Transcript

Small Countries, Big Issues: The Caribbean in the 21st Century

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The current phase of globalization may have now passed its peak, to judge by the number of countries applying protectionist measures, but it has not been significantly reversed and remains the international backdrop for almost all states. Countries have had to hone their statecraft to take it into account and have developed or reformed mechanisms to help them do so.

One of the most important such mechanisms has been regional integration. Even rich countries, such as those in the European Union, have found it a very useful way of dealing with the pressures applied to the European project at the global level while at the same time using regional institutions to promote their own policies externally. The United States, through NAFTA and a host of bilateral preferential trade treaties, has done the same. So have MERCOSUR in South America, ASEAN in Southeast Asia and SADEC in Southern Africa.

Closer to the Caribbean, the Central American Republics have not only successfully revived the Central American Common Market, but have also forged – with the Dominican Republic – a preferential trade agreement with the United States that holds out great promise. CAFTA-DR, as it is known, may not be to everyone’s taste, but it is likely to shape the economic destinies of the participating countries for many years to come while providing opportunities for dynamic companies that were previously unthinkable.

What about the Caribbean? Clearly, it is a region in the geographic sense – just as are the European Union, MERCOSUR and SADEC, but perhaps even more so than NAFTA or ASEAN. Geographically, it embraces all the islands plus the virtual islands (i.e. the three Guianas and Belize), a polity of some 30 countries. It has a high average Gross Domestic Product per head with many countries above $10,000. However, it has a significantly lower average Gross National Income per head (because of the large share of income received by non-residents) and income is very unequally distributed among the resident population. There are also high rates of unemployment in most countries and, not surprisingly therefore, net outward migration from the region. All countries are very dependent on exports and most depend on service exports more than goods exports. The main exceptions are Trinidad & Tobago with energy exports and Puerto Rico with assembly exports.
The Caribbean region contains 15 independent, sovereign states. The first to achieve independence was Haiti in 1804. It was 40 years before there was another, the Dominican Republic, and nearly 60 years after that before there was a third, Cuba. The Caribbean would then have to wait until 1962, another 60 years, before two more countries – Jamaica and Trinidad & Tobago – became independent, today celebrating 50 years of independence. There were then 10 more countries that achieved independence, but the last, St. Kitts & Nevis, was in 1983. Thus, there have been no additions to the list of independent countries in the Caribbean for nearly 30 years.

There are then 15 – depending on how you count them – non-independent countries, i.e. as many as are independent. Five are British colonies, although political correctness demands that they be called something else – today they are known as British Overseas Territories. They are Anguilla, the British Virgin Islands, Cayman Islands, Montserrat and the Turks & Caicos Islands (I exclude Bermuda as it is not in the Caribbean geographically). Two are US colonies, although political correctness again requires a different name (Puerto Rico, for example, is an Estado Libre Asociado, while the US Virgin Islands are an unincorporated territory.

There are three French, which – being Départements d’Outre Mer [DOMs] since 1946 – are part of France and therefore today part of the European Union. They are Guadeloupe, Guadeloupe and Martinique. Two dependencies of Guadeloupe, however, opted out of the arrangement in 2007 and became Collectivités d’Outre Mer [COMs] and thus remained in the European Union effectively as French municipalities. I count them – St. Bartolomé and Saint Martin – as one country.

Finally, there are the six Dutch islands whose status changed most recently in October 2010. Three are now autonomous units within the Kingdom of the Netherlands. These are Aruba, Curacao and Sint Maarten and each can be considered a country. The other three – Bonaire, Saba, St. Eustatius – opted to become external autonomous municipalities of the Netherlands and therefore effectively have joined the European Union although it is very unlikely that even one per cent of the EU population is aware of this. I treat these three municipalities as one country, which brings a grand total of 15 non-independent countries – the same as the number of independent countries.

This detour through political and diplomatic history is necessary because it is relevant to the next question. Which institutions represent the Caribbean? For a long time, the Caribbean had no institution to represent it, as rivalry...
between the imperial powers made this impossible. A start was made with the Caribbean Commission in the Second World War, but this – even when it was broadened after the war to include the Dutch- and French-speaking countries – was never much more than a vehicle representing the interests of the UK and the US (Eric Williams worked for it and has left us a very jaundiced view of its modus operandi).

The first significant breakthrough was the Caribbean Free Trade Area [CARIFTA] in 1965 and – even more so – its successor the Caribbean Community [CARICOM] in 1973. This began with former British colonies, but always included one colony – Montserrat – and now includes one former Dutch colony – Suriname – and, at least in theory, one former French colony (Haiti). However, Haiti – a member since 2002 – is not active, does not participate in the CARICOM Single Market and Economy launched by the Revised Treaty of Chaguaramas – neither, it should be said, does the Bahamas – and had not adapted its economy in any significant way to the legal requirements of CARICOM even before the disastrous earthquake of January, 2010.

Thus, CARICOM consists in practice of 14 countries, 13 of which are independent states, which account for less than 50% of Caribbean nations. These countries represent 23% of trade in goods and services, 20% of GDP and 15% of population, i.e. about 7 million out of about 45 million. This is equivalent to a European Union based only on Belgium, Holland and Poland or a Central American Common Market based only on Costa Rica and Nicaragua. This helps to explain why CARICOM faces such an uphill battle to make itself relevant and why today there is such a pervasive sense of crisis about regional integration in the Caribbean.

Have other Caribbean institutions done better? Many are more inclusive, although one – the Organization of Eastern Caribbean States [OECS] – is actually less inclusive as its name implies. However, more inclusive does not necessarily mean more effective. The Association of Caribbean States [ACS], launched in 1994, has much wider membership with 25 full members and three associates. Yet it is little more than a talking shop, which excludes important Caribbean countries such as Puerto Rico while including non-Caribbean states such as El Salvador.

How have Caribbean institutions coped in recent years with the pressures applied under globalization? There are three outside actors that we can identify: a) foreign states; b) multinational companies headquartered outside
the region; and c) foreign non-state actors, which include organized crime. Let us start with foreign states.

In the 1980s, when the current phase of globalization was just beginning, the United States launched the Caribbean Basin Initiative [CBI]. It has gone through various permutations and is still in operation, providing various duty-free concessions on Caribbean merchandise exports. Yet neither CARICOM nor indeed the ACS have played any part in shaping the concessions provided by the US. Indeed, some CARICOM countries – e.g. Suriname – do not participate, while some non-members – e.g. the Dominican Republic – are beneficiaries. The non-independent countries are not included and Cuba is not eligible. Whatever the merits of the CBI, the Caribbean Basin Economic Recovery Act [CBERA], the Caribbean Basin Trade Partnership Act [CBTPA] and all the other schemes devised by the US, it is as if the Caribbean regional integration institutions never existed. Much the same could be the said for the US sugar import quotas, which are drawn up without reference to Caribbean institutions.

What about Canada? It might be argued that CARIBCAN, the Canadian equivalent of the US Caribbean Basin Initiative, is better as it is largely based on CARICOM membership. However, it is restricted to Commonwealth countries and British colonies so that Haiti and Suriname are not eligible, while countries such as the Cayman Islands – not a member of CARICOM – are. Canada is, of course, currently negotiating a preferential trade agreement with CARICOM but the outcome is still far from certain and it remains to be seen what will happen to non-CARICOM members even if there is a successful conclusion to the negotiations.

The European Union, when seeking an Economic Partnership Agreement [EPA] with the Caribbean, started not with CARICOM member states, but those Caribbean states in the Africa-Caribbean-Pacific group. This includes Cuba and the Dominican Republic, but participation in the EPA came at too high a price for Cuba so that the Agreement was signed only by CARICOM states, including Haiti, together with the Dominican Republic. This group, known as CARIFORUM, might be said to represent a triumph for the relevance of CARICOM, but the opposite is true. The incorporation of the Dominican Republic in the negotiations proved to be extremely complicated and did little to enhance the solidarity of the Caribbean side. In any case, CARIFORUM and the EPA still exclude great swathes of the Caribbean, including two of the largest countries, Cuba and Puerto Rico.
Finally, there is Venezuela whose Caribbean presence is expressed through Petrocaribe and ALBA – Alianza Bolivariana para los Pueblos de Nuestra América. The first deals only in oil products, which are sold on concessional terms to those eligible states that want it. The second is broader in scope, but narrower in membership with Antigua & Barbuda, Dominica and St. Vincent & the Grenadines as well as Cuba participating. Both these arrangements are very interesting and worthy of serious study, but neither has anything to do with CARICOM or indeed the ACS.

It appears, therefore, that none of the Caribbean regional institutions has been very effective in dealing with foreign states interested in the region. What about the multinational companies headquartered outside the region? After all, the European Commission spends a great deal of its time establishing the ground rules for the operations of these companies inside the European Union and the same is beginning to happen in NAFTA.

The first test for CARICOM was provided by the foreign bauxite companies in the 1970s in response to the Jamaican levy. However, it was too early for CARICOM to co-ordinate a response, which was then left to the main countries concerned. A more realistic test was provided by the foreign banana companies when they waged a legal assault on the preferences given to some Caribbean banana exports in the European Union. This time CARICOM was found seriously wanting, although it could be argued that the combination of powerful companies, the US government and some Latin American states was too much even for the European Union.

More recently, the cruise ship companies have been testing the ability of Caribbean states to respond in an effective way to the erosion of fees demanded by these behemoths. CARICOM, whose members of course cover only about half of the countries where cruise ships anchor, is nowhere to be seen so that the companies can pick off individual countries one by one. If ever there was a case for a co-ordinated response across the Caribbean, this is surely it. However, despite the existence of a broad-based Caribbean Tourist Organization, the Caribbean response has been inadequate.

Then there is the problem of non-state actors, especially organized crime. At first the Caribbean was used principally for money-laundering with the funds from organized crime being welcomed in many tax havens across the region. Despite the risks to political and social stability associated with this, the Caribbean institutions did nothing to stop it. Indeed, the money-launderers were welcomed with open arms until the 1990s in countries as varied as the
Netherlands Antilles, US Virgin Islands, Cayman Islands and Turks & Caicos Islands.

The allegedly worst offenders, it will be noted, were all non-independent countries and their imperial masters at first paid little or no attention. However, the fiscal cost and later the terrorist implications changed all that, unleashing a series of hostile measures on the unsuspecting Caribbean. The result has been a reduction in money-laundering, although it must be noted that the Caribbean regional institutions never took the lead on this despite the corrosive impact of money-laundering on Caribbean life.

If money-laundering is no longer so brazen, the same cannot be said for drugs trafficking. This time Caribbean states are alert to the dangers, but the ability to respond in a co-ordinated way has been very limited. Furthermore, the regional institutions play almost no role in even this limited response. In fairness to the Caribbean, however, it should be said that this is a global problem driven mainly by high levels of demand in North America and Europe.

The regional institutions of the Caribbean, including CARICOM and the Association of Caribbean States, have therefore not dealt effectively with the pressures emanating from outside – whether it has come from states, companies or non-state actors. It is not a question of the glass being half full or half empty – it is simply empty. This is the bald truth from which all analysis of the Caribbean must start. And there is no consolation in arguing that some other regions have not done much better. The Caribbean, after all, is a natural region – not an artificial one – that has had many years, indeed decades, to get its act together.

Regional institutions, when faced with the need for change, have to choose between widening and deepening (doing both at the same time, as the European Union has found to its cost, is very difficult). In the case of CARICOM, it has nearly always preferred deepening. Indeed, the only significant widening has been the incorporation of Suriname in 1995 since the incorporation of Haiti in 2002 was an act of political solidarity with a troubled neighbour rather than a serious attempt to expand the membership.

Since the original Treaty of Chaguaramas in 1973, CARICOM has attempted to deepen regional integration – most notably in the Grand Anse Declaration of 1989 and a decade later in the revised Treaty of Chaguaramas that established the formal procedures for creating the CARICOM Single Market and Economy. It has been subject to much criticism and recently self-criticism for failing to achieve its ambitions, for the limited resources devoted to the
project and for failing to address the lack of executive decision-making power at the top of the organization. All this is well taken and yet it misses the point. Even if CARICOM had succeeded in achieving most of its objectives, it would still only address the needs of 15% of the Caribbean population and would not be able to articulate an adequate response by the region as a whole to the pressures arising from globalization.

This point, it would seem, has not been understood or is being deliberately ignored. Recently, heads of government commissioned a report on CARICOM designed to address its shortcomings. The report, carried out by the consultancy firm Landell Mills and paid for largely by the European Commission, is entitled ‘Turning Around CARICOM: Proposals to Restructure the Secretariat’. It dismisses the widening of CARICOM in a few sentences, argues that incorporating the Dominican Republic is too complicated and does not once mention Cuba.

The report was then endorsed by heads of government at their meeting in March in Paramaribo.

It is not that the proposals put forward in the report are not sensible in themselves. However, even a restructured Secretariat with adequate resources and a CARICOM with sensible executive powers is not going to be representative of the Caribbean as a whole. The idea that countries representing 15% of the population and 20% of the GDP can speak for the region is an illusion that has to be shattered. And a single market based on a population smaller than many cities in Africa, Asia and Latin America is not much of an incentive for deepening the regional integration process either.

So what are the options? There are in theory five, although in practice it is more like three:

1. Dissolution of CARICOM
2. Deepening of CARICOM
3. Functional co-operation in the Caribbean
4. New regional institutions in the Caribbean
5. Widening of CARICOM

The first, dissolution, only makes sense if it is replaced by something else. Just as the Central American Common Market may struggle to make itself relevant now that CAFTA-DR is in existence, so CARICOM may wither away in the face of a more dynamic competitor. This, after all, is what happened to
the European Free Trade Area (EFTA), launched by the UK in 1958 to counter the European Economic Community. There is no case for dissolving CARICOM unless something better takes its place, although it is possible that CARICOM will wither away through lack of interest by member states.

Deepening of CARICOM, the second option, has been tried many times and it seems there will be one more attempt following the endorsement by heads of government of the Landell Mills Report. And yet there is little reason to believe that this time it will be any more successful. True, there is a greater sense of urgency, more self-criticism and an expressed willingness to take difficult decisions on the part of member states. However, the underlying problems cannot be changed through another attempt at deepening. And it should never be forgotten, as many have pointed out over the years, that CARICOM has deep structural problems as a result of its over-dependence on the trade of one member (Trinidad & Tobago). This one country completely dominates CARICOM intra-regional exports and has a very high share of intra-regional imports. At the same time, intra-regional trade is less than 10% of total trade for CARICOM member states – in contrast to nearly 70% in the European Union.

That leaves three options, of which the first is functional co-operation in the Caribbean. Functional co-operation across the Caribbean has many attractions: the number of countries participating can be adjusted according to the issue; decision-making can be flexible depending on the topic; there is no need to set up an elaborate bureaucracy. Furthermore, it has been used with some success already, as in the case of education, although the most famous examples – the West Indies cricket team and the University of the West Indies – appear to have passed the peak of their success.

Yet there are also serious limitations. It can take a long time to build the critical mass for functional co-operation; if states are not involved, it may not be clear what authority executive decisions have; not all countries are able to participate because they do not control their own foreign policy. These are some of the reasons why functional co-operation has failed to match the power of the cruise ship companies, for example; they also help to explain the difficulties Caribbean countries have faced in trying to craft an appropriate response to the air passenger duties applied by the UK government or to the campaign waged against ‘tax havens’ by the OECD, IMF, EU and US.

The fourth option is to build on the current proto-types of new institutions or even establish completely new ones. The proto-types are few in number. They include the currency union in the Eastern Caribbean built by the
Organization of Eastern Caribbean States [OECS]; ALBA; and the ACS. None of these are particularly attractive as options for the future, although for different reasons. The OECS currency union is a remarkable institution and deserves to be better known. However, the wider Caribbean is far from meeting the conditions for an optimal currency union, so the chances of extending the currency union to many other countries are small.

ALBA, on the other hand, is so vulnerable to the political fortunes of Hugo Chávez that it would take a brave person to bet heavily on its future and an even braver person to predict that ALBA could be extended more widely throughout the Caribbean. It is not just that ALBA is so intimately associated with one person; it is also that it depends very heavily on Venezuelan largesse, which depends in turn on high oil prices. Perhaps it is possible to have confidence in the latter (high oil prices), but one would have to be very cautious about predicting the continuation of Venezuelan generosity.

Then there is the Association of Caribbean States [ACS]. This would make an attractive alternative, were it not for the fact that its membership includes so many Latin American countries whose epicentres are not in the Caribbean. Colombia, Mexico and Venezuela, for example, have interests that go far beyond the Caribbean and – as the largest states – it is almost inevitable that these would receive the greatest priority if by some miracle the ACS was transformed into an executive body with real decision-making powers and a budget to go with it.

Of course, the Caribbean could always start again with a completely new institution for handling Caribbean regional integration. In theory, this is attractive. Just as many would like to see the institutions of the European Union swept away and replaced with a brand new set, so many in the Caribbean would welcome the chance to build an institutional framework that is more representative, properly funded, better managed and more effective. However, we are where we are. And just as it is impossible to start afresh in Europe, so the same is true of the Caribbean.

So, finally, we come to widening CARICOM. The countries not represented include all the non-independent states (except Montserrat). They also include Cuba and the Dominican Republic. Finally, Haiti, although theoretically a member, would have to be integrated fully into CARICOM if it was to become truly representative of the Caribbean region. Each of these presents special difficulties, but not necessarily insuperable ones.

Let us start with the non-independent countries. These all have foreign and defence policies controlled by the imperial powers, a fact that has often been
seen as an insuperable obstacle to participating in a supra-national institution that has executive powers. Yet this is nonsense. Not only is Montserrat a full member of CARICOM, but the Netherlands Antilles – until its dissolution in 2010 – was a full member of the International Monetary Fund. Similarly, Belize joined CARICOM as a full member eight years before it became independent.

Of course, the non-independent countries might not want to join a CARICOM that has run out of inspiration and is now in crisis. However, that is not the point. The obstacles to membership should be swept away at once so that these small countries can make their contribution to the common Caribbean goals. Each has much to offer. The French-speaking countries, both COMs and DOMs, have much to contribute to a regional tourist policy dealing with environmental risks, cruise ship companies, airline taxes and so on. The British Overseas Territories and some of the Dutch islands can bring their expertise in financial services. The US territories can not only contribute handsomely to a regional tourist policy, but also have vast experience in the assembly industry that remains so problematic in the rest of the Caribbean.

This is where the ideological preference of CARICOM for deepening over widening is such a problem. A CARICOM that included all the non-independent countries could not have a Common External Tariff. The French-speaking islands could not be expected to impose tariffs on imports from France and nor could the US islands in the case of imports from the USA. Yet this problem should not be exaggerated. The Economic Partnership Agreement with the European Union is sweeping away tariffs on European imports and a similar arrangement with the United States is not impossible in the next decade.

In any case, all regional integration schemes have opt-outs. These are policies that particular countries do not need to apply if they do not want to. Just as Denmark and the United Kingdom have an opt-out from the single currency in the case of the European Union, so non-independent countries could have an opt-out in the case of those Caribbean policies that run counter to the imperial power’s defence and foreign policies. However, this opt-out would have to be applied and used sparingly. It is, for example, absurd that neither of the US territories is a full member of the Association of the Caribbean States or that the French President would have to represent French Guiana in UNASUR – the South American institution that meets at Heads of Government level – if it tried to join.
That brings me to the three independent countries: Cuba, the Dominican Republic and Haiti. The last of the three, Haiti, is the easiest. It is in theory a member of CARICOM and should, in the fullness of time, be able to become a member in practice. The Haitian diaspora is found throughout the Caribbean, not just in North America and France, and there are historical, cultural and social ties that bind Haiti to the member states of CARICOM. It is true that the economic ties are almost non-existent, but this will change if Haiti becomes more prosperous. And if Haiti does not become more prosperous, then it is bad news for CARICOM as well. No region can afford to have such a large country failing in its midst – Haiti has the third largest population in the Caribbean and could soon have the largest.

Then there is the Dominican Republic [DR], one of the largest and most dynamic countries in the Caribbean. It is almost incredible that anyone could imagine building a regional integration scheme in the Caribbean without the DR. It is like building Europe without France. Whatever reservations both sides may have had about each other in the past, those days are – or should be – long gone. However, the DR has moved on, locked into CAFTA-DR with the United States and many other schemes. It is too late to expect the DR to join CARICOM in its present form, but it is not too early to imagine how CARICOM would have to change for the Dominican Republic to both want and be able to participate.

Finally, we come to Cuba, the largest country by population in the Caribbean with the second largest Gross Domestic Product, after Puerto Rico. If the DR is France, Cuba could surely one day be Germany. It has been the most important country in the Caribbean for most of the last 200 years and utterly dominated the market for sugar on which so many Caribbean countries depended in the past. Today it leads in the export of medical and educational services, is a major exporter of tourist services (despite the difficulties it faces from the US trade embargo) and is a pioneer in the export of non-traditional goods such as bio-technology products.

There can be no secure future for regional integration in the Caribbean unless a way is found to incorporate a country as important as Cuba. Relations between Cuba and CARICOM states are excellent. Indeed, Cuban relations are good with almost all Caribbean countries. The obstacles are clear: US intransigence on the one side, Cuban reservations on the other and a CARICOM that is too inflexible to cope with the adjustment required for Cuban membership.
Can these obstacles be overcome? Not in the short-run, but the obstacles could look very different in five years time. And it will take at least that long for negotiations between the parties to bear fruit. So let them start now and see where they lead. The United States cannot block them, except in the case of its two colonies, and regional states are becoming increasingly willing to stand up to US bluster – as was shown in the decision to end Cuba’s suspension from the Organization of American States.

Regional integration works best when there is a leader. The European Union is fortunate that Germany is its leader, as post-war Germany has been as unselfish in pursuing its national interest as one can reasonably expect. MERCOSUR is led by a Brazil that is also wary of accusations of neo-imperialism. Cuba could be a leader for the Caribbean of the future. It has a history of anti-imperialism, has rarely tried to impose its will on the rest of the Caribbean and enjoys excellent relations with its neighbours. It might be a challenge for the current generation of CARICOM leaders to accept Cuban leadership in regional integration, but it might be easier for a younger generation that has become impatient with the timid response of their parents to the burning issues of the day. So let the process of negotiation begin – whoever might emerge as the eventual leader.