacturing sector has decreased over the course of the decade. This is perhaps the result of the effort made by each country to develop its industrial sector and substitute imports for light manufactures goods. The percentage of petroleum product imports corroborates this theory. The development of the industrial sector requires a greater consumption of energy.

Table 1. Contribution made by key sectors to the development of intra-regional imports (in %)

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<tbody>
<tr>
<td>Food Products</td>
<td>18.7</td>
<td>17.8</td>
<td>18.6</td>
<td>19.0</td>
</tr>
<tr>
<td>Petroleum Products</td>
<td>23.4</td>
<td>36.3</td>
<td>16.6</td>
<td>48.0</td>
</tr>
<tr>
<td>Manufactured Products</td>
<td>19.6</td>
<td>17.3</td>
<td>13.7</td>
<td>11.8</td>
</tr>
</tbody>
</table>

Source : CARICOM (2002)

Table 2. Contribution made by key sectors to the development of intra-regional exports (in %)

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<tbody>
<tr>
<td>Food Products</td>
<td>19.5</td>
<td>16.5</td>
<td>15.7</td>
<td>13.5</td>
</tr>
<tr>
<td>Petroleum Products</td>
<td>27.2</td>
<td>38.4</td>
<td>40.6</td>
<td>53.0</td>
</tr>
<tr>
<td>Manufactured Products</td>
<td>20.7</td>
<td>16.5</td>
<td>14.2</td>
<td>12.2</td>
</tr>
</tbody>
</table>

Source : CARICOM (2002)

After an analysis of the figures of total trade, it is clear that the region’s commerce experienced some sluggishness during the 90’s. The percentage represented by intra-regional trade in total trade, underwent very little evolution. The percentage of inter-regional imports with regard to total imports only progressed a mere 7 points between 1990 and 2000. This growth was primarily due to the importation of food products, which increased from 12.2 to 17.8 % between 1995 and 2000. Manufactured products on the other hand saw a clear reduction; they dropped from 12.2 to 8.9 % during the same period. In 2000, 91 % of manufactured products, 82 % of food products and 75 % of petroleum products came from external markets.

The percentage of regional exports with respect to total exports has similarly evolved. It grew from 12.3 to 19.2 % during the same period, but decreased where manufacture goods were concerned. At the end of the decade, 65 % of regional manufactured goods, 80 % of the region’s mineral products and 78 % of its food products were exported primarily to American and European markets.

Even though trade was developed to some extent in the 90’s, a global analysis of these figures reveals a lack of vitality in intra-CARICOM trade.
This situation is often linked to the problem of transport between Caribbean countries. A study done by the ACS revealed that the proportion of transport costs in the total cost of imports lies between 10 and 15% for the wider Caribbean countries, and at 12% for CARICOM countries, figures that are three times higher than the international average. To reduce these costs, the solution lies firstly in the creation of scale economies, in order to redistribute costs over a larger number of units. It would then be necessary to upgrade existing ports, for them to become true hubs of transfer, capable of accommodating containerized cargos.

Efforts have already been made to achieve this, as is the case in Jamaica and Cuba, but there remains much to be done. After having invested in the improvements of their ports, the governments of different CARICOM countries would gain much by establishing, in conjunction with maritime companies, systems which aim to reduce operation costs.

Air transport should also be improved, in order to facilitate communication between populations and to develop regional and international tourism, which are major sources of foreign currency in the region. Today, the fact is that it is a lot easier to travel from a Caribbean country to metropolitan cities, than it is to travel to other countries of the region.

The weak points of inter-Caribbean trade that have been explored explain the difficulty of forming true regional markets within the Caribbean. As Guillemont (1991) highlighted, the creation of a free-trade zone is not really worthwhile if all the countries specialize in primary products. This would result in stiff competition within the zone, where traditional products are concerned. Moreover, the proximity of more fruitful markets, as well as the superior organization of transport between the Caribbean and larger markets curb integration. The situation will improve only when production structures become more complementary and when the goods being traded are manufactured goods.

In today’s context of trade globalization, regional monetary integration and the establishment of a common external tariff are objectives that would increase the possibility of complete integration. The fixing of exchange rates lies at the centre of national macroeconomic policies. This is the one monetary factor that, once stabilized, can facilitate the development of commercial trade. In today’s system of floating rates, the great volatility of short-term capital, on an international scale, creates numerous difficulties for many countries to ensure the stability of their exchange rates, leading to serious economic consequences with which we are all familiar.

While the countries of the OECS have succeeded in creating a monetary zone with a rate fixed to the dollar, and while Barbados has followed their example, the majority of the region’s countries have left their currency to float against the dollar with the consequences that are familiar to all. The generally disappointing economic results, as much in terms of cohesion as of economic catching-up, show that regional integration in the Caribbean is far from being achieved. Despite the attachment to the idea of economic union that is largely shared by the Caribbean decision-makers and populations, the fact is that its fulfilment remains suspended. This fulfilment depends, at first glance, on the capacity of the Heads of State to utilize the measures initially provided in the Treaty of Chaguaramas. These measures essentially concern a common external tariff, which has never seen the light of day, and the application of the rules of origin in order to better regulate the flow of foreign products or those made up of primarily foreign elements. This is the challenge that CARICOM governments were seeking to overcome with the signing of new agreements in 1997, thereby modifying the Treaty of Chaguaramas. CARICOM is being reinforced by a stronger internal integration, but also by an enlargement of the community to include non english-speaking countries such as Cuba and Haiti, even if, as pointed out by Collins (2002), this creates tension between certain countries.
II. Thirty years of European, French and FTA participation: how ? consequences ?

1. A series of institutional and financial measures…

Europe’s cooperation with Caribbean countries dates back to 1975, when Caribbean, African and Pacific countries signed the first Lomé convention with the EC. Europe’s solidarity was expressed, along with its will to support the economic development of its former colonies. The convention specified the principles and objectives of Europe’s cooperation with ACP countries. The new relationship which was established between these two bodies was based from then on a non-reciprocal preferential treatment of products exported from ACP countries to the EC as well as on sugar, rum, rice and banana agreements. This preferential treatment was supported by the STABEX system which compensated for any deficit in the export earnings of ACP countries, linked to the fluctuation of prices on the international market. Another instrument was introduced with the signing of the second convention: the SYSMIN system, which was set up to further develop industry. It thus included certain measures aimed at consolidating the organizations created by the ACP countries to promote regional integration, as well as to develop transport in insular, land-locked countries. The third convention dealt with self-sufficiency and food safety, but it was the fourth that really held the world’s attention. It placed emphasis on environmental protection, decentralized cooperation, economic diversification in ACP countries, private sector promotion and regional cooperation. Nevertheless, even as early as 1995, during the review of the fourth convention, Europe’s desire to gradually withdraw could already be felt. Particular attention was therefore accorded to decentralized cooperation, whereby private entities would play an increasingly important role.

During this period, what was the role played by the FTA in the region? This issue was raised by Crusol (1999) who analysed the region’s integration in the context of globalization. From the signing of the first convention, de facto integrated into Europe, the FTA were penalized by certain measures considered to be particularly disadvantageous, because they impede any real possibility of trade with Caribbean countries. Thus, Caribbean exports are able to enter FTA markets duty-free, these markets being the first European frontier for the countries of the region. Imports from European territories, in other words from the FTA, are on the contrary controlled by the « Negative List », when they compete with products sold by Caribbean countries. The penetration of neighbouring markets is thus hindered by customs protection. This non-reciprocity of advantages between ACP and European countries can be considered, according to Gallot (2000), as one of the trade weaknesses between the FTA and the Caribbean. Generally, the first Lomé convention was focused on the development of ACP countries, without really taking the economic reality of the DFA into consideration. However, this reality does not correspond to that of continental Europe. Thus, to compensate for this shortcoming, certain measures to support cooperation between Caribbean ACP countries and the DFA were provided in the conventions Lomé III and IV, as well as in the POSEIDOM.

This issue has not been at the forefront of the agendas of successive French governments. Only a few decades ago, in an attempt to remedy this situation, did the French authorities begin to consecrate significant efforts to the development of regional cooperation between the FTA and Caribbean countries. In 1990, these efforts were materialized in the creation of an Inter-ministerial Fund for Cooperation in the French West Indies and French Guyana (IFC), which is destined to the financing of development projects in fields as diverse as scientific research, protection from natural disasters or even economic development. These projects, which associate a nation of the region with an FTA partner, are designed to strengthen the economic fabric of the
participating countries. Between 1996 and 2000, more than one hundred projects were financed by the IFC to a total of 43 million francs. 30% of this total went towards the economic sector, 16% to agriculture, 12% to trade and 2% to tourism. The Dominican Republic, Cuba, Haiti, Brazil, Trinidad and Tobago, the OECS countries have been the main beneficiaries of this fund. In more general terms, financial reports for the period 1990-2000 show a total of 59,425,515 francs in grants.

At the same time, Caribbean countries belonging to the PZS (Priority Zone of Solidarity) receive aid from France, to partially finance the development of their economies. However, it must be highlighted that the reform of cooperation protocol has led to the redefinition of the PZS as a zone in which «aid for French bilateral development must be selective and concentrated», and must include notably «countries that are less developed in terms of revenue, which do not have access to capital markets». After this reform, the PZS was reduced from 61 to 54 countries. Among the countries that were dropped were several Caribbean countries: Antigua and Barbuda, Barbados, St. Kitts and Nevis, St. Lucia, Grenada, Dominica and St. Vincent and the Grenadines. These countries were considered to have attained a level of development permitting them to benefit from the new funds at the disposition of the FTA. After February 2002, the only countries from this region remaining in the PZS were Haiti, Cuba, Suriname and the Dominican Republic, which are considered to be the countries facing the most difficulties.

2. … for mixed results

After more than thirty years of French and European intervention in the Caribbean, we are in a position to draw up an initial report. After the first convention, it became clear that the aid granted to Caribbean countries permitted them to develop their infrastructure and to improve their agricultural sectors. The period between the signing of the first and fourth conventions was marked by substantial financial aid from Europe. Nevertheless, despite what may be considered as the general success of this cooperation, statistics revealed in initial studies indicate that commercial preferential treatment has not been sufficient to ensure the development of industrial activity, which remains restricted to the various areas of food-processing. Companies desiring to get into the industrial sector found themselves faced with certain problems, such as the inaccessibility of credit or growth instability which curbs the creation of product outlets. Among the few countries which registered an economic growth as a result of these protocols and preferential treatments, Jamaica was the only one from the Caribbean region. The countries of this region and in general the ACP countries have come up against considerable obstacles on world markets. These barriers are still present, notably for processed agricultural products, a factor which limits these countries to the production and exportation of primary products, even though the prices of these products are constantly dropping.

Yet another hindrance has been the recent tendency to replace tariff barriers with non-tariff barriers (primarily organic protection, sanitary and technical norms). And while the substitution strategy has permitted the growth of light industry in numerous countries, it has not been enough to accelerate trade. The different products that are being developed do not yet sufficiently complement each other.
After the fourth Lomé convention, there was no remarkable progress in intra-regional trade, and regional integration within CARICOM has had its success impeded by quite a few problems. ACP/UE cooperation now has to conform to the new rules of the WTO, so Caribbean countries will no longer be able to benefit fully from the SGP. A new agreement, the Treaty of Cotonou, has since been signed with ACP countries, and now replaces the Lomé convention. It provides for the setting up of Economic Partnership Agreements (EPA) between Europe and regional blocs of ACP countries. This new form of cooperation is expected to build the foundation for more competitive economies and to enable the attempts of regional integration to bear fruit, while encouraging new attempts.

Even though many questions came to light after this decision, notably concerning the capacity of EPA negotiations to reinforce the integration process that was already taking place, it should be emphasized that this can considered to be a transitional solution for the period of special dispensation accorded by the WTO, with regard to the preferential unilateral tariffs which will cease to have effect on January 1, 2008. However, the fears expressed by Caribbean countries are doubly legitimate. Firstly, it is quite likely that the EPA will pose serious competition to the regional integration programmes which promote national interests and which were developed by the Caribbean countries themselves.

Secondly, these agreements apply to very few of the region’s countries. With regard to the measures introduced by France within the last ten years to develop ties between the FTA and the wider Caribbean, their impact can be evaluated as much in terms of companies’ market expansion as of job creation for young people, improved management of natural resources and environmental protection within the region. This wider integration is appealing in at least two ways. On one hand, it can encourage the countries of the region, including the ones that are economically weaker, to concentrate more efforts on the development of their industries. On the other, it represents an asset to countries which offer products with high added value. The FTA, which has substantial means of investment at their disposal, have thus, amore than ample reason to improve their economic fabric.

### III. New strategies for cooperation : initial results ? future prospects ?

During this historical and exceptional period marked by the changing of millenniums, many resolutions have been made by governmental authorities. In Europe particularly, with the adoption of the « Agenda 2000 » package, which contains the financial perspectives for the period 2000-2006 and which regroups numerous reforms that are to be applied in order to deal with certain challenges, the European Union has firmly committed itself to this approach. By redefining its objectives, methods and structural aids, the European Commission has asserted its political strategies to better attain its greatest ambitions: successfully undertake the expansion of Europe to twenty-seven countries; accomplish an economic and monetary union in the best conditions possible; improve the economic, social and spatial cohesion of its territories; etc.

Within this Community context, which appears to be marked by a stronger desire to solve problems resulting from society’s previous and future lifestyles, the outlines of economic cooperation have also been reshaped by the adoption of central principles that are intended to radicalize this cooperation. Along with the revision of certain systems, such as the Community Initiative Programme (CIP) and INTEREG III-B, this probably represents the most accessible and effective way of concretizing and sustaining FTA projects for regional integration.
For their part, despite limited financial means, such as the Fund for Regional Cooperation (FRC), national policies are also following in Europe’s steps. After having explored the principal theoretical aspects of integration and certain practical questions linked to the participation of national and community bodies in this process during the 1970’s, 80’s and 90’s, it now necessary to consider present and future prospects.

1. National Strategy

Since the signing of decree no. 2001-314 on April 11, 2001 which introduced decentralized regional cooperation to regional assemblies, the Inter-ministerial Fund for Cooperation (IFC) in the French West Indies and French Guyana has been suppressed, giving way in each FTA to the FRC. Along with other financial instruments, this fund is intended to contribute to a more dynamic insertion of the FTA in their geographic environment. It is to be used to finance activities related to economic, social and cultural cooperation, in liaison with the activity schedules of the region’s embassies. Thus, many new programmes are being developed, in addition to those that have been in existence since the 1980’s.

In each FTA, the setting up of the FRC has been supervised by a management committee made up of three State representatives, two Regional Council representatives and two General Council representatives.

In concrete terms, after almost two years in existence, what assessment can be made of the functioning and the impact of this programme?

Considering the fact that the FRC system can be considered to be both an instrument and a State programme, it seems only natural to approach this issue from the angle of the concepts and methodologies associated with the evaluation of public policies. Nevertheless, although it may still be too early to attain the data required to formulate complete responses to this question and to judge the system’s value, it is possible to analyze certain indicative elements of the quantitative and qualitative assessments.

Elements for the assessment of the programme’s launch

We must examine certain questions linked to the conditions in which the FCR was established and which in turn lead to an examination of communication and information operations, management procedures, time limits and follow-up systems.

The first conference on regional cooperation in the French West Indies and Guyana, which took place on February 8, 2003, was primarily focused on this exercise. Representatives from different nations (France was represented by the overseas Minister, the Minister responsible for cooperation and francophonie, the Ambassador delegated to regional cooperation in the Caribbean region, the Prefects and Presidents of the Regional and General Councils; the English and Spanish-speaking Caribbean was represented by officials from Saint Lucia, Suriname, Trinidad & Tobago and Venezuela) have often confirmed the positive aspects of the functioning of the FCR, as much for its calls for projects and the eligibility of these projects, as for the dialogue that takes place among the different partners.

By inheriting the organizational structure of the IFC, the FRC benefited from all of its management logistics:
- classic communication operations via the press for the calls for bids;
- the availability of a programme guide on the web-site of the region’s Prefecture, open to all, especially to those who have projects to propose;
- the holding of meetings with respect for the provisions of the law, as was highlighted by the French Ambassador delegated to regional cooperation during the conference on February 8, 2003, “…the maintaining of this type of regularity requires work that is followed up meticulous, and highly effective from the Prefects presiding over the FRC, as well as the SGAR’s and their collaborators who work on project files”.

Elements for an assessment of achievements, results and impact
What are the findings and conclusions on the development of the FRC, in terms of its financial and physical aspects?
Globally, at least three sets of figures concerning the programme’s impact have been brought to light by statistical sources of the different Prefectures.
The first concerns the number of projects. During the year 2002, more than 150 files concerning requests for subvention were submitted to the three FRC and of this number, 73 received favourable responses. At the first council of the year 2002, Guadeloupe retained 20 projects out of 38, Martinique 15 out of 31 and French Guyana 8 out of 22. At the second council, Guadeloupe approved 16 projects out of 22, Martinique 8 out of 16 and French Guyana 6 out of 10.

The second set of figures concerns the financial aspect: the total sum allotted to these projects was estimated at 2 268 000 euros, which corresponds to 99.18% of the 2002 budget provided by the Government, a budget which is added to the 762 245 euros allotted to each FRC.
Finally, the third set of figures concerns the distribution of these projects. Financial cooperation actions cover a broad spectrum of countries, which are principally members of the ACS or CARICOM. The countries that are geographically closest to the FTA benefit from a more maintained form of support. These include, in order of the number of projects granted, Saint Lucia, Cuba, Brazil Trinidad & Tobago, Dominica, Haiti, the Dominican Republic, Surinam, Saint Vincent, Saint Kitts & Nevis and Jamaica.

On a more detailed level, the Guadeloupean example can be used to broach certain quantitative and qualitative aspects of the functioning of the FRC during the years 2001 and 2002.
In these two years, 76 projects were validated by the examining services of the regional Prefecture. On the basis of information provided by the SGAR, extracts from the files cataloguing requests for subvention, a typological analysis of the different cases can easily be done, using certain variables that should be carefully defined.
As the table below shows, 52.63% of the validated projects were commenced in 2001 and the remaining 47.37% in 2002.

<table>
<thead>
<tr>
<th>Project commencement period</th>
<th>2001</th>
<th>40</th>
<th>52.63%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>36</td>
<td>76</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Characteristics depending on project coordinator, location and theme
The group of project coordinators benefitting from the FRC is very heterogeneous, since they represent nine types activities, as shown by the table below. This group is primarily made up of associations operating in various cultural domains. In second place, the institutional world plays a very important role in cooperation, particularly the Guadeloupean Regional Council which appears twelve times on the list of project proposers.
The validated projects have permitted the development of operations associating one or several French Overseas Department and foreign nations. The countries that are principally attracted are, in this order, Haiti, Cuba, Dominica and the Dominican Republic. Territorial distribution of the office bases of the different project coordinators is divided according to four geographic zones:
- the Pointe-à-Pitre zone, which encompasses the town itself as well as Abymes, Baie-Mahault and Gosier;
- the Basse-Terre zone, which encompasses Baillif, Gourbeyre and Saint-Claude;
- other Guadeloupe communities, numbering twenty-six;
- foreign countries, especially the islands closest to Guadeloupe as well as NGOs and French embassies.

The following table shows clearly that projects proposals tend to be concentrated in the two zones. The distribution among the different communities of Guadeloupe is thus very unequal. However, certain communities, and particularly those that are not on mainland Guadeloupe, would gain a lot more if they spent more efforts on the development of a dynamic cooperation.

<table>
<thead>
<tr>
<th>Domain of project coordinator</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associative and cultural</td>
<td>34</td>
<td>44.74%</td>
</tr>
<tr>
<td>Institutional</td>
<td>14</td>
<td>18.42%</td>
</tr>
<tr>
<td>Commercial</td>
<td>4</td>
<td>5.26%</td>
</tr>
<tr>
<td>Educational</td>
<td>6</td>
<td>7.89%</td>
</tr>
<tr>
<td>Health</td>
<td>1</td>
<td>1.32%</td>
</tr>
<tr>
<td>Research</td>
<td>3</td>
<td>3.95%</td>
</tr>
<tr>
<td>Cultural activist</td>
<td>7</td>
<td>9.21%</td>
</tr>
<tr>
<td>Sport</td>
<td>2</td>
<td>2.63%</td>
</tr>
<tr>
<td>Foreign</td>
<td>5</td>
<td>6.58%</td>
</tr>
<tr>
<td>Total</td>
<td>76</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

In reflection of the distribution according to the project domain, the division of the projects by theme shows that those most concerned are culture, training and health. The importance of training can be partially explained by the fact that besides the persons specializing in training
(university, high school, etc.), cultural associations have also established training projects in their specific domains.

<table>
<thead>
<tr>
<th>Project theme</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture</td>
<td>40</td>
<td>52.63%</td>
</tr>
<tr>
<td>Training</td>
<td>18</td>
<td>23.68%</td>
</tr>
<tr>
<td>Research</td>
<td>4</td>
<td>5.26%</td>
</tr>
<tr>
<td>Economic Development</td>
<td>3</td>
<td>3.95%</td>
</tr>
<tr>
<td>Agriculture and Fishing</td>
<td>1</td>
<td>1.32%</td>
</tr>
<tr>
<td>Tourism</td>
<td>1</td>
<td>1.32%</td>
</tr>
<tr>
<td>Sport</td>
<td>2</td>
<td>2.63%</td>
</tr>
<tr>
<td>Health</td>
<td>7</td>
<td>9.21%</td>
</tr>
<tr>
<td>Total</td>
<td>76</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Finally, it is important to recognize that only three projects of an economic nature were presented: one in 2001 concerning a feasibility study on the setting up of a food-based hypermarket in Saint Lucia; two in 2002 dedicated respectively to the development and broadcasting of a television station in the southern Caribbean and to the setting up of a plant to recycle plastic waste.

Typology according to cost

The total sum granted by the prefectoral authorities for the two years adds up to €1,666,476 euros: €756,976 in 2001 and €909,500 in 2002. Thus, one can observe that the 2001 financing utilized almost all of the foreseen budget of €762,245, and for the year 2002, the estimated budget of the same sum was largely exceeded.

When it comes to the actual size of the projects, which is indicated by their total costs, it is possible to classify projects on four different levels of cost: less than or equal to €45,735 for small projects, between €45,735 and €91,470 for medium sized projects, between €91,470 and €137,205 for relatively large projects and more than €137,205 for big projects.

This gives:

<table>
<thead>
<tr>
<th>Total cost of project (€)</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than or equal to 45,735</td>
<td>35</td>
<td>46.05%</td>
</tr>
<tr>
<td>Between 45,735 and 91,470</td>
<td>23</td>
<td>30.26%</td>
</tr>
<tr>
<td>Between 91,470 and 137,205</td>
<td>7</td>
<td>9.21%</td>
</tr>
<tr>
<td>More than 137,205</td>
<td>11</td>
<td>14.47%</td>
</tr>
<tr>
<td>Total</td>
<td>76</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
The dominating presence of small-scale operations, representing almost half of the total, is quite notable.

Now, with respect to the financing granted by the FRC, which depends on the general interest of the project and also on its total cost, we can similarly classify projects into four different categories of cost: less than or equal to 11,434 euros for small-scale financings, between €11,434 and €22,868 for medium-sized financings, between €22,868 and €34,302 for relatively large-scale financings and more than €34,302 for large-scale financings.

This gives:

<table>
<thead>
<tr>
<th>Sum financed by the FRC(€)</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than or equal to 11,434</td>
<td>31</td>
<td>40.79%</td>
</tr>
<tr>
<td>Between 11,434 and 22,868</td>
<td>18</td>
<td>23.68%</td>
</tr>
<tr>
<td>Between 22,868 and 34,302</td>
<td>12</td>
<td>15.79%</td>
</tr>
<tr>
<td>More than 34,302</td>
<td>15</td>
<td>19.74%</td>
</tr>
<tr>
<td>Total</td>
<td>76</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

We note that small-scale and medium sized operations utilized more than 60% of FRC financing. This distribution reflects the different forms of aid granted to numerous cultural interests. Yet, at the same time, we note that the FRC contributes between €22,868 and €34,302 to close to 16% of requests, as well as more than €34,302 to close to 20% of total requests. The latter come from several coordinators of a wide variety of projects, covering almost all of the previously mentioned domains.

The three projects that fell within the economic sector represent a total sum of €112,490, or about 7% of the total financing granted. On the contrary, FRC aid has been granted to cultural projects above all else.

<table>
<thead>
<tr>
<th>State participation rate</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than or equal to 20%</td>
<td>16</td>
<td>21.05%</td>
</tr>
<tr>
<td>Between 20% and 40%</td>
<td>24</td>
<td>31.58%</td>
</tr>
<tr>
<td>Between 40% and 60%</td>
<td>23</td>
<td>30.26%</td>
</tr>
<tr>
<td>Between 60% and 80%</td>
<td>9</td>
<td>11.84%</td>
</tr>
<tr>
<td>More than 80%</td>
<td>4</td>
<td>5.26%</td>
</tr>
<tr>
<td>Total</td>
<td>76</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
All of the elements presented above allow us to be generally satisfied with the results of the first two years of the FRC functioning. All the same, improvements are needed in many areas to promote the emergence of more meaningful regional integration projects, with tangible cultural and more importantly economic consequences, which prove to be durable in the long term, which generate added value and from which a maximum of populations, FTA and wider Caribbean, may benefit.

In particular, organisational methodology should be reflected upon, in order to identify the factors which could jump start an economic integration founded upon the active participation of the business sector as opposed to that of the public authorities.

2. Europe’s strategy

It was with the creation of the CIP INTEREG in 1989 that the European Commission made public its desire to introduce a policy of economic development and territorial reform, on a scale beyond national and community levels, to also include transborder, transnational and regional cooperation with the participation of neighbouring countries.

Launched in 1990 (INTEREG I) then renewed in 1994 (INTEREG II), this programme has been notoriously successful. With INTEREG III for the period 2000-2006, whose budget is practically twice that of the preceding programme, the authorities in Brussels are not simply seeking to continue the programme, but to really put a strategy for trans-European cooperation into place. For its part, France will benefit, in the name of the entire CIP, from a contribution of 1 046 billion euros, from which 397 million euros will be allocated to the INTERREG programme. Eligible for the very first time for this programme, the FTA stand to benefit to the tune of 24 million euros1, coming from the FEDER.

Guadeloupe, French Guiana and Martinique are essentially concerned by INTEREG’s section B, which covers the following domains: the construction of large economically integrated zones on the outskirts of the European Union; transport and access to information; the environment and culture.

The objective of the INTEREG III-B programme « Espace Caraïbe » which was set up by the public authorities, is economic and social integration of the three FTA in the Caribbean basin, which extends from Florida to the northern regions of Latin America, including Central America and the Caribbean islands. Projects are realized in close collaboration with the European Development Fund (EDF), to conjointly finance all operations undertaken with ACP and PTOM countries and, in particular, those with Caribbean organizations (ACS, CARIFORUM, OECS, etc). These projects concern:
- the sustainable development of the common cooperation space, by reinforcing the zone’s appeal, by favouring the exploitation of fishing resources and by developing the usage of renewable resources;
- the diffusion of information and of knowledge and the reinforcing of the capacity to innovate through the development of the media, research and new information technology;
- the construction of the image and the strengthening of the assets of the common cooperation space (tourism, artisanal products…).

2.1 The Institutional System of INTEREG III-B « Espace Caraïbe »

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1 Source: The European Commission’s report on the programme INTERREG III « Espace Caraïbe » and DOCUP.
During the 90's, INTEREG's programming was based on a network organization, which entrusted the investigational phase of projects to each of the national partners. Each member state was required thus to institute its own administrative and fund management system: supervise the control of funds, ensure the control of community financing in national territories for each project, conduct an ex ante evaluation of propositions, projects, etc.

A lack of inter-regional coordination followed, which resulted in poor organization that seriously reduced the programme’s effectiveness: circulation of information marked by many imperfections; excessive national initiatives which did not necessarily promote the emergence of the most worthwhile projects; each institutional system had its own vision of the programme’s development and priorities; diverse administrative structures in the participating countries established different norms concerning the definition of final beneficiaries, monitoring procedures, circulation of information and activities etc.

Pre-existing constraints were added to these problems: the different partner’s lack of experience in a transnational dimension; the language problem; etc.

Making every effort to come up with strong solutions to these shortcomings which were largely due to the experimental nature of the first two programmes, the third version of INTEREG benefits from a complete reorganization, around the setting up of real common management structures, to provide a model of effectiveness in the future and even for other programmes. Within a context of transnational monitoring, these structures function in synergy to achieve successful programmes, activities, operation selections, general management, coordination and follow-up after the programme’s start.

The Follow-up Committee and the Programming Committee
These represent the two decisional organs of the programme. The first oversees numerous tasks: ensuring that community measures are respected; proposing modifications in the management processes and possibly making corrections in financial proceedings; adopting the evaluation criteria of the programme and deciding upon the carrying out of evaluations. The second plays the role of the ultimate decision organ in the partnership, in regards to the selection of projects to be financed and the programme’s general management. It proposes eligibility criteria to the Follow-up Committee, and also selects projects by ensuring that they conform to these criteria.

The Management Authority
The laws of the European Commission stipulate that the Management Authority is « any authority, public or private organization (whether national, regional or local) chosen by the member state, or the member state itself when it exercises this function itself». For the programme « Espace Caraïbe », this fonction is the responsibility of the Regional Council in Guadeloupe.

In practice, the Management Authority seems to be the nucleus of the whole system, since it handles and coordinates all the activities linked to the setting up of the programme. It is supported by the Joint Technical Secretariat (JTS) and other national coordinators to: enact the decisions of the Programming and Follow-up Committees; represent the European Commission; guarantee that information is effectively circulated to partners and all persons concerned by the programme; set up the Programming Complement; ensure the carrying out of effective and transparent investigational procedures for projects; ensure the investigation of certified requests for payment by project coordinators and transmit them to the Authority in charge of payments; prepare and present annual and final reports, as well as in itinere and ex post evaluations to the Commission; set up control systems for the usage of FEDER funds; etc.
Unique Payment Authority (UPA)
This was introduced in the aim of improving integrity and transparency levels in the flow of money. Contrary to what was practiced in former programmes, FEDER funds are no longer paid in advance but after all expenses have been taken care of. Before being reimbursed, les project coordinators must account for their expenses, firstly on a national level, then on a transnational level with the UPA.
There is a Trust Fund set up to oversee this part of the operation. After certifying all expenditure, this fund allocates the FEDER funds to the partner designated as project head. The latter is then responsible for reimbursing each member of the project’s partnership with the money from the FEDER fund.

Joint Technical Secretariat (JTS)
Under the control of the Management Authority, the JTS acts in close collaboration with the national coordinators. Its major functions are:
- to organize coordinated promotional activities on a transnational level;
- to prepare meetings for the Follow-up and Programming Committees;
- to ensure that projects are transparently and impartially evaluated and selected;
- to prepare a system of data collection in order to ensure the follow-up of approved projects as well as intermediate evaluations of the programme;
- to ensure the publication, on an official website, of each project’s work schedule and progress reports as well as the programme’s objectives;
- to honour requests for payment that have already been certified by national coordinators, in order to guarantee payments to the beneficiaries of the FEDER fund;
- to provide the UPA with the financial data necessary for the keeping of transparent accounting records for the FEDER fund.
Functional Diagram of the programme’s elements, from proposal to payment

**FOLLOW-UP**
- Validate programme execution

**MANAGEMENT AUTHORITY**
- Guadeloupe’s Regional
  - Validate the Pilot Committee’s agenda; control expenditure

**PAYMENT AUTHORITY**
- Trust Fund
  - Carry out payments

**PILOT COMMITTEE**
- Accept, defer or reject projects
  - Project investigation; partnership research

**Joint Technical Secretariat**
- (Guadeloupe)

**Regional contact point**
- F. Guiana’s Regional Council
- Information for project proposers; Pre-investigation

**Regional contact point**
- Martinique’s Regional Council
- Project proposers
- Project Head
2.2 INTEREG III-B’s Political strategies « Espace Caraïbe »

Like any other European programme, INTEREG III-B « Espace Caraïbe » combines a wide variety of public policy measures, which have as much to do with professional training and scientific research as with the promotion of immaterial investments or even aid for material investments.

In more precise terms, the programme centres on four themes, three of which are operational and the other technical assistance. Each theme entails certain measures, as the following table demonstrates.

This classification of measures, which, *a priori*, seems heterogeneous and apparently integrates the principal factors for the development of economic and social cooperation in the Caribbean, represents the programme’s second major asset, second to the financial advantages it brings. Its designers were seeking the best way to synthesize Community instructions concerning territorial development (Plan for the Development of Community Territory – *SDEC*-) and Caribbean specificities. Thus, the complementary document concerning the planning of the programme (European Commission (2002,a)), states that:

«After analyzing the content and the objectives of its different priorities, the first priority can be said to have a sectional approach.

In fact, in an atmosphere of durability and balance, its aim is to develop certain important domains which are common to the different components of regional cooperation.

This is consistent with the European Union’s policies and particularly with the Plan for the Development of Community Territory (*SDEC*).

Priorities 2, 3 and 4 were founded on a transverse approach. Their objectives are to enhance the impact of the first priority and to facilitate its materialization.

The decision made by the programme’s creators to establish horizontal priorities (2, 3, and 4), rather than integrating the objectives of these priorities into each sectional measure of the first priority, stems from their concern about being able to precisely evaluate the contribution and impact of the transverse approach, where the realizations of the main objectives is concerned, and more importantly, to establish total coherence among the programme’s different objectives. »

From these explanations, it is clear that the strategy of public, community action that was conceptualized for this INTEREG programme differentiates itself from DOCUP’s classic policies on regional cooperation. It exceeds by far the juxtaposition of isolated projects and goes on to seek an exchange of experiences and the formation of networks between non-neighbouring regions and countries, whether they are eligible or not to benefit from the European structural funds (Guadeloupe Regional Council (2003)).
Table 3: Strategic Lines and Measures of the INTERREG III-B programme « Espace Caraïbe »

<table>
<thead>
<tr>
<th>STRATEGIC LINES</th>
<th>MEASURES</th>
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| **Line 1 – Balanced and sustainable development of the common territory of cooperating partners** | 1-1. Reinforce and protect natural and cultural heritage with the aim of enhancing the region’s appeal.  
1-2. Improve the exploitation of fishing resources within the region.  
1-3. Facilitate and encourage the use of renewable energy sources within the zone of cooperation.  
1-4. Improve long-term mobility and accessibility.  
1-5. Develop inter-urban cooperation and cooperation among rural areas.  
1-6. Cooperation among ultra-peripheral areas and, with regard to balanced and sustainable development. |
| **Line 2 - Spread of information and knowledge, as well as the reinforcement of innovative capability.** | 2-1. Develop the various means of information diffusion, in the aim of increasing exchanges between the different participants and their access to knowledge. (Institutional, socio-professional, civic society, etc…)  
2-2. Develop research and new technology in aid of tourism, transport, commerce, research, the environment, education, health, and the general security of the region.  
2-3. Cooperation among the ultra-peripheral zones, in relation to the diffusion of information and the reinforcement of innovative capability. |
| **Line 3- Image building and asset consolidation within the region** | 3-1. Internal and external promotion of tourist, industrial, artisan, commercial, school and university assets…  
3-2. Cooperation among the ultra-peripheral |
regions concerning the external and internal promotion of their tourist, industrial, artisan, commercial, school and university assets…

<table>
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<tr>
<th>Line 4 -Technical Assistance</th>
<th>4-1. Management, follow-up, monitoring and control</th>
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<td>4-2. Expenditure for seminars, studies, evaluation information, etc…</td>
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Sources: European Commission (2002,a), INTEREG III-B «Espace Caraïbe»: programming complement.

3. Future prospects?

It cannot be denied that recent occurrences within the cooperation relationship among Caribbean countries encourage the defence of the hypothesis that these countries have more to gain by favouring Europe over the United States. The results of the most recent negotiations with the USA and Europe respectively are in fact very revealing. On one hand, regarding the summits with the United States, like the one which took place in May 1997 in Barbados, the demands of the Caribbean countries have been met with very negative feedback: refusal to withdraw the American complaint against the preferential agreements granted by Europe concerning the banana market; refusal of the request for a relaxing of the American immigration laws; refusal to lift of the American trade embargo against Cuba; etc. On the other hand, it is with general satisfaction that the closing sessions of the summits held with Europe are ended. During the last CARIFORUM meeting, held in Pointe-à-Pitre on May 10 2000, the attending Heads of State noted that Europe’s contribution de to the Caribbean, planned for the period 2000-2006, amounts to 25 billion euros, a sum which represents practically 14 times that which is today allocated by the United States to the Caribbean. Similarly, apart from financial aid, they also heartily approved the support of certain world powers, like France, who share their views, as opposed to the United States, on the preservation of the Lomé agreements.

In this heavily mutating geopolitical universe, the insertion of the FTA in their regional environment is more than desirable, in their own interests, but also in the interests of neighbouring countries and Europe itself. As we have already highlighted, with the initiatives taken by the European Community and by France through new programmes and instruments, rethought or remodelled, the financial means exist from this point onwards, and similarly, the will of the deciding authorities is very favourable. What then are the future prospects?

It is still too early to come up with a conclusive diagnosis of these new initiatives, which have been revitalized since the beginning of the new millennium. Nevertheless, now is an appropriate time to warn that their success is an absolute necessity. Like the strategies of economic cooperation that have proven to be positive in other parts of the world, the conditions for success in the FTA and wider Caribbean are related to the creation of structuring projects and pilot programmes in several complementary directions. Two examples can be cited.

- The promotion of exchange in the domains of education and research
Theories of growth, and in particular recent concepts of endogenous growth, have provided solid justifications concerning the identification and role of the factors that are likely to generate growth. They have established empirical arguments and reports on the positive effects of training and research. These arguments have now become key factors in the reflections of the public decision-makers, during the elaboration of developmental policies.

The implications for the economic partnership among Caribbean countries are immediate: cooperation projects in the field of higher learning and research must hold a more important position in the contents of the INTEREG programme, which can be seen as a reliable supporter of projects favouring economic integration in these countries. What can such projects entail then?

In the first place, we should point out the actions of mobility, which concern teachers as much as students. In Europe, for more than a decade already, by means of the SOCRATES/ERASMUS system, students profit from the advantages of an international experience: command of a foreign language, reinforcement of the ability to be independent and to take the initiative, discovery of other cultures and work methods, etc. When beneficiaries are as numerous as in this case, such initiatives represent an extra asset for the entire nation. For example, the entire country profits from the welcoming of foreign students, since, very often, the latter are the future negotiators of commercial contracts, which are signed by their countries to the benefit of public and private institutions.

Naturally, these projects also concern research programmes which combine the competences of different organizations: how can we refuse to support for example research programmes in the fields of agronomy, plant chemistry and biology and economy, which could shed light on certain questions within the Caribbean context and thus give way to multiple benefits. Of course, these benefits are directly related to research and education: common publications from several laboratories in different languages; the setting up of training facilities to favour the development and accumulation of knowledge in certain domains; etc. But they must also include the business world. Must we remind ourselves that the « start-ups » and other types of companies which are today at the root of the new economy’s success, as much in the fields of information technology and processing as in that of new technology coming out of the biological and medical sciences, were born out of the exploitation of the results of research programmes?

The events of the last few years have illustrated time and again to what point research can determining for the industrial development of the French overseas departments. For example, in different sectors such as agro-economy, renewable energy sources, new technology or even the environment, these departments have proven that they are capable of excellence. Thus, Guadeloupe alone has had during the period 1999 to 2002, close to a dozen prize-winners in the national competition for the creation of innovative technology businesses, which is organized by the Ministry of Research. For these examples of prize-winning companies, there are as many projects which may go down the route of partnership in the Caribbean and serve in the improvement of economic integration, through the INTEREG programme.

The elaboration of a strategy to solve the transport problem
Such a strategy may be founded in the consolidation of the companies currently providing air and maritime services between the FTA and neighbouring countries. In order for it to succeed, certain well-known obstacles must be overcome: the weakness of commercial trade linked to the similarity of production; historic links between the region’s countries and their former colonizers; the high cost of transport due to the limited size of markets.
Caribbean airline companies (BWIA, LIAT, Tobago Express, TIA, Air Caraïbe and Carib Aviation) are the principal providers of airline services in the region. Quite a few of them have been experiencing serious financial problems since the late 1970’s, and their situation is none the better today. BWIA and LIAT, which are partners today, and the oldest companies, have not escaped this reality. They depend on funding from the private sector, which itself is reluctant to increase investments, and also on the public sector, for their survival. At the same time, the wider Caribbean, which forms the ACS, demands the creation of an effective and viable airline company, which is capable of providing its services at a reasonable price. This is one of the principal conditions for the development of trade in the region.

Within the context of trans-national cooperation and as far as the INTEREG programme permits, a solution to the air transport problem can be found in response to the demand for a larger market, by suppressing the scale déséconomies linked to the splitting-up of the Caribbean market. How? One approach may be the creation of a Caribbean company. In this scenario, the company Air Caraïbe has many assets which could be used to restructure and develop the routes linking the FTA and neighbouring countries. Moreover, we can consider such a decision to be more judicious than that of developing the transatlantic air bridge, which is already serviced by the companies Air-France and Corsaire.

A second approach would consist in the creation of a regional organization to exploit the advantages and competencies of each company, in order to provide complementary products at attractive prices. This choice could be the way to ensure long-term profitability for all companies, while attracting private investors. The public sector could thus create the conditions which would favour the emergence of developmental dynamics in tourism and commerce. As for maritime transport, which primarily concerns the trade of merchandise, its development centres around the improvement of port infrastructure and the training of personnel involved in this domain? This is the policy that has already been implemented, since 1989, through the programme TRAINMAR-Caraïbe. Thanks to the setting-up of numerous training centres, this Guadeloupean programme is being developed throughout the entire Caribbean, and even in Colombia.

Today, the transport problem is still seen as a Gordian knot, which is impossible to undo. All the same, with regional cooperation becoming more and more rooted in all activities, this sector’s future prospects offer a lot of hope. Moreover, the FTA have many assets required for the development of trade with the rest of the Caribbean at their disposal: modern equipment, international trade zones and recent technology.
Conclusion

The theoretical debates on the necessity for economic integration which have lasted for
decades, and which have often focused on the European Union’s example, have lead to results
that emphasize certain points of consensus concerning the benefits of such a process, whose
principal aims are the elimination of custom barriers, the coordination of economic policies
and the organisation of trade and financial systems.

From the different points of view expressed in numerous publications devoted to this subject,
it is resoundingly clear that economic integration offers many advantages. It represents a
means of overcoming the obstacles associated to the limitations of the market by permitting
producers and investors to achieve larger scale economies and to benefit from the creation of
new infrastructure. Along with the rationalization and reorganization of production and
investment, it also allows the countries involved to reap the benefits of increased
technological development.

If an analysis of the Caribbean region were to be examined, it would be noted that the
predominant empirical conclusion points to the fact that integration is largely incomplete. In
his very pertinent reflection on regional cooperation within the Caribbean, Rubio
(2000) explains the reasons behind this state of advancement and reminds us of what is at
stake for the FTA: « Regional cooperation in the Caribbean is a huge project, which entails
the multiplication and succession of isolated actions. Despite a convergent will to cooperate,
no global strategy has been adopted, as if cooperation has been doomed to an outbidding
match among the different parties, each one aspiring to promote its singularity. However,
cooperation is not an accessory activity. It has the potential to become a real means of
development for the French West Indian departments within their geographic zone. »

Today, we can no longer continue to let time slip by without correcting this lack of a common
global strategy in the Caribbean, because the economic and political contexts have changed
and now present at least one double constraint.

Firstly, with the new rules of international trade, the preferential agreements once granted by
the EU to ACP countries in the Caribbean must now be gradually suppressed. Secondly, the
extension of the European Union to include the countries of Western Europe marks the start
of a period which will prove to be particularly difficult, not only for the FTA, but also for the
Caribbean countries that are signatories of LOME conventions. In fact, the arrival of these
new members is synonymous with new requests for aid and investment, thus reducing the
share allotted to Caribbean countries.

Despite these difficulties, a sure solution for the future of the Caribbean’s small, insular
countries is the completion of the integration project, which can be achieved through a
regional approach in key structural domains. This approach must cover at least the following
objectives: the reduction and harmonization of tariffs; the restructuring of financial sectors;
the harmonization of investment incentives and fiscal systems; the coordination of
agricultural policies; the adoption of common strategies for commercial trade. All of these
objectives must be met if these countries are to come up with the ways and means of
continuing the integration process and getting involved in international trade, in the best
possible conditions. In the long run, these countries could equip themselves with, on a
regional level, the infrastructure and institutional means which would permit them to attain a
level of technical competence and economic power, which they could never aspire to reach by
acting alone.
With numerous offers of partnership, it is unquestionable that Europe, and France in particular, have made innumerable efforts which have resulted in a change of direction and an acceleration of the integration process. In fact, Europe’s declarations and intentions have for the most part been materialized: it is possible for lesser developed countries to sign APE agreements in order to pursue their own development; the CIP INTERREG III-B « Espace Caraïbe » now provides the means of creating large-scale projects of cooperation between the FTA and other countries in the region; countries no longer eligible for the aid granted to PZS countries, now have access to loans from the AFD; the Dominican Republic and Haiti are still in the PZS.

Even if additional difficulties are yet to be overcome, in order to develop trade between the FTA and the wider Caribbean, they are outnumbered by real possibilities for integration within the zone, through the reinforcement of the ACS. With a stronger and more coherent ACS, benefiting from CARICOM’s support, the way will be wide open for the transformation of the wider Caribbean into a sufficiently strong bloc which has the strong capacity for negotiation that is necessary to defend their interests against those of other blocs. Similarly, this reinforcement of the ACS must allow Caribbean countries to assert themselves when facing the United States about its project of « hemispheric » integration, through which it seeks to control the entire zone.

Finally, as we have pointed out, while the FTA cannot possibly profit from the trade of products which are manufactured elsewhere in the region at a cheaper, they must on the contrary do everything within their reach to develop cooperation in the scientific (tertiary education, research, health, etc.), technological (shipyards, new energy sources, setting up of infrastructure, etc.) and economic domains (agriculture, transport, tourism, etc.). To meet these objectives, the intelligent use of the financing provided by France and Europe (structural funds, INTERREG III, etc.) must become one of the mainstays of the FTA’s strategy for integration in the Caribbean basin.
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