



Deepening Caribbean Integration

BARBADOS IN THE CSME

Caribbean Single Market & Economy



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Preface

In 1989, the Heads of Government of CARICOM countries agreed to work towards the establishment of the CARICOM Single Market and Economy (CSME). A programme for this effort was developed and began to be implemented in 1990. The programme in part required certain revisions to the CARICOM Treaty (the Treaty of Chaguaramas) to give legal effect to the Heads' decision.

This decision was taken at a time when there were some signs that the world economy was experiencing major changes and there was a need to respond to these changes. The CSME is in part the Caribbean response to some of these changes. It is the region's attempt to create a single economic space for the free movement of regional goods, services, capital and labour. Additionally, the CSME will reflect the harmonization of monetary and fiscal policies of the participating states. CARICOM member states will also coordinate their external positions and seek to present a united front, especially on trade issues, as they interface with the international community.

This booklet is intended to provide a brief introduction to the subject of the CSME, underscoring areas of importance to Barbados, while providing a better understanding of this initiative.

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Introduction

The Caribbean Single Market & Economy (CSME) is an arrangement which seeks to create a single economic space without cross-border restrictions and to allow for the free movement of goods and services, labour and capital among member states of the Caribbean Community (CARICOM).

It is an effort by CARICOM countries which have been functioning as separate and distinct entities, each motivated by their own national interests, to evolve into one market and one economy, free of restrictive barriers, and governed by common rules, policies and institutions. It is a regional arrangement which involves legal, institutional and administrative provisions, systems and actions which must be reflected at the national level.

It can be better understood by defining its two broad components: (a) the Single Market and (b) the Single Economy. The Single Market is an initiative which allows goods, services, people and capital to move throughout the Caribbean Community without barriers and any other restrictions. Its aim is to achieve a single large economic space, and to provide for a common economic and trade policy to govern that space. The Single Economy, on the other hand, seeks to harmonise the economic, monetary and fiscal policies and measures of all member states of the Caribbean Community, with the objective of achieving a common regional policy in these areas. It is an arrangement in which foreign exchange and interest rate policies, tax regimes, laws and national currencies, among other things, are coordinated and harmonized. It is considered to be the most ambitious enterprise of any kind to be undertaken in the Caribbean.

This booklet seeks to inform and enlighten the reader on the processes, developments, issues and benefits associated with Barbados' participation in the CSME.

The Importance of a CSME

It is believed that a single market and economy among Caribbean countries is essential for the survival of small territories such as ours, which face increased competition from larger countries as well as other regional integration arrangements. There are therefore several benefits that will accrue to member states of CARICOM from the formation and implementation of the CSME.

It is often felt that in the current global economic climate characterised by rapid globalization and trade liberalization, there is more economic and political strength to be gained from a grouping of 15 countries as against the strength of a single state. As far as multilateral negotiations are concerned, the small states of the Caribbean face better prospects operating as a group than they would if they face mega blocs and superpowers across the negotiating tables individually. Not only is it more cost-effective to negotiate as a bloc but the region would be perceived as more cohesive and a greater force to reckon with.

For Your Information

The Treaty of Chaguaramas which established the Caribbean Community was signed at Chaguaramas, Trinidad on July 4, 1973 and came into force on August 1, of the same year. The Treaty was subsequently revised in 2001 to give effect to the establishment of the CSME.

The Caribbean Community (CARICOM) consists of 15 small states located in the Caribbean Sea, South and Central America. They are Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

It is also envisaged that the Single Market and Economy will create more opportunities for employment, investment, production and trade for the people of the Caribbean Community. It is therefore imperative that CARICOM harmonize its productive capacity to exploit the opportunities that the CSME will bring. It is anticipated that firms operating in the context of the CSME will achieve greater efficiency and increased competitiveness. It will also facilitate the diversification of skills within the region. In addition, it would place the region in a position to interface more effectively with the rest of the world.

Background

The CSME had its genesis in the 1989 Grande Anse Declaration when Heads of Government of the Caribbean Community, meeting in Grenada, decided to work towards the establishment of the Caribbean Single Market and Economy. There was clearly a perceived need to deepen the integration process and strengthen the Caribbean Community in all of its dimensions. This was necessary in order to respond to the challenges of, and fully exploit the opportunities presented by, a rapidly changing global economy. In the words of the Prime Minister of Barbados, The Rt. Hon. Owen Arthur, during an address to the Trade Forum of Jamaica in 2003: "The decision in 1989 to replace the limited Common Market, as enshrined in the Treaty of Chaguaramas, with a Single Market and Single Economy was fully warranted by the frustrations of a difficult economic past, and the prospect of an even more challenging economic future".

Since the original Treaty of Chaguaramas only gave effect to a limited concept of integration, it had to be revised in order to provide an official legal framework within which the common market could be transformed into a single market and economy.

The revision of the Treaty focuses on nine principal areas of concern (see box on next page) including the restructuring of the organs of the community to accommodate the new dispensation; the right of

Structure of the Revised Treaty of Chaguaramas

- Chapters 1 & 2 – Restructuring of the Organs and Institutions of the Community
- Chapter 3 – Establishment, Provision of services and movement of capital
- Chapter 4 – Industrial & Agricultural Policy
- Chapter 5 – Trade Policy
- Chapter 6 – Transportation Policy
- Chapter 7 – Disadvantaged Countries, regions and sectors
- Chapter 8 – Competition policy and consumer protection
- Chapter 9 – Disputes Settlement

establishment, services, capital and movement of community nationals; disadvantaged countries, regions and sectors; and dispute settlement.

It also outlines policies for sectoral development, trade, transport, competition and consumer protection, with special provisions for disadvantaged countries, regions and sectors. The new rules and guidelines are contained in a document entitled: Revised Treaty of Chaguaramas Establishing the Caribbean Community Including The CARICOM Single Market & Economy.

All CARICOM member states, with the exception of Montserrat and the Bahamas, have now signed the Revised Treaty. Although Haiti has signed the Agreement it is still to complete the Treaty Revision process. The Treaty will enter into force when all the states have deposited their instruments of ratification with the CARICOM Secretary General. In the interim, however, the Treaty is being applied on a provisional basis.

A closer look at The Revised Treaty

Under this Revised Treaty, member states are required to carry out specific functions, adhere to certain rules and honour particular obligations. It is anticipated that a number of positive benefits will accrue to Barbados as a result of its participation in the CSME. Some provisions in the Revised Treaty - e.g. those related to services, are thought to be especially relevant to Barbados' development agenda.

Chapter Three of the Revised Treaty is one of the important new instruments which helps to establish the CSME as a single economic space. It has several objectives which include the completion of the creation of the Single Market by adding the free movement of services, the unrestricted movement of capital and the right of CARICOM nationals to set up business in any CARICOM country (rights of establishment). It also seeks to create more business and employment opportunities and to ensure that all CARICOM nationals who wish to carry on business in any member state are not discriminated against.

The new regime for trade in services can provide several benefits for the Barbados economy where the services sector makes an important contribution to the Gross Domestic Product (GDP). Some of these are:

- Improved and greater regional market access for local service providers;
- Expanded range of services activities capable of earning foreign exchange and promoting economic diversification;
- Enhanced export market and investment opportunities; and
- Increased competition in the domestic market since new players will stimulate greater activity in these areas and provide consumers with wider choice.

Another area which is thought to hold special interest for Barbados is the provision of a community trade policy found in Chapter Five. The main aim of this policy is the sustained growth of intra-community and international trade and the mutually beneficial exchange of goods and services among member states, and between the community and third states. It is mainly concerned with the incorporation of various amendments to the trade provisions of the original treaty that were introduced over the years. Issues of importance that are addressed in this chapter include rules of origin and the establishment of a regime for the free movement of goods.

It is anticipated that Barbados will benefit from the right and freedom to trade in goods and services within a guaranteed economic space (the Single Market) as well as the right to safeguard certain industries or sectors which are experiencing actual injury or threat of injury, as a result of imports of similar items into the country.

Chapter Seven establishes a regime for disadvantaged countries, regions or sectors as well as a special regime for the less developed countries (LDCs) of CARICOM. The provisions under this chapter seek to enhance the prospects of such countries, regions and sectors for successful competition within the community and redress any negative impact as a result of the establishment of the CSME. Through the use of various support programmes, disadvantaged countries, regions and sectors should be able to cope with the challenges within the Single Market and Economy and to become viable. Some examples of these programmes are: financial assistance to address economic dislocation arising from participation in the CSME; technical assistance and support for sensitive industries and programmes to attract investment; and transitional arrangements to adjust to the requirements of the CSME. The financial and technical assistance will come mainly from a proposed new development fund which is still to be established for this purpose.

Key issues under the CSME

There are two issues that are of critical importance to the regional integration process in the implementation of a single market and economy. These are the free movement of labour and the establishment of a regional court - the Caribbean Court of Justice (CCJ).

Free movement of labour is considered to be critical to the proper functioning of any single market and economy. Article 45 of the Revised Treaty states: "Member states commit themselves to the goal of free movement of their nationals within the community." Article 46 of the Revised Treaty provides for various categories of persons who should be entitled to move and work freely in the Community. The specified categories of workers will be able to work in any Member State without the need for work and/or residency permits. Approved categories are: university graduates, artistes, media workers, musicians and sports persons. The free movement of labour is being implemented on a phased basis but this does not prevent a state from including other categories. It should be noted, however, that the obligations relating to the provisions of services and the right of establishment also involve the free movement of persons.

The establishment of the Caribbean Court of Justice (CCJ) is another important element of the CSME. The CCJ is a regional court which is considered to be vital to ensuring an environment of economic stability and legal certainty in the CSME. It is invested with an original and mandatory jurisdiction to apply and interpret the legal provisions pertaining to the CSME.

The effect of this is that the Court will give certainty and predictability to the application of the legal provisions set out in the Revised Treaty of Chaguaramas. Prime Minister Arthur underscored the importance of the Court during an address to the Trade Forum of Jamaica in 2003. He noted that without the CCJ, "consumers, businessmen, investors and participating states would not be able to repose full confidence that the arrangements for the CSME will be applied fairly and consistently in every place, time and circumstance in the region". In other words, the absence of such a court would mean the lack of a central permanent institution to enforce the rights and obligations for all CARICOM countries and nationals, created by the CSME. By so doing, the CCJ will be ensuring the success and strengthening of the regional integration process.

Former Chief Justice of Trinidad and Tobago, Justice the Hon. Michael de La Bastide Q.C. has been elected as the first President of the CCJ which will be headquartered in Port-of-Spain, Trinidad & Tobago.

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Justice the Hon. Michael de la Bastide, Q.C.:

Born: July 18, 1937

Nationality: Trinidadian

Won an island Scholarship in 1954

Studied law at Oxford University 1956 - 1960 and graduated with first class honours.

Worked as Crown Counsel in the Office of the Attorney General of Trinidad & Tobago from 1961 - 1963.

Appointed Queen's Counsel in 1975.

Member of the Wooding Commission 1971 - 1974.

Served as an independent Senator 1976 - 1981.

President of the Law Association of Trinidad & Tobago 1987-1990.

He is married with five children.

Benefits for Barbados

The Caribbean Single Market and Economy presents numerous opportunities and benefits for the inhabitants of Barbados. Ours is a country like most others in the Caribbean that is constrained by limited size and markets and has a narrow resource base. It is not a significant producer of manufactured goods and agricultural products. However, the pooling of our resources on a regional basis and the creation of a single economic space is expected to be beneficial to Barbados. It is considered that within the region, Barbados has some advantage in terms of services. It is anticipated that the liberalization of services offers a good opportunity for the economic growth and development of the country.

The creation of the CSME is expected to result in the increased production of, and trade in, goods and services, in a combined market of over 15 million persons. It is envisioned that the CSME will stimulate the creation and functioning of stronger and more dynamic Barbadian enterprises. Local firms will now be able to recruit highly skilled labour from anywhere in the common market. A major feature is Barbados' excellent infrastructure, e.g., telecommunications, air and ground transport. These along with Barbados' highly educated and skilled workforce will be instrumental in attracting investment flows. In addition, Barbados is internationally known for its economic and political stability which can be a major determining factor in the location of foreign investments.

Other benefits of the CARICOM Single Market and Economy for Barbados will include access to a wider range of competitive products of better quality and prices; greater opportunities for intra-regional travel; increased employment; improved standards of living; opportunities for nationals to study and work in CARICOM countries of their choice; and improved services provided by enterprises and individuals.

Did YOU know that:

The Prime Minister of Barbados, the Rt. Hon. Owen Arthur, has the lead responsibility for the implementation of the CSME?

Challenges

In any such arrangement there will be benefits and challenges. Some of those which are anticipated with the implementation of the CSME in Barbados are: greater competition for jobs within CARICOM; the restructuring of firms and increased pressure on social amenities, e.g., the demand for education, medical care, housing and even public transport.

However, Barbados does not lack the capacity to deal with such, and any other challenges that might arise from the implementation of the CSME. The aim is to exploit the opportunities and resolutely face the challenges ahead.

Developments & Implementation

- The Barbados Constitution has been changed to facilitate the operation of a Caribbean Court of Justice.
- The Revised Treaty of Chaguaramas has been enshrined into Barbados' domestic law.
- Legislation covering the free movement of five categories of persons has been laid in Barbados' Parliament as the CARICOM Movement of Skilled Nationals Act.

Where to find more information on the CSME

<http://www.caricom.org>

<http://www.sic.oas.org>

<http://www.iadb.org>

<http://www.carib-export.com>

<http://www.foreign.gov.bb> (under construction)

CARICOM CSME Implementation Unit

Tom Adams Financial Centre

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