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# Breaking from Isolation: Suriname's Participation in Regional Integration Initiatives

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# **BREAKING FROM ISOLATION: SURINAME'S PARTICIPATION IN REGIONAL INTEGRATION INITIATIVES**

Anneke Jessen \*  
Andrew Katona \*

## **INTRODUCTION**

In December 1998, the Western Hemisphere came to Suriname. As host to the Second Meeting of the Free Trade Area of the Americas (FTAA) Vice-ministerial Trade Negotiations Committee, the city of Paramaribo was buzzing with a swarm of officials and their delegations from 34 countries of the hemisphere. Such a large international gathering in Suriname was a novel experience, as was visiting the youngest and smallest nation in South America for many of those in attendance. Suriname was historically somewhat of an enigma to many in the region, and had guarded its newly won independence proudly.

Suriname gained autonomy from Holland in domestic affairs in 1955 and full political independence in 1975. "Self-sufficiency" -particularly in economic terms- became a strong motif in Suriname politics thereafter. Yet the inward-looking development policies pursued by successive governments after independence proved to be self-defeating and, after some initial growth, helped bring about a steady decline in national income. Between 1980 and 1988, when Suriname was mostly under military rule, GDP declined by 1.2 percent a year on average, per capita income dropped by over 2 percent a year, and foreign debt rose from 3 percent to 27 percent of GDP.<sup>1</sup> Although rising prices for bauxite (Suriname's principal export) brought temporary relief to the economy at the end of the decade, it became increasingly clear that prolonged growth required fundamental changes in the country's development strategy. After civilian control was restored in 1991, Suriname thus began taking concrete steps to open its economy, emerge from its isolation, and forge a new regional identity.

Suriname's efforts in this respect are the subject of this paper. In the following section, the authors identify some concrete initiatives undertaken by Suriname to broaden and diversify its economic links, and highlight the many barriers that remain to be overcome in that area. Then they examine, from a theoretical point of view, the costs and benefits of regional integration, which has been one of the key components of Suriname's increasingly outward-oriented development agenda. Subsequent sections provide a more detailed analysis of Suriname's recent integration efforts, and how these may influence its future development prospects. It is the authors' contention that by adopting the tenets of "open regionalism", Suriname has embarked on an effective process of global market integration, which will both shield it from - and gradually prepare it for- the harsh adjustments of full-blown international competition.

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<sup>1</sup> IDB Statistics and Quantitative Analysis Unit, based on IMF data. It is worth noting that due to problems related to the collection and processing of data, statistics for Suriname contain significant irregularities. High levels of unrecorded trade flows moreover mean that available data are not very precise indicators of economic activity in Suriname, and can at best reveal broad trends in the economy.



## **I. A CHANGING OUTLOOK: EXTERNAL OPENING IN THE 1990s**

Suriname's decision to join the FTAA process was just one dramatic sign of its growing interest in improving and expanding relations with countries in the region and beyond. Following the lead of other Latin American and Caribbean countries that had already implemented successful outward-looking reforms from the mid-1980s on, Suriname in the 1990s began to make an effort to break from its long seclusion. Both the Ronald Venetiaan government (1991-1996) and the Jules Wijdenbosch administration (1996-2000) took a number of steps at the regional, global and unilateral levels to facilitate the country's gradual insertion into the global economy.

Chief among these was a new strategy of regional integration. Enhanced cooperation with Caribbean Basin countries in the early 1990s, both within the framework of European Union (EU) cooperation with the African, Caribbean and Pacific (ACP) Group of States and through the establishment of the Association of Caribbean States (ACS) in 1994, paved the way for Suriname's accession to the Caribbean Community (CARICOM) in July 1995. Suriname subsequently expanded its regional presence through CARICOM's own foreign policy efforts, including new trade agreements with the Dominican Republic and Cuba, participation in the Community's Joint Trade and Economic Committee (JTEC) with Canada, closer relations with Central America, and the 1997 Bridgetown economic and security accord with the United States. Suriname also signed a number of limited bilateral agreements with South American countries -including Venezuela (1993) and Brazil (1997)- and, in 1998, began formal negotiations on the FTAA with its 33 hemispheric partners.

Drawing partly on the ethnic diversity of its people and in an attempt to court new investment and trade, Suriname also began to cultivate deeper ties with non-traditional trading partners outside the region. Asia was a key target for these efforts. The Netherlands, meanwhile, remained a primary focus of Suriname's extra-hemispheric relationships, as did Europe as a whole. On the multilateral front, Suriname committed itself to the trade liberalization objectives entailed in the GATT Uruguay Round Agreement of 1994, and became a founding member of the World Trade Organization (WTO) in 1995.<sup>2</sup>

Finally, Suriname also pursued some cautious liberalization at the unilateral level in an effort to rationalize its trade and investment environment. While some limited trade liberalization took place in the early 1990s as part of an overall economic stabilization effort by the Venetiaan government, the greatest progress came in the final years of the decade with a substantial reform of the country's highly protective trade licensing system. In order to attract new investment, Suriname also became an active member of the World Bank's Multilateral Investment Guarantee Agency (MIGA), joined the US Overseas Private Investment Corporation (OPIC) in 1993, and acceded to the IDB-affiliated Inter-American Investment Corporation (IIC) in 1998.

Taken together, these initiatives seem to indicate a true shift in commitment towards greater openness. The emerging process has not been easy, however, nor has it been fully consolidated. Beyond overcoming the usual efficiency constraints associated with underdevelopment, Suriname faces a number of formidable challenges on its road to global integration. These are related to the small size of its economy, its relative geographic and cultural isolation in the hemisphere, and the legacy of its inward-looking economic development policies, which have not only hampered growth but also led to the accumulation of severe structural imbalances in the economy.

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<sup>2</sup> Having already participated in the General Agreement on Tariffs and Trade (GATT) as a Dutch dependent territory, Suriname earned its own membership of the GATT in 1978.



First, as a small economy, Suriname lacks a diversified range of domestic resources. Despite its proclaimed “self-sufficiency” goal, it has thus always depended heavily on imports to support local production and satisfy consumer demand. Given the absence of a sizable domestic market, Suriname also depends on export revenues to sustain economic growth. Hence, like most small economies, and despite its protectionist policy environment, Suriname displays a high degree of “economic” openness: its external transactions are large relative to its total economic output. Openness renders Suriname extremely vulnerable to external shocks such as fluctuations in international commodity prices or policy changes abroad. Vulnerability is compounded by the fact that Suriname’s export earnings are based on a small number of natural resource products – mainly bauxite. There are other problems related to the small size of an economy. While small states can in principle access global capital markets to compensate for adverse shocks and income volatility, private markets often see small states as more risky than large states, so that spreads are higher and market access more difficult. Small states are often also constrained by weak institutions. This is a key phenomenon in most developing countries, but in small countries, diseconomies of size add a further problem to the provision of public services and execution of government. Smallness, and its associated problem of income volatility, is also a disadvantage that, paradoxically, makes protection even more costly than openness.

Second, although part of South America physically, Suriname lacks significant infrastructure and cultural links to its neighbors. As a colony, Suriname was geared towards its mother country exclusively, and even after independence, Holland remained its main window on the world. The Multiannual Development Plan adopted by the two governments in 1975 foresaw a Dutch grant of US\$ 1.5 billion to Suriname for a period of 10-15 years – a “golden handshake” that appeared to render new foreign policy initiatives unnecessary. Suriname’s colonial legacy has thus left the country not only physically but also politically and culturally isolated from the rest of the continent. Surrounded by dense rainforest, Suriname is accessible only by ferry from either English-speaking Guyana on one side, or French territory on the other – its border with Brazil remains virtually undeveloped. In addition, Suriname is one of the most ethnically diverse societies anywhere, with a wide variety of languages spoken in addition to the official Dutch. Spanish and Portuguese are not common, however, adding to the difficulty of projecting a unified social and political identity in the region.

Finally, the above-mentioned factors have all contributed to an entrenched and self-reinforcing inward-looking policy environment in Suriname that can inhibit integration. As mentioned earlier, economic policies implemented after independence were aimed at fortifying economic sovereignty by lessening perceived dependency on Holland. The inflow of Dutch aid was thus used to fund “big push” domestic spending and large-scale enterprise nationalization. After the suspension of Dutch aid in 1982, Suriname continued to implement protective development policies based on import substitution industrialization (ISI), financed in part by the accumulation of foreign debt. These outdated policies have left deep structural imbalances that complicate outward-looking reform attempts in a number of ways. State price control and enterprise ownership makes liberalization politically difficult. Government economic intervention constrains official markets and gives rise to unofficial markets. Fiscal imbalances not only crowd out new investment, they make tariff cuts, customs improvements, and other adjustments even more burdensome.

Overcoming these challenges requires comprehensive domestic reform and an effective strategy of international insertion. While Suriname has pursued the latter goal on several fronts (unilateral, regional and multilateral), it appears to have chosen regional integration as the main vehicle for opening up to the competitive forces of the global economy. Before examining the specific efforts taken by Suriname in this respect, and their possible implications for its longer-term development, it is worth outlining some of the merits – and possible costs - of regional integration from a theoretical point of view. It is important, in this respect, to distinguish between “old” and “new” types of regional integration.

## II. MERITS AND POSSIBLE COSTS OF REGIONAL INTEGRATION

In contrast to Suriname, most Latin American and Caribbean countries have a long tradition of regional integration extending back to independence. Early integration processes were based, first, on political union, and later, in the post-war era, on pooling economic resources to implement expanded import-substitution industrialization (ISI) programs. These processes did not, however, achieve lasting success due to deep political differences among participating countries and serious macroeconomic imbalances in their economies, stemming in part from protectionism and escalating fiscal spending associated with the pursuit of ISI-based development strategies.

A new type of integration, often termed “open regionalism”, emerged in the early 1990s. In contrast to earlier integration efforts, the twenty-plus free trade agreements and customs unions established among Latin American and Caribbean countries in the past decade (including the reform of existing integration schemes) have in common a fundamental consistency with and commitment to the outward-looking, market-oriented policy reforms that the region as a whole has been introducing since the mid-1980s. This wave of “open regionalism” is an integral part of a regional development strategy that aims to promote a fertile environment for private enterprise (Ethier [1998] pp. 1149-61).<sup>3</sup>

Most Latin American countries have pursued unilateral and multilateral liberalization in parallel with regional liberalization. This reflects the view that each approach has viable benefits and that each is compatible with the others. It also indicates, however, that liberalization at the two extremes alone has some drawbacks compared to regional integration.

Unilateral trade liberalization, in conjunction with deeper structural reform, can provide tangible benefits by boosting competition and efficiency in the domestic market. Such liberalization, however, may not only at times be politically unfeasible, there is also no guarantee of reciprocity from other trading partners, nor is there any framework for establishing effective rules governing trade with these partners. Liberalization at the multilateral level is more secure, in that it provides scope for the development of international rules and an assurance of reciprocity from all members. These negotiations, however, can take a long time to complete, increasing a country’s risk of falling behind in the globalization process. Negotiations at the multilateral level, moreover, tend to favor large, powerful economies, while small countries like Suriname often have little input into any resulting agreement. In both cases, small economies are likely to be at the whim of global economic trends and can do little to shield themselves from harsh flows and fluctuations in the international economy.

The benefits of “open regionalism”, in turn, are many. They include both the obvious direct trade benefits, as well as much wider, and less easily quantifiable non-trade benefits. Adoption of this particular brand of regional integration can help Suriname achieve gradual insertion into the global economy while somewhat mitigating the associated risks. The trade benefits include, first, a guaranteed reciprocity as well as greater control over the process at the negotiating stage – particularly in integration schemes where countries are relatively equal in size. Countries can thus achieve greater benefits from economic opening with possibly lower adjustment costs, not only due to more certain benefits, but also due to shared cultural affinities, physical proximity, familiarity and common characteristics and concerns.

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<sup>3</sup> Ethier argues that “new regionalism”, rather than hindering multilateral trade liberalization, has actually emerged as part of the multilateral liberalization process itself.

Second, regional integration prepares member countries for globalization through expanded markets and increased competition. Regional competition, with wider markets for both output and factors of production, means that Suriname's enterprises can exploit the natural efficiencies of greater input selection, economies of scale, and physical proximity. As these processes are underway, moderate but decreasing levels of protection can help businesses prepare for global market integration while being shielded somewhat from the harsh effects of full-blown international competition.

Third, regional integration can lead to greater market diversification. Intra-regional trade helps curb dependence on traditional commodity exports, since such trade is usually more intensive in non-traditional products. It also helps curb dependence on one or two main destination markets, and can cushion economies somewhat from fluctuations in global demand.

Fourth, participation in a regional integration arrangement can increase a country's attractiveness to foreign investors. FDI provides a key instrument by which developing countries can acquire new production techniques and know-how. Yet competition for FDI among developing countries is fierce. Throughout Latin America, there is evidence that regional integration -through the expansion of markets- can be a significant factor in attracting market-seeking FDI.

Fifth, regional integration can help countries consolidate their reform efforts through a "lock-in" effect. Particularly for developing countries, national reform processes are often costly in both economic and political terms. Regional agreements based on market-oriented principles help consolidate those policy reforms and serve to make reversals more difficult. They may also help fortify the rule of law and democracy.

Sixth, regional integration can encourage subsequent multilateral integration. The integration process is a dynamic one that is somewhat self-reinforcing and is compatible with other multilateral systems of integration. The existence of trade groups provides a natural "bandwagon" incentive for new countries to join, and often stimulates wider negotiations between groups and other regions (Baldwin [1995]). This is particularly evident in the Western Hemisphere, where several integration groups have invited new members to join their scheme, while also pursuing negotiations with other groups within and outside the hemisphere. Regional integration also helps level the playing field for small countries by consolidating their power in any further multilateral or bilateral negotiations.

As mentioned above, there are many other indirect non-trade benefits that Suriname can gain through regional integration. Many of these potential benefits go beyond the traditional trade creation/trade diversion analysis, and can be difficult to quantify. These include cooperation and the exchange of information and expertise in the areas of building responsive government institutions, designing effective regulatory systems, implementing economic reforms, promoting intra-regional investment, environmental preservation, various areas of functional cooperation, research cooperation, and tourism and cultural exchanges, among others. Unlike multilateral or unilateral liberalization efforts, open regionalism can help countries focus attention and cooperate on alleviating common problems.

At the same time, integration does involve real risks and costs for Suriname. Since regional integration provides preferences to countries within the group vis-à-vis external partners, there is likely to be some degree of trade diversion. In an open regional scheme, however, diversion will probably be relatively mild and more than outweighed by simultaneous trade creation.

Regional integration will also entail some capital and labor redundancy. Even in the gradual, limited liberalization process that characterizes regional integration, countries will face inevitable adjustment costs,

since enterprises that are not competitive internationally will either increase efficiency or shut down. Government programs to support adjustment will at the same time be constrained by the potential fiscal costs of integration. If a country's trade with the group is large, then intra-regional trade liberalization will lead to a sizable loss in tariff revenue – the latter has traditionally been a key source of government revenue in the region. Governments will have to implement effective tax reforms to address this problem.

Inequitable growth is another potential problem in regional integration schemes. Large and more developed countries within a group can often receive a greater share of benefits from integration than their smaller or less developed partners. These problems tend to be more pronounced in integration schemes with high levels of external protection, causing trade imbalances within the group. In open regionalism, the disadvantage for smaller economies within the group is less severe as trade diversion is minimized and market size is relatively less relevant.

By adhering to an integration scheme, a country inevitably loses a degree of national sovereignty. This is particularly the case in more advanced integration arrangements, where much of economic policy-making shifts from national to supra-national institutions. The latter process is often accompanied by rising concerns about the democratic accountability of such newly formed institutions. For small countries like Suriname, however, joining forces with other countries can strengthen their power relative to non-regional partners, more than outweighing the initial loss of domestic control over key policy areas. The country's "sovereignty" is thus partly redefined at the regional level.

Finally, some continue to doubt the value of regional integration relative to multilateral liberalization. Open regionalism is controversial, but regional trade groupings are allowed as exceptions to the basic WTO principles against preferential trade instruments. Regional groupings must be legally compatible with WTO rules, and can be considered open regionalism when groups undertake both internal and external tariff reductions, while displaying a lasting commitment towards further external liberalization. Under these circumstances, integration and regionalization can create new wealth and increase overall welfare. So defined, regional integration, instead of hindering globalization, can be seen to be part of the globalization process itself.

Using this theoretical framework, Suriname's own outreach initiatives can be evaluated more easily. To succeed, Suriname's regional integration efforts must not be defensive, but should instead form part of an active strategy of using regional resources to widen its international involvement further. In the following sections, therefore, we will analyze some of the main integration initiatives that are already underway in Suriname.



### III. SURINAME'S PARTICIPATION IN THE CARIBBEAN COMMUNITY

Suriname's entry into CARICOM on July 4, 1995 represented the country's first major economic integration initiative since independence.<sup>4</sup> Significantly, it also marked the first widening of the Community towards a non-English-speaking, non-Commonwealth country and the group's first expansion into the South American continent since its creation in 1973. With Haiti's full accession expected soon (it was admitted as a member in 1999 but has yet to complete the legal formalities of accession), CARICOM will be a Community of 15 member states. It is one of the oldest integration schemes in the Western Hemisphere and the largest in terms of membership, but it is by far the smallest in economic size. The group's combined territory is only 462,000 km<sup>2</sup>, and its gross domestic product (GDP) is just US\$20 billion.<sup>5</sup>

Beyond its general goal of economic opening, what were Suriname's specific motivations for joining CARICOM? What were the immediate consequences of its accession? And what could membership imply for Suriname in the longer term? To answer these questions, it is worth outlining some of the basic characteristics of CARICOM, both regarding its main objectives and the current status of integration among its member states.

#### **An Overview of CARICOM Integration**

CARICOM was originally established with three basic goals: the creation of a common market to foster economic integration among its member states; foreign policy coordination to strengthen the region's external position; and the pooling of scarce resources through functional cooperation in a variety of areas related to economic development.<sup>6</sup> With few exceptions, CARICOM members participate in all three areas of integration.<sup>7</sup>

Despite the explicit aim of creating a common market, CARICOM's founding Treaty of Chaguaramas focused mainly on the initial stages of integration, namely the creation of a free trade area in goods and the implementation of a common external tariff (CET). The process, typical of the era, was colored by the tradition of export pessimism in the region and was somewhat defensive. While concrete progress on the free trade area was achieved rapidly, adoption of the CET was delayed by almost two decades. Furthermore, due to economic difficulties and a contentious political environment, CARICOM, like other integration schemes in the hemisphere, suffered a period of stagnation during the 1980s.

Since the early 1990s, however, CARICOM members have made concrete efforts to redefine, deepen and improve the efficiency of the integration scheme. Having pursued mostly inward-looking development strategies during the 1970s and 1980s, the Community is now adopting an increasingly outward-oriented approach to regional integration. A major renewal of CARICOM is thus underway, aimed at reducing external protection and hastening the establishment of a common market. The Treaty

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<sup>4</sup> While Suriname, as co-founder, signed the Convention establishing the Association of Caribbean States (ACS) on July 24<sup>th</sup>, 1994, the ACS was not officially inaugurated until August 17-18, 1995 and does not constitute an economic integration arrangement in the traditional sense.

<sup>5</sup> IDB Statistics and Quantitative Analysis Unit, 2000.

<sup>6</sup> Treaty Establishing the Caribbean Community, Chaguaramas, July 4<sup>th</sup>, 1973, CARICOM Secretariat.

<sup>7</sup> The exceptions include The Bahamas, which has been a member of the Community since 1983 but does not participate in the common market, and Montserrat, which does not participate in the region's foreign policy coordination due to its status as a British dependent territory. Haiti is expected to become a full member of the Community and common market as soon as its membership is ratified by parliament.

of Chaguaramas is being revised through a series of nine new protocols that establish clear rules and timetables for achieving the common market, including the free movement of goods, services, capital and people in the region. CARICOM members have in fact committed themselves to go even further. Their ultimate goal is to establish a CARICOM Single Market and Economy (CSME), which includes not only a fully functioning common market, but also the convergence of macroeconomic policies and eventual monetary harmonization.<sup>8</sup>

When Suriname joined the common market in January 1996 (six months after its accession to CARICOM), it was in effect joining an imperfect customs union. Intra-CARICOM trade in goods was already substantially liberalized. Most tariffs on intra-regional trade and a significant number of non-tariff barriers (NTBs) had been eliminated. Intra-regional trade grew by an annual 10.4 percent in the period 1990-1996, somewhat faster than CARICOM's global exports (6.1 percent). Consequently, the share of intra-regional exports in the group's total exports increased from 11 percent to 14 percent during that period.<sup>9</sup>

Externally, member states were in the process of implementing a new CET structure, adopted in 1992 following the abandonment of earlier models. In line with the perceived need among member states to reduce domestic protection levels in order to boost competitiveness in the region, the new CET structure included a program of gradual tariff reduction over a five-year period (1993-1998), to be completed in four phases. Starting with a ceiling of 35 percent, the final CET structure will range from 0-20 percent. While some members have concluded the final phase of the program, the new CET is not yet fully implemented region-wide. Once the process is completed, the unweighted average tariff rate will be around 10 percent, half the rate prevailing in 1991. Implementation of the new CET thus represents a significant reduction in external protection for CARICOM, with important implications for its member states.<sup>10</sup>

At the time of Suriname's accession, member states had only just begun the process of revising the Treaty of Chaguaramas. Since then, the new protocols have been signed by most member states, and most are being applied on a provisional basis, pending full ratification by national governments.<sup>11</sup> While the Community expects to complete the process of treaty revision by July 2001, full implementation of the new protocols by all member states could take much longer. Protocol II of the revised Treaty, which covers the free movement of factors of production within the Community, has been applied provisionally since 1998 in most member states, but achieving success in that area will be a particularly complicated process. To date, intra-regional trade in services remains subject to numerous restrictions, labor movement is limited to graduates of accredited universities in some professional categories, and many constraints still apply to capital transactions within the region. In the area of macroeconomic convergence and the establishment of a monetary union, few expect substantial policy initiatives until the common market is fully operational.<sup>12</sup>

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<sup>8</sup> For a more detailed overview and evaluation of the CARICOM integration process, see Jessen and Rodriguez [1999].

<sup>9</sup> *ibid*, p.15.

<sup>10</sup> *ibid*, pp. 15-16 and 89-90. See also Common External Tariff of the Caribbean Common Market, based on the Harmonized Commodity Description and Coding System (HS) Second Edition (1996), CARICOM Secretariat.

<sup>11</sup> See Single Market Update Matrix, 28 May 2001, CARICOM Secretariat.

<sup>12</sup> Jessen and Rodriguez, *op. Cit.*, pp. 32f. It is worth noting, in this context, that one sub-group of countries within CARICOM, namely the Organization of Eastern Caribbean states (OECS), has reached a more advanced stage of integration than that achieved by the Community as a whole, including full monetary integration with a single currency and Central Bank. OECS members include the small island states of Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines.

After economic integration is achieved, CARICOM will still face an unavoidable constraint: the small size of its internal market. Member states, acutely aware of this constraint, have attached great importance to pursuing the Community's other two priority objectives: foreign policy coordination and functional cooperation. Both rely on the pooling of resources as a major strategy for economic development. The Community has a long tradition of foreign policy coordination, aided no doubt by the common heritage of its English-speaking members, and has applied it successfully in negotiations with external trade and aid partners, particularly the European Union (EU). In response to challenges facing the region on the external front - including negotiations with the EU for a new trade arrangement, participation in the FTAA process and new WTO trade talks - in 1997 member governments established the Regional Negotiating Machinery (RNM) for CARICOM International Economic Negotiations. Its aim is to strengthen the coordination and implementation of trade negotiation strategies for CARICOM in all major regional and international trade fora. Regarding functional cooperation, a number of common initiatives exist in a variety of fields, the most notable being the regional University of the West Indies and the Caribbean Development Bank.

In sum, at the time of Suriname's accession, CARICOM was a small, imperfect customs union aspiring to become a single market, with a significant track record in foreign policy coordination and a number of well-established regional institutions. What were Suriname's motivations for joining the Community?

### **Why CARICOM?**

The prospect of joining CARICOM, with its particular characteristics and the attendant theoretical benefits of regional integration discussed above, dovetailed nicely with Suriname's overall policy goals. Joining CARICOM was a natural first choice in Suriname's quest to break from political and economic isolation without finding itself overwhelmed by the task. Economically and politically, CARICOM membership can play a role in aiding Suriname's transformation towards a more open, modern and globally integrated country.

Although located in South America, Suriname shares a number of historical, social, political and economic characteristics with CARICOM countries. But beyond this, economically speaking, opening to the CARICOM market represented the least amount of risk for Suriname with a significant potential gain. Relative to other groups in the region or non-regional integration, CARICOM met Suriname's need for an intermediate step towards global integration. Furthermore, as accession to CARICOM entailed a more controlled process of liberalization, it also implied a more benign level of political resistance and cost.

The small size of Caribbean economies, as well as the perceived lack of a dominant, developed economy in the group, appeared to make competition more manageable for Suriname. Designated as a More Developed Country within the region, Suriname was not at all small relative to some other CARICOM economies, particularly as regards its natural resource base. Furthermore, Suriname's imports from the Community averaged only 12.4 percent of its total world imports from 1990-1995, meaning that adjustment to increased import competition would be less severe than that required in the case of wider global exposure.<sup>13</sup> Since many national industries were heavily dependent on external protection, wider immediate competition from the world (or even large, more developed North or South American countries), would inevitably have led to widespread firm closures and higher short-term unemployment.

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<sup>13</sup> IDB Statistics and Quantitative Analysis Unit, based on IMF Direction of trade data.



For the fragile new democracy, this could have resulted in prohibitive levels of union protest or other social unrest.

Despite the relatively small size of its economies, CARICOM nevertheless also met Suriname's need to promote growth through greater economic and export diversification. Meeting that need required not only domestic reforms aimed at boosting local productivity, but also a greater diversity of markets for Surinamese exports. CARICOM represented such opportunities. While small in absolute size, its market was not insignificant for Suriname: the Community's combined GDP was 60 times that of Suriname's, its population 15 times larger (excluding Haiti). Suriname's large resource base also provided a solid foundation for the development of new comparative advantages in the liberalized regional market, despite similar export structures vis-à-vis some CARICOM countries (mainly in the agricultural sector). Beyond new export opportunities, membership in CARICOM also promised potential benefits in terms of greater economies of scale for domestic production, new opportunities for joint ventures and other regional business links, and greater FDI attractiveness. In addition, joining CARICOM provided an opportunity to expand links with countries beyond the Caribbean, including the United States. Despite a strong American presence in its bauxite sector, Suriname's trade relations with the United States – particularly on the export side – were weaker than those of some of the Caribbean islands, which had used the US Caribbean Basin Initiative (CBI) and other preferences to expand their presence in the US market. The English-speaking Caribbean countries also enjoyed close links with Canada, which has been a major supplier of economic and development cooperation to the region.

Liberalization within the Caribbean region appeared to offer other concrete advantages compared to unilateral or multilateral moves as anticipated in the theoretical discussion above. First, accession to CARICOM involved negotiations with a relatively equal and familiar partner, and given the limited size of the group, Suriname was in a better position to influence the outcome of such negotiations. Second, accession to CARICOM would give Suriname free access to member states' markets on a preferential basis relative to third countries. The gradual reduction of those preferences, through CARICOM's own process of external tariff liberalization, moreover afforded all member states time to adjust to increasing external competition. Finally, given Suriname's past experiment with military rule, CARICOM offered another relevant advantage in terms of its good track record of democratic government. In addition to aiding and supporting good governance in Suriname, joining CARICOM was an important signal to the international community that Suriname was committed to democracy, a rationalized and more open economy, and friendly relations with neighbors.<sup>14</sup>

In pursuing regional integration with CARICOM, Suriname was no doubt also influenced by the proliferation of new integration arrangements across the continent in the early 1990s, and a desire to avoid being left out and risk further economic and political isolation. Trade liberalization at the multilateral level was moreover eroding Suriname's position in some of its major export markets, and existing preferential regimes such as the one benefiting Europe's ACP partners were facing increasing criticism from many fronts. With the break-up of the Soviet Union in the early 1990s, the number of aid recipients had, meanwhile, multiplied, with heavy demands on tight aid budgets in both Europe and North America. All these developments provided a strong incentive for Suriname – and other countries in the region – to seek new economic alliances.

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<sup>14</sup> Some examples in this area include CARICOM's role in resolving the constitutional crisis in Guyana in 1999 and easing the Suriname-Guyana oil-drilling dispute in early 2000. CARICOM election observers were also invited to Suriname for the May 2000 elections.

One might ask, in this respect, why Suriname did not consider joining one of the other existing integration arrangements in the region - such as the Andean Community or MERCOSUR - instead of CARICOM. Despite its proximity to the small Caribbean islands and neighboring Guyana (which is home to the headquarters of the CARICOM Secretariat), Suriname is after all a South American country, bordering Brazil, MERCOSUR's principal economy. Several explanations come to mind. First, unlike CARICOM, in the early 1990s the Andean Community and MERCOSUR showed little interest in admitting a new member - particularly a small, economically unstable country like Suriname. Second, as a member of the ACP group and participant in Cariforum activities, Suriname already had an established line of communication with CARICOM countries prior to entry, which facilitated accession talks. Joining the South American groups would have been a far more complicated exercise for Suriname, not only in terms of the negotiations themselves (due to language and cultural barriers, and unequal negotiating power vis-à-vis the larger countries) but also due to the asymmetric economic relationship resulting from such an arrangement. Third, despite Suriname's substantial bilateral trade links with Brazil, its trade with the rest of MERCOSUR and with the Andean Community was less intensive than its trade with CARICOM.

The South American integration schemes, moreover, would not have offered Suriname the same opportunities for foreign policy coordination and functional cooperation that it would have as a member of CARICOM. While the pooling of resources in these areas was a key strategy for CARICOM, it did not figure prominently on the agenda of the region's larger integration groups. As a small state with significant institutional and human resource constraints, Suriname expected, and arguably obtained, sizable benefits from CARICOM's "deeper" regional cooperation.

Finally, with member states increasingly aware of the need to widen their integration scheme and expand economic relations with other partners, the moment for integration with Suriname was appropriate for CARICOM, too. Ongoing cooperation with Suriname, Haiti and the Dominican Republic within the EU-funded Cariforum Secretariat - which manages European Commission aid to the Caribbean - made these countries natural candidates for strengthened political and economic links. Greater cooperation among Cariforum members was indeed actively encouraged by Europe. Suriname's return to democracy, meanwhile, provided the necessary impetus for accession talks to begin.<sup>15</sup>

### **Implications of Membership for Suriname**

CARICOM membership was more than a token political move. It led to significant changes in Suriname's external trade policy regime, with immediate effects for the country's domestic industry. Entry into CARICOM meant, first, joining the group's free trade area in goods and, second, adopting the Community's common external trade policy.

Prior to accession, Suriname applied a multiple tariff regime ranging from 0 to 100 percent under the Brussels Tariff Nomenclature (BTN) classification system. In preparation for CARICOM membership, this system was replaced in 1994 with the Harmonized System (HS), which is used as the basis for duty-free entry of goods originating from CARICOM countries, and for the CET.<sup>16</sup>

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<sup>15</sup> It should be noted, in this respect, that the 1990s were not the first time that Suriname and CARICOM approached each other. Talks of regional cooperation between the two parties were undertaken in the early 1970s, but integration then was not further pursued, in part due to the perceived difficulties in integrating Suriname's very different legal system with that of the English-speaking Caribbean countries.

<sup>16</sup> Boye and Ramautarsing ([1997] p.34). It is estimated that Suriname's average tariff level was reduced as a result of the transition from the Brussels Nomenclature to the HS.

Suriname's entry into the CARICOM free trade area was immediate, with no major transition phase contemplated in the accession agreement. Apart from some exceptions granted under the CARICOM Treaty, and a few others negotiated by Suriname upon entry, all tariffs on two-way trade in goods were eliminated in January 1996. Like other members of the Community, Suriname can make use of the Treaty's Article 29A (revised through Protocol IV, Article XVII) to impose temporary restrictions on imports from CARICOM that adversely affect domestic production. It is moreover important to note that Suriname retained a significant number of non-tariff barriers (NTBs) after accession, including vestiges of ISI policies such as the highly protective import licensing system. Like other CARICOM countries, Suriname has in recent years taken steps to reduce its NTBs to both intra-CARICOM and external trade. It took a significant step in this direction in September 1999, when it abolished quantitative restrictions on imports and adopted a more transparent licensing system as part of a broader trade policy reform initiative.<sup>17</sup>

Despite remaining intra-regional barriers, Suriname's trade with CARICOM expanded significantly in the years after accession. Imports from the Community grew quite strongly, from \$51 million in 1995 to \$75 million in 2000 with most of the growth accounted by rising imports from Trinidad and Tobago. Suriname exports to the Community have also grown, from an average \$11 million a year in the period 1990-1995 to \$27 million in 2000 (Table 1). Both exports and imports are highly concentrated in one country, Trinidad and Tobago, which absorbs more than 75 percent of Suriname's total trade with the Community and accounts for most of the recent growth in Suriname's imports from the group (Table 2).<sup>18</sup>

Trade with CARICOM countries grew in relative terms, too. Between 1995 and 2000, CARICOM's share in total Suriname exports rose from 2.4 percent to 5.4 percent. Its share in total imports increased from 8.8 percent to 15.5 percent over the same period (Table 3). Given the lack of reliable trade statistics (much of Suriname's trade remains unrecorded), analysis of this data must be undertaken with some caution. Trends are nevertheless discernible: Suriname's trade with CARICOM has clearly expanded since the mid-1990s, and, in economic terms, Trinidad appears to be the main beneficiary so far of Suriname's accession to CARICOM. In recent years, Trinidad has greatly increased its presence in the Surinamese market, particularly in the manufacturing sector, where anecdotal evidence suggests that competition from Trinidadian exporters has significantly damaged a number of import-competing domestic industries. More significantly, export diversification appears to have been quite limited, with most of the growth in Suriname exports to CARICOM resulting from increased sales of basic commodities.

Surinamese exporters have thus made only modest inroads into the CARICOM market. Although this may be partly due to remaining obstacles in intra-regional trade (including the continued application of NTBs by most CARICOM countries and significant regional transport bottlenecks), Suriname's own supply constraints and troubled domestic environment have certainly played a role. As lasting reforms to address the deep-lying structural problems in the Surinamese economy have yet to be implemented, domestic industries in the country are not yet dynamic enough to take full advantage of their new market opportunities, and there is a widespread lack of knowledge, particularly among smaller enterprises, of the economic opportunities offered by CARICOM. Trade policy reforms have, moreover, focused mainly on imports, with few specific initiatives in the area of export promotion and efficiency.

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<sup>17</sup> The Inter-American Development Bank approved a loan in 1998 to assist Suriname with trade-related reforms, with particular attention on the agricultural sector. See also: *Agriculture and Trade Policy Reform Program: An Action Plan for the Introduction of a Modern System of Trade Controls*, Government of the Republic of Suriname, August 1999.

<sup>18</sup> Calculations based on IMF Direction of Trade Statistics.

The need for deep structural reform to support the private sector's adjustment efforts is all the more important given Suriname's adoption of the CARICOM CET, which has so far reduced external tariffs to an average of 25 percent on most goods, with some raw materials and 40 basic goods entering duty-free.<sup>19</sup> Suriname is currently applying the third phase of tariff reductions under the CET, which establishes a range of 5-25 percent for tariffs in general and a range of 0-40 percent for duties on agricultural imports. It has, however, recently indicated that it will implement Phase IV in July 2001, despite the fiscal problems that this will entail for the country. This step would reduce the general tariff range to 0-20 percent and imply an unweighted average MFN tariff rate of 10 percent on Suriname imports. It is thus clear that Suriname remains committed to gradual liberalization of its import regime, as evidenced by the recent simplification of the country's elaborate licensing system, which, perhaps even more than high tariffs, afforded domestic businesses a powerful measure of protection.

To what extent Suriname's adoption of the CET has affected the country's overall import performance is hard to say since the latter is influenced by many other factors, including domestic income growth and international commodity prices. Imports have indeed remained rather stagnant since 1995 (Table 1), and it therefore appears likely that reduced external protection (which would have boosted imports, all other things equal) has been outweighed by depressed import demand resulting from economic recession in the final years of the decade. Curiously, while some producers are suffering from the impact of greater external competition, others are concerned that the tariffs currently applied by Suriname are still too high, since they raise input costs in a number of productive sectors, particularly agriculture. Similar concerns have been voiced regarding the CARICOM CET in general. Even when fully implemented in all countries, the CET will retain numerous exceptions, and average rates will be high by international standards. Further reductions in the CET would no doubt promote greater efficiency among local industries and ease the transition towards eventual hemisphere-wide free trade. Such reductions would nevertheless have to be accompanied by efforts to establish alternative public revenue sources, given the importance of trade taxes for most governments in the region. In 1998, for example, income from taxes on international trade amounted to 26 percent of total government revenues in Suriname.<sup>20</sup>

As indicated above, Suriname's entry into CARICOM has been a difficult process for a number of domestic industries. The short-term adjustment costs associated with intra-regional free trade and the adoption of the CET should not, however, distract economic policy-makers from recognizing the long-term benefits of greater economic efficiency, especially since domestic conditions in Suriname are not yet optimal for taking full advantage of regional integration.

CARICOM membership, in this respect, provides a significant lesson for Suriname, since it demonstrates that successful economic integration requires much more than eliminating trade barriers. A whole range of measures, from greater deregulation and privatization of business activities to the implementation of effective export promotion strategies and institutional reform, are urgently needed in Suriname. While integration can help consolidate existing policy reforms and also act as a catalyst for new reform, it cannot be a substitute for such reforms, which are a prerequisite for taking advantage of the opportunities that integration can offer.<sup>21</sup>

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<sup>19</sup> Data supplied by the International Monetary Fund.

<sup>20</sup> Data supplied by the IMF.

<sup>21</sup> In a recently published article, Maurice Schiff emphasizes the reform-creating (in addition to trade-creating) potential of integration arrangements that go beyond a simple free trade area.

Moreover, some tangible benefits have already accrued to Suriname in other areas of Community cooperation. First, Suriname is now able to draw on the expertise of existing Community institutions such as the CARICOM Secretariat and the Regional Negotiating Machinery in a wide variety of policy matters, including technical issues related to integration. Second, by adhering to the Community's common external trade policy, Suriname has arguably increased its negotiating power in regional and international trade fora. Third, because the Community cooperates on a number of issues of profound importance to the region's future development (including justice, social development, education, environmental sustainability and the fight against drugs), potential benefits extend well beyond the area of trade.

Finally, the extent to which Suriname can benefit from the regional market also depends on future developments in CARICOM itself. While the Community is actively working to improve the efficiency and export-orientation of its regional economy, much remains to be done to transform the latter into a dynamic, integrated production area capable of overcoming the vulnerabilities associated with the small size of its member economies. As the CARICOM market itself is ultimately too small to go it alone as the rest of the world opens its markets, the ability of Suriname, along with CARICOM itself, to expand its economic sphere is essential in order to avoid stagnation. Suriname should view integration with CARICOM not as a final goal, but as a step towards further integration, particularly with the wider Western Hemisphere market.

#### **IV. BEYOND CARICOM: INTEGRATION IN THE WESTERN HEMISPHERE**

CARICOM members have been acutely aware of the limitations posed by their small markets and have, in recent years, taken several steps to widen their integration scheme and to participate in other regional and hemisphere-wide initiatives. Suriname is now in a better position to take advantage of these new relationships, as well as to explore new cooperation options of its own.

##### **The Association of Caribbean States and Wider Caribbean Integration**

Since beginning its operations in 1995, the ACS has been an important forum for consultation and cooperation among countries in the wider Caribbean. The 25-member group, headquartered in Trinidad and Tobago, includes all 15 Cariforum members, the five countries of the Central American Common Market, the Group of Three (Colombia, Mexico and Venezuela), Panama and Cuba. Its aim is to encourage mutual cooperation in economic and trade-related areas such as tourism, transportation, agriculture, natural resource management and natural disaster preparedness. Substantial work has been done in these areas with the participation of all countries in the region.

The group also aims to establish greater convergence of trade policies among its members as well as joint programs to promote intra- and extra-regional trade. While ACS work in this area has not yet developed beyond the initial analysis and consultation stage, a number of bilateral initiatives among ACS countries have gone much further.

Some of these initiatives predate the creation of ACS. CARICOM, for example, signed special trade agreements with Venezuela in 1992 and Colombia in 1994; the latter was revised in 1998. While the agreements offer CARICOM products preferential access to the two Andean markets, there are significant exceptions to such treatment. The 1994 agreement with Colombia, moreover, called for gradual implementation of reciprocity in Colombia's trade with the more developed countries of the Community. Greater reciprocity was indeed a key outcome of the 1998 revision of the Colombia-CARICOM agreement, prompting Venezuela to request similar market access conditions in its trade with the Caribbean countries. In 1998, moreover, CARICOM signed a Framework Agreement with the Dominican Republic for the establishment of a reciprocal free trade zone between the two parties. The protocol, detailing specific tariff reduction and transition phases, was finalized in March 2000 and the agreement entered into force in February 2001, with trade in goods fully liberalized by 2004. CARICOM's most recent trade initiative in the region is a Trade and Economic Cooperation Agreement with Cuba, which was signed in July 2000. The agreement provides for reciprocal trade liberalization based on a positive list approach, although the less developed countries in CARICOM are exempted from granting reciprocity.

According to regional trade officials, Suriname has not yet acceded to the agreements signed with Colombia and Venezuela; it is, however, a signatory to those with the Dominican Republic and Cuba. The agreements offer Suriname potential longer-term benefits in terms of increased market access for its exports, while also constituting an important vehicle for enhanced cooperation with the Spanish-speaking countries of the region. The very widening of the CARICOM free trade area, moreover, is likely to boost that group's efficiency and production potential - not least its attraction to foreign investors - particularly given the relatively large size and development level of the Dominican economy. It also provides an opportunity for Suriname, along with its Caribbean partners, to prepare for the looming challenge of hemisphere-wide free trade.

## **The Free Trade Area of the Americas**

Perhaps the most significant foreign policy initiative of the Venetiaan administration, aside from overseeing Suriname's accession to CARICOM, was its commitment to participate in the Free Trade Area of the Americas process. Following the Summit of the Americas in 1994, 34 governments of the Western Hemisphere promised to increase regional cooperation and set out in the following years to prepare for negotiation of a free trade area that would span from Northern Canada to the southern tip of South America. The FTAA process is remarkable in that it has drawn together some of the richest industrialized economies with some of the poorest countries in the world.

Suriname's decision to participate in the FTAA process was probably as much due to fear of being excluded as it was the result of a pro-trade attitude in Paramaribo. A large hemispheric free trade area certainly presents new opportunities, and is actively supported by most of Latin America, but it is also a daunting prospect for many of the smaller countries. Very little cost-benefit analysis was done at the time to ascertain the true impact for CARICOM of joining such an ambitious free trade project. Certainly, once operational, the FTAA will have enormous implications for Suriname in terms of export opportunities, changing rules of competition across the hemisphere, and fiscal revenue.

The preparatory phase of the FTAA process, from 1995 to 1998, achieved major accomplishments in terms of documenting the current trade environment in the hemisphere. Governments established comprehensive databases and other background information on key aspects affecting trade, including existing market access conditions, customs procedures, subsidies, standards and technical barriers, intellectual property rights and government procurement, to name only a few. The preparatory phase thus greatly increased transparency regarding the rules of trade in the countries and sub-regions of the hemisphere. Regular meetings around the hemisphere among trade officials enhanced mutual contact and working relationships among the participating countries. The preparatory phase concluded in early 1998 with agreement on the general structure and scope of the negotiations, and formal talks were launched in April 1998. The first round of negotiations began in October 1998 and the process is expected to conclude in 2005, when the free trade area will come into effect. With a combined population of 800 million and a GDP of \$9 trillion, it will be the largest free trade area in the world and one of the most ambitious integration schemes in modern history.

FTAA negotiators face a difficult agenda ahead. Achieving a balanced agreement in a region fraught with profound inequality, particularly one that takes into account the situation of smaller developing countries in the region, will be difficult. The potential benefits, however, are significant. Secure and preferential access to the hemispheric market would boost, by orders of magnitude, the number of trade opportunities available to all countries in the region. In particular, the FTAA would mean better overall access to Latin American markets, where external tariffs are still relatively high. An FTAA would also provide more secure access to the North American market, although the levels of tariff protection in this market are already quite low, averaging around 3 percent versus 13 percent throughout Latin America. As a result, most countries in the region attach great importance to achieving a comprehensive free trade agreement that goes beyond simple tariff reduction, particularly vis-à-vis the giant US market. Aside from securing better access for specific products that still face high protection in that market, they are therefore interested in establishing effective trade disciplines that go beyond what is available under WTO rules to limit North American use of trade distorting measures – such as subsidies and antidumping actions – within the FTAA. They are also seeking to establish a predictable and fair rules-based framework that includes effective dispute settlement and enforcement mechanisms. Without major advances in these areas, Latin American and Caribbean support for tariff liberalization is likely to be low.

According to “new integration” theory, since the FTAA is a North-South agreement (where small developing countries link up with large developed countries) and not a South-South arrangement, these market-seeking aims are not even necessarily the most significant motives. Other factors, such as

knowledge transfer, the consolidation of reforms and increased FDI, may be equally or more important aims in the FTAA project (Ethier [1998] pp. 1149-61).

While the benefits of hemisphere-wide free trade could be significant for Suriname, the FTAA process is clearly a very complex undertaking. Suriname's interests in the talks are being represented mainly by the Regional Negotiating Machinery, which negotiates on behalf of CARICOM member countries and is an active participant in the special FTAA Consultative Group on Smaller Economies (CGSE). The CGSE mandates include, among others, following the developments in each of the nine negotiating groups of the FTAA and reporting to the FTAA Trade Negotiations Committee (TNC) on issues relevant for smaller economies, as well as identifying technical assistance needs and suppliers in the region.

The RNM's work represents a concrete example of the benefits of foreign policy coordination among CARICOM members, not only in terms of strengthening the region's negotiating capacity but also because the costs associated with participating in all FTAA meetings would be impossibly high for each of the small Caribbean countries individually. The RNM has also been successful in attracting generous amounts of financial assistance for its activities, particularly for the preparation of background studies, cost-benefit analyses, technical notes on negotiating strategies, and training in all trade-related areas. This has been of vital importance, since the negotiating process - beyond being costly - requires substantial technical expertise. There is still room for an improvement of member states' active participation in, and collaboration with, the RNM. Suriname, in particular, has lagged far behind other countries in preparing relevant national inputs for formulating regional negotiation strategies, and technical cooperation is important in this respect.

No matter what the outcome, the FTAA process will represent an enormous challenge for Suriname. First, the sheer magnitude of the trade opening alone will mean fundamental changes for Suriname as it adjusts to the amount of competition it will face both in its domestic and CARICOM markets. An FTAA will change the patterns of specialization across the hemisphere, requiring that countries be proactive and carve out specific niches for themselves in the enlarged market.

Second, the Caribbean region as a whole will probably face erosion of its preferences in the North American market. The primary US trade program for the Caribbean, the recently expanded Caribbean Basin Initiative (CBI), has afforded Caribbean countries a measure of protection relative to their South American partners in the US market, and has greatly enhanced their attractiveness as export-oriented FDI locations.<sup>22</sup> Indeed, perhaps more than the trade benefits, the CBI's significance lies in how it symbolizes to investors US confidence and commitment to economies and governments in the region. Suriname, however, has never taken advantage of the preferences available to it under the CBI because it has never formally requested designation as a beneficiary country under the program. In contrast to its CARICOM partners, therefore, Suriname is already in a disadvantaged position in the US market.<sup>23</sup> On the one hand, this means that Suriname may have less to lose in terms of preferences as the FTAA is implemented. As a practical matter, however, since the United States alone accounts for just over 75 percent of Western Hemisphere economic activity, Suriname's prolonged passiveness towards the market is a serious disadvantage as it competes for trade opportunities and investment in preparation for the FTAA. The lack of depth in Suriname's export

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<sup>22</sup> The CBI was enacted by the US Caribbean Basin Economic Recovery Act (CBERA) and became effective in 1984. A significant revision that extended NAFTA parity to a number of original exceptions was passed in early 2000.

<sup>23</sup> Suriname is a beneficiary of the US Generalized System of Preferences (GSP) which extends universal tariff preferences to some 123 developing countries, including in Latin America. Therefore, relative to most of its Latin America partners, Suriname does not have a "preferential" position in the US market. In recent years, the GSP has declined in importance for the CBI countries as a whole, from 3 percent of the value of all products exported to the US market in 1994, to 1 percent in 1998. Meanwhile, 18 percent was exported under the CBI preferences in both years. As regards US imports from Suriname, 8 percent of these entered the US market under the GSP in 1994, compared to 5 percent in 1998.



relationship with the United States – relative to that of most Caribbean, Central American and Andean countries – suggests that it could face serious difficulties in expanding its presence in the US market once the FTAA becomes operational.<sup>24</sup> Suriname's ineligibility with the United States Export-Import Bank, for example, is the kind of disadvantage that can adversely affect Suriname's competitiveness in the hemisphere.

Improving relations with North America is therefore an area where close involvement with CARICOM can be quite useful to Suriname. Given the recent CBI extension, and that the FTAA will not be operational for another four years, Suriname should consider the possible benefits it could obtain by joining the scheme at this time. Although some minor roadblocks may need to be overcome, the costs for Suriname would seem negligible compared to potentially significant gains. Suriname can use its CARICOM membership to learn from the Caribbean's experience and expertise with the CBI and with the US market in general. It is worth noting in this respect that, through its membership in CARICOM, Suriname participated in the first-ever US-Caribbean regional summit in May 1997. The resulting Bridgetown Accord, a regional cooperation agreement focusing on security and trade issues that has been criticized as too limited by some in the Caribbean, was nevertheless a significant milestone in the relationship.

A third challenge of the FTAA process is that it will entail a significant loss of tariff revenue for many of the smaller countries in the region. Tax reform will therefore have to be a key component of these countries' adjustment efforts. Finally, the FTAA will mean new challenges for member countries not only in terms of trade in merchandise, but in services and investment as well.

If managed properly however, even the smallest countries of the hemisphere can benefit from the process if the final agreement is sensitive to their more vulnerable position and if their governments implement good policies to maximize their countries' opportunities in the hemispheric market. The creation of an FTAA will involve considerable adjustments at all economic levels, and socially as well. The costs of these adjustments will ultimately depend on domestic economic conditions, the nature of domestic policy, the scope of possible exceptions and phase-in periods for liberalization, and the availability of adjustment assistance. It should be noted in this respect that Suriname is a rich country in many ways: it has substantial natural reserves that, if managed in a sustainable way, can provide a substantial longer-term source of income for the country. It is sometimes argued that Suriname's economic difficulties in the past decades have been more due to deficient policy-making than to the lack of financial resources. This is both unfortunate and encouraging since, with effective policy management, Suriname's growth potential could be substantial. As the FTAA may not leave Suriname with a choice, it is even more imperative that Suriname prepare in advance by continuing to take the steps now needed to liberalize and manage a more modern, open economy. Taking full advantage of its regional preferences now should help it prepare for the future.

Since only those integration schemes with commitments deeper than the FTAA will continue to exist after 2005, there is an incentive for countries with strong political and economic interests in their sub-regional grouping to agree to fortify them. In this sense, regional and hemispheric integration can be mutually reinforcing. Leading up to the FTAA, CARICOM will probably attempt to deepen and widen its integration scheme further, while expanding its networks through the creation of bilateral agreements, including agreements with important extra-regional partners such as the EU. In this sense, CARICOM can help Suriname not only to consolidate its relations with countries in the hemisphere, but also to strengthen its links with extra-hemispheric partners.

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<sup>24</sup> Although the US private sector has long been a major player in Suriname's bauxite sector- ALCOA has run its Suralco operation since 1917- Suriname's relationship with the United States is relatively limited. Despite a recent improvement, Suriname's trade balance with the United States is unfavorable. The share of US-sourced goods in Suriname's total imports was 30 percent in 2000 (compared to 42 percent in 1995), while Suriname's exports to the US accounted for only 24 percent of total exports in 2000 (though up from 21 percent in 1995). While Suriname and the US have cooperated in anti-drug activities, and the US has sent Peace Corp volunteers as well as experts in areas such as forest management, relations have never been close.

## V. BEYOND THE HEMISPHERE: SURINAME, CARICOM AND GLOBAL INTEGRATION

It has become increasingly difficult in recent years to draw a clear distinction between regional and multilateral approaches to global integration. This is because the 1990s have witnessed the emergence of new “hybrid” forms of economic integration that are neither multilateral nor, in the strictest sense, “regional”, since they involve link-ups between countries or blocs of countries in different continents of the world. As the post-colonial era of special trading relationships appears to be reaching an end, traditional North-South preferential arrangements are being redefined, paving the way for increased inter-regional economic integration. Such is the case for EU relations with MERCOSUR, Mexico and Chile, and, significantly, Europe’s relations with the ACP countries, including CARICOM.

Just as Suriname’s relations with Western Hemisphere countries are undergoing profound change, so are its relations with Europe. The recently signed EU-ACP Partnership (Cotonou) Agreement promises to redefine relations between these two blocs, and will have significant implications for CARICOM’s future extra-hemispheric links. It is relevant, in this respect, to examine the implications of the new EU-ACP agreement for CARICOM and Suriname; its effect on regional and hemispheric integration initiatives in the Americas; and how, in turn, the FTAA will affect CARICOM’s future relations with Europe. The section will, finally, look at how Suriname’s current integration efforts – within CARICOM, the hemisphere and extra-regionally – might influence its position in the WTO and its prospects for full insertion into the global economy.

### Relations with the EU

For more than 25 years, CARICOM exports – including those of Suriname – have enjoyed virtually free access to the EU market under successive Lomé conventions. For Suriname, such privileged market access has been particularly important given the country’s heavy reliance on the EU market as a destination for its agricultural and mineral exports. The EU absorbs around 30 percent of Suriname’s total exports, and one third of its sales to Europe are agricultural products, mainly shrimp, rice and bananas. Almost all of Suriname’s exports to Europe (97 percent) enter that market under Lomé preferences, while the remaining goods enter duty-free under the MFN tariff (Harrington Jr. [1997]). Some analysts argue that the preferences have been a mixed blessing for Suriname, as for the wider Caribbean region. Especially in the agricultural sector, they have left beneficiary countries dependent on a small number of often uncompetitive commodities and, despite guaranteeing a steady income source, have not supported a sustainable growth environment in these countries. In contrast to some other Caribbean countries (such as Jamaica and Trinidad & Tobago), Suriname has been unable to diversify its exports to the EU in any significant way, and export growth to the European market has been virtually stagnant in recent years. Nevertheless, particularly for Suriname’s rice and banana producers, preferences have been important and have generated substantial export income. Lomé trade preferences have moreover been accompanied by generous amounts of EU aid – the 8th European Development Fund (EDF, 1995-2000) earmarked a total of 600 million euros for the Caribbean countries, with an additional 200 million euros made available under STABEX, SYSMIN and the structural adjustment facility.<sup>25</sup>

In recent years, the Lomé partnership has come under increasing attack from several quarters. The cases brought against the EU’s banana regime by members of the WTO have prompted a fierce debate on the

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<sup>25</sup> European Commission [2000]. This figure represents total allocation of funds, not the actual value of disbursements, which appears to have been lower.

validity of maintaining special regimes within the context of global trade liberalization, as has the perceived lack of success of the preferences in facilitating economic development and diversification in benefiting countries. Meanwhile, disillusionment with perceived inefficiencies in traditional development cooperation has led to a certain “aid fatigue” in Europe. While the EU was willing to continue to support its former colonies, it was also been eager to improve the efficiency of its aid and, at the same time, redesign the trade component of its existing agreement in order to achieve greater reciprocity and full compatibility with WTO trade rules. CARICOM, while recognizing the need for change, was concerned about the implications of the EU’s proposed revisions for its small, fragile economies.

Eighteen months of negotiations finally led to agreement on a new scheme, and the EU-ACP Partnership Agreement was officially signed in Cotonou, Benin, on June 23, 2000. The new partnership, perhaps more explicitly than before, builds on common principles of democracy, transparency and the rule of law. Both the aid and trade components contain a number of important revisions. The administration of aid has been streamlined and simplified; moreover, civil society has been assigned a much more important role in the development and implementation of technical assistance projects, something that many in the region regard as a major improvement over the old scheme. Poverty reduction and private sector development will be key priority areas, along with support for regional integration. More will be done to both design aid according to the specific needs of individual countries, and to oversee the implementation of national and regional cooperation programs more carefully. The total funds allocated to the program are significant: 13.5 billion euros for the 9th EDF (2000-2007), in addition to approximately 9 billion euros left undisbursed from previous funds. While this money will be divided among a large number of countries, the funds earmarked for the Caribbean are likely to be significant, especially in relative terms given the small size of CARICOM countries. A consistent problem in the past has been the non-disbursement of allocated EDF funds, due to a variety of constraints in both the donor and recipient countries. Administrative reforms in the allocation of aid, and more active monitoring of targets, may help increase disbursement levels over time.

On the trade front, the agreement foresees a rollover of current preferences until 2008 – a significant achievement for CARICOM negotiators, who fought hard to obtain a relatively long transition phase towards any new agreement. A waiver from the WTO has been sought for this purpose, but has yet to be obtained, with some countries attempting to tie a waiver agreement to a full revision of the EU’s banana regime. Between 2002 and 2008, the EU will negotiate free trade agreements (so-called regional economic partnership agreements, REPAs) with the various regions of the ACP or with individual countries. While some of the least-developed ACP countries will not have to negotiate reciprocal trade with the EU, others will – the final list will be drawn up following a review in 2004. REPAs will enter into force in 2008 and be implemented over a 12-15 year transition period.

It is not certain what kind of agreement will be signed between the EU and CARICOM, but it is likely to contain a much greater level of reciprocity than the current agreement. Transition phases may be long, but reciprocity is the EU’s goal and is at least accepted in principle as a possible outcome by CARICOM.

Like the FTAA, free trade with Europe will present enormous challenges for all CARICOM countries. The impact of a free trade agreement with Europe will depend not only on the specific transition mechanisms that are put in place, but also on the response of governments in terms of implementing necessary policy reforms, and the availability of technical assistance to help the countries prepare for free trade. Unless positive outcomes are achieved in all three areas, the loss of preferences for Suriname could translate into substantial losses in export income, intensified by increased competition from European producers in the Surinamese market. Given that CARICOM countries already enjoy virtually free access

to the EU market for their exports, a CARICOM-EU free trade agreement will first and foremost benefit Europe in terms of improved access to Caribbean markets. The potential benefits for CARICOM, in terms of improved productivity and export diversification away from non-competitive agricultural commodities, will materialize only gradually and involve harsh adjustment costs. The big challenge for the Caribbean, therefore, will be to make any future agreement with the EU something broader than a simple free trade area in goods, and to maintain high levels of economic aid.

### **Cross-linkages between Hemispheric and Extra-regional Integration**

If used effectively, EU development funds can provide significant assistance to CARICOM countries, including Suriname, in preparing for greater economic opening both towards Europe and the hemisphere. Financial assistance from Europe will certainly be used to boost regional integration and hence the effectiveness of CARICOM, which, in turn, could help CARICOM improve its position in the hemispheric market. The short-term benefit of continued assistance from Europe should not be underestimated in this regard. To date, Europe has been by far the greatest donor of development grants to the Caribbean region, significantly exceeding the amounts allocated by the United States and Canada.

This is just one cross-linkage between CARICOM's relations with Europe and those with its hemispheric partners. If the FTAA process continues on schedule, a hemispheric free trade area may come into effect up to three years before a new agreement with Europe enters into force. This will make a free trade agreement with Europe even more likely since, according to the rules established by successive Lomé Conventions, CARICOM has to afford no less favorable conditions to the EU than the MFN treatment given to other developed countries such as Canada and the United States. In that sense, the outcome of the FTAA negotiations could significantly influence the nature of a future trade agreement with the EU. Meanwhile, FTAA membership will also give CARICOM an advantage vis-à-vis Europe: particularly in a growing "hemispheric" market, Europe will want to secure the best possible market access conditions, and may therefore be ready to offer concessions in other areas of biregional cooperation. Integration into a large hemispheric market, moreover, may enable CARICOM to attract larger amounts of export-oriented FDI from Europe. CARICOM's traditionally close relations with Europe, its proximity to the North American market and its relatively well-educated labor force, present a significant opportunity in this respect. It is not certain, however, to what extent Suriname would benefit from this advantage, given its more isolated location on the South American continent.

The negotiating process itself is also significant. Just as Caribbean negotiators have made use of their past experiences with Europe in preparing common positions for FTAA negotiations, so will their efforts in the FTAA negotiating process help them prepare for future free-trade talks with the EU. While most of the work is currently being carried out by the RNM, the latter is continuously seeking to broaden its contacts with individual member countries in CARICOM and to promote their increased participation in the negotiating process. The closer Suriname engages itself in this process, the more beneficial will be the final outcome of the negotiations for this country in terms of bargaining positions maintained and experience gained.

The negotiating experience, coupled with greater exposure to the issues involved in substantive trade negotiations and the possibility of forging new alliances among countries in the hemisphere will, moreover, be useful for Suriname, and for CARICOM as a whole, in future multilateral negotiations and further global liberalization.

## **Regional Integration: The Road to Global Integration**

When regional integration boomed in the early 1990s, there was widespread concern that it might harm the multilateral liberalization process. More recently, such concerns appear to have faded, given that there is growing evidence that the new regionalism may in fact be promoting, rather than hindering global integration, and that it can lead to better knowledge of the WTO process itself.

Existing WTO rules stipulate that regional integration arrangements be compatible with multilateral trade rules. The CARICOM Treaty revision, for example, has been undertaken with care to ensure that the revisions are in line with CARICOM members' obligations under the WTO (all but The Bahamas are members). Equally, the FTAA, and any future accord signed between CARICOM and the EU, will be based on the WTO rules governing global trade.

While the possibility of trade diversion has traditionally served as an argument against regional integration, there is now a wider acceptance among experts and policy-makers that regional integration - in its current, market-oriented form - can provide a powerful tool for preparing countries for further opening at the multilateral level, through gradual exposure to greater competition, greater opportunities for economies of scales, trade and investment, consolidation of export-oriented policy reforms, and increased FDI attractiveness. Regional integration initiatives can, moreover, create new trade when multilateral negotiations are long and protracted, and can themselves greatly enhance knowledge about WTO rules and disciplines, and awareness of the importance of implementing multilateral obligations. Multilateral trade liberalization, of course, has provided the basis for the emergence of this new, outward-oriented form of integration. In that sense, regional and multilateral initiatives can enforce each other, and countries like Suriname that participate in both endeavors can benefit from this cross-fertilization.

## VI. CONCLUSION

In the past ten years, Suriname has taken significant steps to break away from the political and economic isolation it experienced throughout colonial rule and in the first decades after independence. By joining CARICOM and participating in the latter's widening initiatives, Suriname has gained improved market access conditions for its exports, and has begun the difficult process of integrating itself more fully into the regional Caribbean economy. The prospect of the FTAA promises further to deepen Suriname's links with countries in the Americas. Equally important, Suriname has joined a growing political partnership among Caribbean governments, with considerable benefits for foreign policy coordination and the pooling of scarce human and financial resources. Alone and through CARICOM, it is continuously seeking to improve its relations with extra-regional partners, particularly the EU. Through regional integration, Suriname has thus taken the first steps towards reducing its vulnerability as a small, isolated economy and preparing for effective insertion into the global economy.

Several points are nevertheless clear from the above analysis. First, while regional integration can bring sizable benefits in terms of reform creation, functional cooperation and new market opportunities, these benefits cannot be fully realized without (and are no substitute for) effective domestic policies. Suriname can still do much in this respect. Deficiencies in policy-making, while having contributed to Suriname's economic difficulties in the last two decades, have also meant that to date, Suriname has achieved only limited economic gains from its membership in CARICOM. Its future relationship with CARICOM, and the benefits that it can possibly secure, will also depend on the effectiveness of the integration arrangement itself. CARICOM, too, has much to do in terms of perfecting its customs union, implementing a functioning single market, and strengthening regional institutions so that they can provide continued, effective support to the Community.

Second, economic opening through regional integration represents not only opportunities, but also very significant challenges for a country like Suriname. While domestic reforms will go a long way towards improving Suriname's opportunities in the global market, its position there will also depend to a large extent on the final scope and nature of the agreements it will sign with FTAA partners, the EU and in the WTO. Given that Caribbean exports already enjoy very privileged access to developed-country markets, and could in fact lose in relative terms from greater trade opening worldwide, it will be particularly crucial what transition mechanisms are negotiated, and to what extent the agreements can bring non-tariff and other benefits to the Caribbean countries. Simple trade measures may not be sufficient to achieve a workable agreement for the small countries of the Caribbean; continued assistance will be necessary if the agreements are to translate into real promoters of development in these countries.

Recognizing and effectively reducing the vulnerability of small economies like Suriname in a rapidly globalizing world is vitally important, and the international donor community has a key role to play in this respect. Technical assistance is crucial in order to enable Suriname to participate effectively in the various ongoing trade talks, achieve beneficial agreements, implement them effectively, and make the necessary transformations in its own economy to prepare for wider global competition. Suriname has demonstrated that it is ready to embark on the difficult process of market-oriented integration, and needs a generous response from its development partners. It is crucial, in this respect, that donors recognize the importance of trade-related technical assistance in fostering long-term social and economic development in the youngest South American democracy.



**TABLE 1**  
**VALUE OF SURINAME'S TRADE WITH THE WORLD AND SELECTED REGIONS**  
(US\$ Millions)

<b>IMPORTS</b>															
Group	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	1990-1995	1995-2000
	(Millions US\$)													(% Average Annual Growth)	
WORLD	484.2	329.1	484.1	514.0	553.8	1031.4	432.5	586.2	501.6	658.1	551.6	489.6	483.7	3.9	-3.8
EU	113.3	84.0	146.4	154.3	162.8	168.6	113.1	141.5	151.2	225.7	168.8	144.1	125.4	-0.7	-2.4
LAC	167.5	123.4	107.3	115.5	119.7	362.1	84.2	138.6	126.1	172.5	122.9	121.3	136.2	5.2	-0.3
ANDEAN COMMUNITY	2.6	7.9	5.8	5.6	11.6	120.2	15.1	20.9	21.1	22.4	7.3	6.4	7.1	29.4	-19.4
CACM	1.9	1.0	0.0	5.8	4.9	2.0	0.3	1.0	0.9	2.0	1.8	1.9	2.1	..	17.3
CARICOM	125.4	56.7	49.9	61.9	71.0	202.8	47.7	51.3	75.4	93.5	65.1	66.4	74.9	0.6	7.8
TRIINIDAD AND TOBAGO	120.5	53.3	42.1	57.1	63.6	191.2	38.9	43.1	66.6	79.1	54.5	57.6	64.8	0.5	8.5
CARICOM - T&T	4.9	3.3	7.8	4.8	7.4	11.7	8.7	8.2	8.8	14.5	10.6	8.8	10.1	1.1	4.3
MERCOSUR	14.9	12.4	21.4	15.8	15.0	8.8	5.9	36.9	7.7	9.3	10.0	8.4	9.8	11.5	-23.3
NAFTA	156.4	104.2	195.0	199.7	227.8	427.4	201.4	253.1	192.2	216.3	211.2	167.7	148.6	5.4	-10.1

<b>EXPORTS</b>															
Group	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	1990-1995	1995-2000
	(Millions US\$)													(% Average Annual Growth)	
WORLD	447.9	328.7	468.7	361.3	390.7	1193.1	452.7	482.1	438.9	701.3	436.0	547.0	512.6	0.6	1.2
EU	188.9	129.8	174.5	123.4	170.2	408.8	146.6	157.0	110.2	242.1	150.1	149.4	144.6	-2.1	-1.6
LAC	64.9	65.5	31.0	40.3	75.8	242.3	63.3	65.3	61.0	51.0	25.7	34.3	33.6	16.1	-12.4
ANDEAN COMMUNITY	31.7	33.0	0.0	0.0	0.1	0.1	0.0	0.0	0.2	0.1	0.5	0.5	0.5	..	118.9
CACM	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	..	..
CARICOM	2.4	2.6	6.0	8.6	16.0	15.3	8.4	11.5	15.1	30.0	19.0	25.2	27.4	13.8	19.1
TRIINIDAD AND TOBAGO	1.2	0.5	5.9	8.6	15.9	15.0	8.1	10.8	12.6	18.7	10.6	11.2	12.6	12.8	3.2
CARICOM - T&T	1.3	2.1	0.1	0.0	0.1	0.3	0.3	0.7	2.5	11.3	8.4	14.0	14.8	45.1	84.7
MERCOSUR	11.4	19.8	22.7	29.2	35.6	204.9	27.8	24.2	5.1	3.9	1.3	3.6	0.0	1.4	-84.5
NAFTA	73.6	54.4	53.8	44.7	38.1	239.2	77.6	103.9	108.7	189.8	129.1	175.4	160.7	14.0	9.1

<b>TOTAL TRADE</b>															
Group	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	1990-1995	1995-2000
	(Millions US\$)													(% Average Annual Growth)	
WORLD	932.0	657.8	952.9	875.3	944.5	2224.6	885.2	1068.3	940.5	1359.5	987.7	1036.6	996.4	2.3	-1.4
EU	302.2	213.9	320.9	277.7	333.0	577.5	259.7	298.4	261.4	467.8	318.9	293.5	270.1	-1.4	-2.0
LAC	232.4	188.9	138.2	155.7	195.5	604.5	147.5	203.8	187.1	223.4	148.6	155.7	169.8	8.1	-3.6
ANDEAN COMMUNITY	34.3	40.8	5.8	5.6	11.7	120.3	15.1	20.9	21.3	22.5	7.8	6.9	7.6	29.4	-18.3
CACM	1.9	1.0	0.0	5.8	4.9	2.0	0.3	1.0	0.9	2.1	1.8	1.9	2.2	..	17.2
CARICOM	127.9	59.2	55.9	70.5	87.0	218.1	56.1	62.8	90.4	123.6	84.1	91.6	102.3	2.3	10.3
TRIINIDAD AND TOBAGO	121.7	53.8	48.0	65.7	79.6	206.2	47.0	53.9	79.2	97.8	65.1	68.9	77.4	2.3	7.5
CARICOM - T&T	6.2	5.4	7.9	4.9	7.5	11.9	9.0	8.9	11.3	25.8	18.9	22.8	24.9	2.4	22.9
MERCOSUR	26.3	32.2	44.0	44.9	50.5	213.7	33.7	61.1	12.8	13.2	11.3	12.0	9.8	6.8	-30.7
NAFTA	230.0	158.7	248.9	244.5	266.0	666.6	279.0	357.0	300.8	406.1	340.4	343.1	309.2	7.5	-2.8

Source: IDB, INT, Trade and Hemispheric Issues Division, based on IMF Direction of Trade data.



TABLE 2  
SURINAME'S TRADE WITH CARICOM  
(US\$ Thousands)

IMPORTS															
Partner	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	1990-1995	1995-2000
	(Thousands US\$)													(% Average Annual Growth)	
HAITI	2	..	..	2	..	..	..	..	..	..	..	..	..	..	..
ANTIGUA AND BARBUDA	..	..	..	..	10	..	..	56	420	780	210	222	249	..	34.9
THE BAHAMAS	125	20	..	1	6	4,994	3,329	1,653	260	350	60	63	71	..	-46.7
BARBADOS	1,390	450	281	91	352	89	11	413	1,410	4,660	5,760	3,695	4,373	8.0	60.3
BELIZE	..	..	..	..	1	8	..	..	..	10	..	44	49	..	..
DOMINICA	..	..	..	..	20	..	..	22	140	120	410	433	487	..	85.4
GRENADA	9	..	..	..	..	..	..	..	..	10	300	317	356	..	..
GUYANA	881	450	4,908	729	3,435	4,399	3,024	3,997	3,950	4,920	2,350	2,484	2,792	-4.0	-6.9
JAMAICA	2,082	1,510	2,573	3,998	3,572	2,168	2,351	2,034	2,540	3,220	1,260	1,332	1,497	-4.6	-5.9
ST. KITTS AND NEVIS	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..
ST. LUCIA	438	880	2	..	..	..	..	12	70	390	190	201	226	38.9	81.1
ST. VINCENT & GREN. TRINIDAD AND TOBAGO	..	..	..	..	..	..	..	..	20	..	10	11	12	..	..
CARICOM	125,449	56,650	49,901	61,885	71,020	202,841	47,662	51,312	75,360	93,540	65,060	66,417	74,865	0.6	7.8

EXPORTS															
Partner	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	1990-1995	1995-2000
	(Thousands US\$)													(% Average Annual Growth)	
HAITI	183	..	..	1	..	..	..	..	..	1,650	310	328	368	..	..
ANTIGUA AND BARBUDA	24	240	..	..	..	..	..	..	350	70	150	159	178	..	..
THE BAHAMAS	8	..	..	..	..	..	..	..	..	50	..	..	..	..	..
BARBADOS	179	60	1	..	..	67	189	72	990	1,170	510	5,721	5,534	164.3	38.1
BELIZE	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
DOMINICA	98	270	..	..	..	..	..	..	..	..	60	11	12	..	..
GRENADA	..	850	..	..	..	..	..	..	30	210	30	32	36	..	..
GUYANA	338	100	106	30	63	176	139	616	410	2,760	4,680	4,947	5,559	42.1	55.3
JAMAICA	7	..	..	..	1	33	0.2	0.005	680	5,340	2,630	2,780	3,124	..	1371.9
ST. KITTS AND NEVIS	345	..	..	..	..	..	..	..	..	..	..	..	..	..	..
ST. LUCIA	74	440	..	..	..	..	..	..	..	10	..	..	..	..	..
ST. VINCENT & GREN. TRINIDAD AND TOBAGO	-	170	..	..	..	..	6	..	..	30	..	..	..	..	..
CARICOM	2,418	2,590	6,008	8,644	16,000	15,286	8,398	11,462	15,080	30,020	19,000	25,211	27,439	13.8	19.1

Source: IDB, INT, Trade and Hemispheric Issues Division, based on IMF Direction of Trade data.

**TABLE 3**  
**SURINAME'S DESTINATION OF TRADE**  
(%)

IMPORTS													
Group	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
WORLD	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EU	23.4	25.5	30.2	30.0	29.4	16.4	26.2	24.1	30.1	34.3	30.6	29.4	25.9
LAC	34.6	37.5	22.2	22.5	21.6	35.1	19.5	23.6	25.1	26.2	22.3	24.8	28.2
ANDEAN COMMUNITY	0.5	2.4	1.2	1.1	2.1	11.7	3.5	3.6	4.2	3.4	1.3	1.3	1.5
CACM	0.4	0.3	0.0	1.1	0.9	0.2	0.1	0.2	0.2	0.3	0.3	0.4	0.4
CARICOM	25.9	17.2	10.3	12.0	12.8	19.7	11.0	8.8	15.0	14.2	11.8	13.6	15.5
TRIINIDAD AND TOBAGO	24.9	16.2	8.7	11.1	11.5	18.5	9.0	7.4	13.3	12.0	9.9	11.8	13.4
CARICOM - T&T	1.0	1.0	1.6	0.9	1.3	1.1	2.0	1.4	1.8	2.2	1.9	1.8	2.1
MERCOSUR	3.1	3.8	4.4	3.1	2.7	0.9	1.4	6.3	1.5	1.4	1.8	1.7	2.0
NAFTA	32.3	31.7	40.3	38.9	41.1	41.4	46.6	43.2	38.3	32.9	38.3	34.3	30.7

EXPORTS													
Group	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
WORLD	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EU	42.2	39.5	37.2	34.2	43.6	34.3	32.4	32.6	25.1	34.5	34.4	27.3	28.2
LAC	14.5	19.9	6.6	11.1	19.4	20.3	14.0	13.5	13.9	7.3	5.9	6.3	6.6
ANDEAN COMMUNITY	7.1	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
CACM	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CARICOM	0.5	0.8	1.3	2.4	4.1	1.3	1.9	2.4	3.4	4.3	4.4	4.6	5.4
TRIINIDAD AND TOBAGO	0.3	0.1	1.3	2.4	4.1	1.3	1.8	2.2	2.9	2.7	2.4	2.1	2.5
CARICOM - T&T	0.3	0.6	0.0	0.0	0.0	0.0	0.1	0.1	0.6	1.6	1.9	2.6	2.9
MERCOSUR	2.6	6.0	4.8	8.1	9.1	17.2	6.1	5.0	1.2	0.6	0.3	0.7	0.0
NAFTA	16.4	16.6	11.5	12.4	9.8	20.0	17.1	21.5	24.8	27.1	29.6	32.1	31.3

EXPORTS + IMPORTS													
Group	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
WORLD	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EU	32.4	32.5	33.7	31.7	35.3	26.0	29.3	27.9	27.8	34.4	32.3	28.3	27.1
LAC	24.9	28.7	14.5	17.8	20.7	27.2	16.7	19.1	19.9	16.4	15.0	15.0	17.0
ANDEAN COMMUNITY	3.7	6.2	0.6	0.6	1.2	5.4	1.7	2.0	2.3	1.7	0.8	0.7	0.8
CACM	0.2	0.2	0.0	0.7	0.5	0.1	0.0	0.1	0.1	0.2	0.2	0.2	0.2
CARICOM	13.7	9.0	5.9	8.1	9.2	9.8	6.3	5.9	9.6	9.1	8.5	8.8	10.3
TRIINIDAD AND TOBAGO	13.1	8.2	5.0	7.5	8.4	9.3	5.3	5.0	8.4	7.2	6.6	6.6	7.8
CARICOM - T&T	0.7	0.8	0.8	0.6	0.8	0.5	1.0	0.8	1.2	1.9	1.9	2.2	2.5
MERCOSUR	2.8	4.9	4.6	5.1	5.4	9.6	3.8	5.7	1.4	1.0	1.1	1.2	1.0
NAFTA	24.7	24.1	26.1	27.9	28.2	30.0	31.5	33.4	32.0	29.9	34.5	33.1	31.0

Source: IDB, INT, Trade and Hemispheric Issues Division, based on IMF Direction of Trade data.



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