

**ORGANIZATION OF EASTERN CARIBBEAN STATES**

**TRADE POLICY BRIEF**

(Vol. 13)

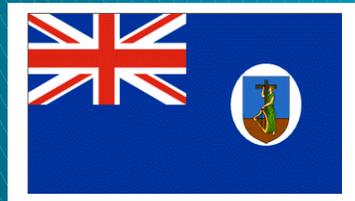
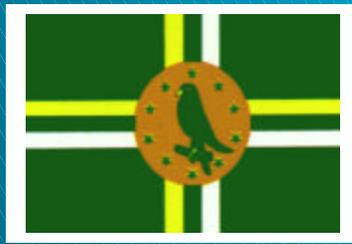
A monthly policy brief on multilateral/hemispheric trade issues of currency for OECS Member States' Trade Policy-makers and the CRNM College of Negotiators



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# **Recent Trends in CARICOM Trade Relations: An Analysis with Special Attention to the Western Hemisphere**

## **Introduction**

Regionalism has, once again, begun to gain momentum. No where else in the world is this more evident than in the Western Hemisphere. Integration amongst groupings of countries in the hemisphere, though, is not a new enterprise; the idea, its instruments and varied architecture have been around for decades. One need look no further than sub-hemispheric arrangements like the Caribbean Community (CARICOM). Aside from being a catalyst for intra-CARICOM Country integration, the CARICOM process also enables its member countries to place their own mark on the dynamic hemispheric effort at 'deepening' integration, especially in the area of trade and economic cooperation.

"After being in vogue in different parts of the world during the 1950s and 1960s and then becoming stagnant for two decades.....it seems that this time, at least in the Americas, regionalism is here to stay."<sup>1</sup> Latin America has been one of the most active regions in the world in the recent proliferation of Regional Trade Arrangements (RTAs) among members of the WTO. In recent years the CARICOM group of countries have attempted to broach closer trade relations with various countries of Latin America and the non-English speaking Caribbean. Indeed, it is fair to say that the strategy implicit in that has influenced their hemispheric trade relations through the 1990s.

## **CARICOM Bilateral Trade Agreements with Latin America/Caribbean**

The turning point in respect of the decision for CARICOM Countries to actively engage in external economic/trade negotiations, thereby deepening their trading relations, especially in the Western Hemisphere, was the 16<sup>th</sup> Meeting of the CARICOM Conference of Heads of Government, convened in July 1995. Heads of Government decided to seek to establish enhanced trade agreements between CARICOM and selected countries in Latin America and the Caribbean (i.e. those countries outside of the CARICOM arrangement). This decision was taken pursuant to the recognition, in place for some time, amongst the Caribbean's leadership, that the early 1990s had witnessed seminal changes in the historical complexion of preferential trading arrangements from which the

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<sup>1</sup> R. Echandi, "Regional Trade Integration in the Americas During the 1990s: Reflections of Some Trends and their Implication for the Multilateral Trade System", *Journal of International Economic Law* (2001): 367-410.

region previously benefited. In addition, the early 1990s were also witness to an emerging phenomenon – RTAs.

Regarding the 16<sup>th</sup> Meeting of the CARICOM Conference of Heads of Government, it endorsed the view expressed in an important proposal submitted by the Government of Trinidad and Tobago. The proposal maintained that sustained growth and development could not be achieved effectively without an enhancement in the level of international competitiveness in the productive sectors of CARICOM Countries. Heads of Government concluded that the region's market access opportunities in respect of indigenous private sectors, therefore, had to be leveraged on the establishment of closer economic/trading arrangements especially within the hemisphere. This was viewed as a major element of CARICOM Member Countries' economic development strategy.

CARICOM Member Countries' 'road-map', coming out of this important Meeting, was to negotiate *enhanced trade arrangements incorporating the principles of reciprocity and based on a list of exemptions*. This decision was taken largely because it was recognized that it was incumbent upon the region to engage its Latin American neighbors in a more robust manner. This notwithstanding, it was also recognized that earlier efforts to deepen the economic/trade integration process had not achieved expected results. Specifically, prior CARICOM bilateral trade agreements with Venezuela (Agreement on Trade, Economic and Technical Cooperation between CARICOM and the Government of the Republic of Venezuela) and Colombia (Agreement on Trade, Economic and Technical Cooperation between CARICOM and the Government of the Republic of Colombia) secured on 13<sup>th</sup> October 1992 and 24<sup>th</sup> July 1994, respectively, had only provided preferential access for a *select few* CARICOM products; the effect of which led many regional trade policy-makers to question the value-added of these agreements.

This new approach and commitment to negotiate enhanced Bilateral Trade Arrangements, incorporating the principles of reciprocity and based on a list of exemptions, then, was intended to achieve two objectives in particular: i.) sustained growth in CARICOM Countries to help mitigate the changing complexion of traditional trade/economic partnerships, with Europe, that were steadily being eroded; ii.) address bottlenecks in previous bilateral trade agreements with Venezuela and Colombia.

Caribbean Heads of Government, committed to driving the region's own efforts toward formulating bilateral trade agreements with Latin America, through the 1990s, made one other historic decision. They mandated, in June 1997, that free trade agreements be pursued with the Andean Community (has since been discontinued), Central America (has since been discontinued) and the Dominican Republic. To date, CARICOM has successfully concluded negotiations for establishment of free trade agreements with the Dominican Republic (December 2001) and Cuba (July 2000), in addition to the arrangements previously undertaken with Venezuela and Colombia (a protocol amending the Colombia Agreement was ratified in May 1998). The LDCs of

CARICOM (*pursuant to a special dispensation agreed to and afforded to them in such FTAs*), are not required to reciprocate treatment in the Dominican Republic Free Trade Agreement and all such bilateral trade agreements; providing for the asymmetrical application of the reciprocity principle. In the case of the Dominican Republic Free Trade Agreement this exemption from reciprocity, as regards CARICOM LDCs, is in effect until 2004.

It is no coincidence that these efforts at closer trade/economic integration with various Latin American and Spanish speaking Caribbean countries took place in earnest from the mid-1990s onwards. In many respects other factors like the establishment of the Association of Caribbean States (ACS), which took place in 1994/95, was also a catalyst in this development. The creation of the ACS marked an institutional expression of this commitment, on the part of CARICOM Countries, to Latin American and the non-English speaking Caribbean. This commitment perhaps first became evident in the early 1990s at which time the Caribbean Forum (CARIFORUM) was established, i.e. 19 October, 1992.<sup>2</sup>

The above account would be remiss, however, if it did not also acknowledge another trend in CARICOM countries forging closer trade relations within the hemisphere. Specifically, certain countries have also pursued bilateral free trade frameworks with Central and Latin American counterparts separate and apart from CARICOM bilaterals. These country-to-country free trade agreements are particularly apparent as regards Trinidad & Tobago; e.g. the *Partial-Scope Agreement* signed between Trinidad & Tobago and Venezuela in August 1989. More recently, as reported by TIDCO's Market Access Department, the Heads of Government of Trinidad & Tobago and Costa Rica agreed in April 2001 to commence free trade negotiations.<sup>3</sup> Similarly, on 5 March 1999 the Prime Minister of Trinidad and Tobago signed a Memorandum of Understanding committing Panama and Trinidad and Tobago to explore various mechanisms to enhance bilateral trade relations.

In recent years Trinidad and Tobago also sought entry into the North American Free Trade Agreement (NAFTA). In the case of NAFTA, however, the U.S. subsequently put an end to such interests by Trinidad and Tobago by indicating that it was only interested in negotiating accession to NAFTA with Chile. Prime Minister Patterson of Jamaica, in an interview in Miami, immediately following the first meeting of the Summit of the Americas, in 1994, indicated Jamaica's interest in negotiating a Free Trade Area of the Americas (FTAA) as opposed to his country joining NAFTA. This sentiment was shared by the entire region except for Trinidad and Tobago which subsequently abandoned notions of joining NAFTA and, instead, recommitted itself to the FTAA.

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<sup>2</sup> Professor Norman Girvan notes "the EU's decision to bring Haiti and the Dominican Republic into the scope of the Lome Convention provided the catalyst for the establishment of CARIFORUM and probably contributed to the expansion of CARICOM", See N. Girvan, "The Association of Caribbean States as a Cooperative Zone", in R. Ramsaran (ed.) Caribbean Survival and the Global Challenge (Kingston: Ian Randle Publishers, 2002: 212).

<sup>3</sup> See: <http://www.tidco.co.tt/Corporate/tidcotimes/august99/commentary.html>

## **Hemispheric Integration and CARICOM**

The FTAA is one component of an initiative in its infancy in the early 1990s that had tremendous implications for CARICOM Member Countries' quest toward deepening the economic/trade integration process between themselves and their Latin American counterparts in the hemisphere. Reference is made here, ofcourse, to the Enterprise for the Americas Initiative. The purpose of the Initiative, as put forward by President George Bush (Senior), was to encourage and support market-oriented reforms and economic growth in Latin America and the Caribbean. In the 1990 Enterprise for the Americas Initiative, President George Bush (Senior) challenged the leaders of the Americas to construct a Pan-American free trade agreement in which the U.S. would play a central role. As a first but, nonetheless, critical building block towards forging closer pan-American cooperation, the Initiative was followed by the seminal December 1994 meeting in Miami, Florida (Miami Summit of the Americas) of the Heads of Government of the Americas. The vision for hemispheric cooperation in the 21<sup>st</sup> Century was clearly being set at this Conference, the backdrop for which was the end of Cold War and deepening economic globalization. The framework through which trade relations across the countries in the Western Hemisphere would be managed was established as the FTAA, encapsulated in a broad Summit of the America's process.

In many ways the Enterprise of the Americas Initiative (and its successor Summit of the Americas process) is to Latin America and the Caribbean, in the post-Cold War world, what the Caribbean Basin Initiative (CBI) was to the Caribbean Basin during the Cold War. Announced in February 1982 by the Reagan Administration the CBI, which provided duty-free entry for Caribbean Basin products (with some exceptions) for twelve years, was driven principally by geo-politics and security concerns. The CBI was subsequently replaced by the Caribbean Basin Trade Partnership Act (CBTPA) 2000. Both the CBI and the Enterprise of the Americas Initiative are relationships that serve the same purpose - mediating and building U.S. relations with and influence over countries of the Western Hemisphere. This notwithstanding, they are reflective of security, geo-political and integration concerns unique to two different eras.

## **Concluding Remarks**

Trade accords like the FTAA, for example, cannot be viewed in a vacuum. It must be envisioned in terms of a pan-American dispensation. The pan-American integration movement (with a vision for integration from Alaska to Tierra del Fuego) has been on the table, in one form or another, as far back as the 19th Century. CARICOM Countries pursued a tradecraft in the 1990s that was reflective both of their desire to engage in and embrace this pan-American movement, in a more robust manner, but also contend with several endogenous and exogenous factors. More so, however, CARICOM Governments were also keenly aware that in as much as the region's tradecraft had to contend with

globalization by strengthening the internal integration process, via the CSM&E, it had to do the same through closer trade and economic cooperation within the hemisphere. Consider that the negotiation of reciprocal and asymmetrically reciprocal trade agreements with selected countries of Latin America and the wider Caribbean, at closer but sometimes different levels of development with CARICOM Countries, was meant to establish principles which could then be negotiated into the FTAA.

At the dawn of the 21<sup>st</sup> Century hemispheric trade integration, under the broad umbrella of a Summit of the Americas process, continues to take shape. CARICOM Countries continue to place their own mark on this dynamic hemispheric effort at 'deepening' trade integration. Efforts at and in-roads into trade integration, however, are but one caveat of a complex process toward strengthening relations between countries in the hemisphere across a multitude of thematic areas. It is, however, an important caveat as in many respects the success of a foundation for closer cooperation leveraged on formalized trade relations/frameworks will determine, in its own way, the dynamic of and climate for integration, between those nations, at a 'broader' level in the medium- to long-term.

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