REGIONAL AND INTERNATIONAL INTEGRATION AND MODES OF GOVERNANCE: THE CARIBBEAN CASE

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In the concluding section of a recent paper I observed that "it is obvious that the economic welfare of citizens of small countries such as those of the Caribbean is not determined simply by domestic governance arrangements, but by regimes in their regional and international environments. This is especially important in the case of the Caribbean whose small economies do not have a natural hinterland, and whose integration into a specific framework of mercantilist arrangements is disintegrating. The subject of future regional structures of governance and the mode of their relations with new, developing international regimes is a significant one which also requires academic treatment."

This paper is concerned with an exploration of these themes. It first seeks to examine the functioning of the regional integration structures of the Caribbean Community and Common Market as they have evolved from their establishment to the present time. It further seeks to demonstrate how Governments involved in the integration exercise tried to adapt to changing domestic and external circumstances.

We show that, in some measure, the process of deepening of the integration system has been a halting one. At the same time, Governments have sensed the necessity for a widening of the boundaries of the system. In that context we therefore examine the options placed before them in the recent past, and possible options for consideration in the present as they respond dynamically to changing regional and international environments.

Regional Structures

The Anglophone countries of the Caribbean area made a fairly swift institutional transition from a free trade area, practically initiated in 1968, to arrangements for a customs union and common market as reflected in the Treaty of Chaguaramas of 1973. In spite, however, of the optimism demonstrated at that time by governmental leaders at the prospect of the progress of the Caribbean Common Market, by the end of the decade of the 1970's the arrangement was in serious difficulty.

The difficulty, brought on by the economic recessions which had now gripped
some of the leading countries of the area, led
to a partial reversal of some of the gains which
had been made in regional trade. Equally
importantly, however, this demonstrated that
the institutional machinery of the regional
regime could not withstand governmental
decisions taken in response to pressures on
the national economies as, first, Governments
sought to exploit provisions made for
temporary difficulties (for example Article 29
of the Treaty) to impede the movement of
goods into their countries; and secondly, they
failed to meet obligations to institutions such
as the Caribbean Multilateral Clearing Facility
(CMCF), which were critical to the
functioning of the system.

The relatively prolonged stagnation of
the Caricom trading system was not unique
- other regional arrangements in South and
Central America were similarly affected as
economic recession prevailed in the 1980's
in those sub-regions. And it is worth noting
also that even the European Community went
through a certain institutional paralysis in the
1980's as France, in particular, resisted
proposals for further institutionalisation of
that integration process.

Nonetheless, the situation in the
Caribbean prompted persistent attempts at
reorganisation of the Chaguaramas Treaty
arrangements, notably in the so-called Wise

Later, as countries, especially the major
state of Jamaica, became increasingly
subordinated to the processes of stabilisation
and structural adjustment required by the
multilateral institutions (IMF and World
Bank) to whom they had made recourse for
assistance, commitment to what is today
referred to as a more “open regionalism”
began to be made, notably as reflected in the
Nassau Understanding on Structural
Adjustment agreed by the Heads of
Government in 1984.2

The Nassau Understanding genuflected
to new intellectual trends emanating from the
multilateral institutions (subsequently labeled
the Washington Consensus) which suggested
the need for developing countries to adapt to
the changing nature of the international
economic system. The policy recommendations
now stressed openness and integration
into the wider international economic
environment through, in particular, the
persistent lowering of tariffs and the lessening
of the role of the state as the promoter and
 guarantor of arrangements for economic
growth.

Still, by the end of the 1980’s, there
remained within the Region dissatisfaction
with the pace of recovery of intra-regional
trade, and even now doubt as to whether the
effort and resources devoted to pursuing the
revival of this trade were appropriate to
outcomes in terms of both increases in the
trade and economic growth and employment
resulting from it.

These internal doubts were now,
however, exacerbated by perceptions of
changes emanating from the general global
economic environment. More specifically,
there were indications that some of the
institutional frameworks of international
economic relations within which Caribbean
countries had existed were beginning to
change, and even disappear. Thus, the
impending implementation of the European
Single Economic Market in 1992, notice of
which was given by European Community
decisions in 1986, signaled that the settled
arrangements which the Caribbean countries
had made in transiting from Commonwealth
preferentialism to Lomé Convention preferentialism, would now be considered outmoded in the context of the liberalising trends of the proposed Single Market.

For Jamaica and some of the OECS countries this realisation prompted a hurried negotiation with the United Kingdom Government as to ways of retaining some degree of protection for the banana trade in particular in Europe’s Single Market. It was recognised that this had to be achieved on terms which would be acceptable to the already liberalised markets of states like Germany and the Netherlands, determined to resist increases in tariffs, and therefore prices.

Perceptions of such impending change prompted within the Region yet another attempt at modernising the Treaty of Chaguaramas. The Grande Anse Declaration, emanating from a meeting of CARICOM Heads of Government in July 1989, stressed the importance of responding to liberalising trends in global tariff arrangements, and accepted the notion of reduction of tariffs as itself a propeller of production and trade. The Declaration marked the full acceptance of directions which were hinted at in the Nassau Understanding: that persistent protection of small customs unions would not lead to substantial increases in production, trade or employment, that the reduction of common external tariffs of regional arrangements should match the global reductions of tariffs, leading to the situation of “open regionalism,” and encouraging international investment on terms and conditions similar to those existing in the major countries of the global system. A “level playing field” should characterise economic relations throughout the post-Cold War, now truly global, economic space.

The necessity to respond to the transition from European Community to European Union however, was compounded by the recognition, substantially dawning on Caribbean governments after their signing of the Treaty of Marrakesh establishing the World Trade Organisation (WTO), that it would now be a requirement that the new ACP-EU regime for revised preferentialism be “WTO-compatible.” This reopened the terms of these new agreements, indicated to the Caribbean (as to the ACP) states that their sphere of negotiation would now be the European Union (the Commission and member-states of the Union) unmediated by United Kingdom diplomatic “protection,” or the role of the United Kingdom as a kind of diplomatic advance-guard; and that any agreements made would be, as it were, temporary, pending WTO approval.

What all this meant was that, within a few years, the relevant preferential regime, essentially United Kingdom managed, had moved to being a European regime, and was now transformed into an international regime (the WTO). This latter regime, importantly, brought the United States of America legitimately into the arena as an arbiter in decision-making about the previously circumscribed Caribbean banana arrangements. Indeed the transition from the GATT arbitral system to that of the WTO limited the sphere for either British or Caribbean diplomatic manoeuvering. It placed the small quantum of Caribbean banana exports at the centre of global competition for the now “open” European market. And it has meant too, continuing instability of, and uncertainty about, the regime - a situation which, for small countries, with revenue and employment dominated by single commodities, transfers itself into domestic instability.
Now both the issues of accommodating the Caribbean Common Market to global liberalisation, and accommodating Caribbean commodity production and exports to WTO arrangements were, in some measure, recognised in the decisions of the Grande Anse Declaration (1989) first, to upgrade the customs union into a Single Market and Economy - in imitation, as it were, of the decision-making of the Europeans; and secondly, to establish the West Indian Commission mainly to examine the institutional reforms in the regional regime that were necessary to accommodate to the Single Market decision taken, and to the demands of the changing international environment.

**Recommendations of the West Indian Commission**

As is now well known, in 1992 Heads of Government of the Caribbean Community accepted the reaffirmation by the West Indian Commission of the need to urgently pursue the establishment of a Single Market and Economy, with its persistent reduction of tariffs, so as to ensure the “adjustment” of Caribbean economies to the global environment. The decision was not without controversy, in that some of the less-developed states of the Community, were hesitant to accept the implicit premise that all economies were capable of adjustment at similar speeds and with comparable efficiency, and queried the concreteness of the compensating arrangements agreed to meet their complaints.

This difference in perception about the consequences of what we might call “urgent liberalisation” reflected differences of perception as to changing statuses of countries in the Region, as devaluation adjusted relative per capita incomes. The suggestion was that the differences between Lesser and More developed countries had been blurred, with the “playing field” among the countries becoming more “level.”

It is now a matter of record that the implementation of the Single Market has been more prolonged than originally agreed, and that some countries have, while admitting the relevance of the Common Market particularly for manufacturing trade, perceived other possibilities for wider hemispheric and global integration as more promising for economic growth.

The second main recommendation of the West Indian Commission for a substantial reconstruction of the machinery of Caricom as an institution, was not as welcomed by the Heads of Government. To put it broadly, the Commission had tried to deal with the well-known integration conundrum of persuading Governments that a ceding of sovereignty, in the sense of negotiating authority, in certain spheres of Community operations - particularly that of external economic relations, would yield results for each country and for the region collectively, superior to single-country negotiation, or ad hoc arrangements for regional negotiation.

The recommendation for a Caribbean Commission attached to the Caricom Secretariat, with responsibilities for planning and executing strategy relating to international economic negotiation in particular (but including other spheres), and directly responsible to the Heads of Government, was meant to be an improvement on the ad hoc arrangement for external negotiations established by the Heads of Government as the Prime Ministers’ Committee on External Relations. It can be said to have been partially
modelled on the cession which the European Community countries made in agreeing that in international trade negotiations, the European Commission should be the leader negotiator for the Community as a whole, and would be accorded a status in international fora appropriate to that task, and equal to other member states in such fora.

The West Indian Commission had an obvious sensitivity to the West Indian political directorates' sensitivity to this question of cession of sovereignty. In making its proposals, the Commission severely ruled out, in advance so to speak, any suggestion that any of its recommendations would put the Region on the road to a federalist arrangement. Yet the Commission's recommendation that, in effect, the Caribbean Commission structure virtually parallel that of the Caribbean Community Secretariat, presaged an uncomfortable institutional fit, and seemed to raise the ire and opposition of the regional technocratic class. In addition, the political directorate seemed to feel that the status attributed to the Commission had the potential for trampling on its own status, and in consequence expressed little enthusiasm for this institutional innovation.

The Heads of Governments' alternative suggestion for a Bureau of Heads meeting between formal Heads of Governments' conferences, captured the notion of final authority for Community decisions resting firmly in their sphere. But this did not resolve the problem of organising a standing negotiating capability responsible for the management of the continuing and complex multilateral negotiations that have come to characterise contemporary international economic relations.

In the event, there is some irony in the fact that, under the pressure of this very situation, Heads of Government agreed to the establishment, on, in effect, an ad hoc basis, of the Regional Negotiation Machinery (RNM), headed by the Chairman of the West Indian Commission. This innovation however leaves the issue of institutional coherence of the Community unresolved. And it leaves unclear, too, the status of the RNM in formal international negotiations, where Ministerial representatives represent the interests of their countries and the Community.

A third decision, emanating from governments' consideration of the West Indian Commission report, was the Commission's reiteration of support for the establishment of a Caribbean Court of Appeal as the final jurisdiction for the Caribbean Community countries, replacing the Privy Council. This proposal has been a longstanding one, but the innovation was the suggestion that the Court should have jurisdiction over matters pertaining to disputes arising within the Common Market, removing the responsibility for resolution of such disputes from ad hoc governmental arrangements.

The contemporary discussion that has now resulted in the agreement to establish the Caribbean Court of Justice has not disputed its role in respect of the Common Market. Rather, disputation has revolved around two issues: first, whether it is possible to cede the responsibilities constitutionally allocated to the British Privy Council to another (regional) institution without fundamental adjustment to the provisions of some Constitutions, including (as is suggested in Jamaica), utilising the mechanism of a referendum to approve such adjustment. The implication here that this is another fundamental issue of the cession of national sovereignty.
The second issue is whether, in the contemporary era, for small, open economies like those of the Caribbean, investors would be satisfied with a Court of local (regional) jurisdiction, as against one with wider international jurisdiction and legitimacy. The argument would be that investors would prefer international justiciability, in an era where matters pertaining to trade and investment are global in nature and should be subject to jurisdiction at that level. From that perspective, the Privy Council, as an already existing institution with such international credibility, is perceived by some as preferable, as against a new institution with limited jurisdiction - and in the short run from an international point of view, limited credibility.

A question that might be raised in respect of the innovations suggested or reiterated by the West Indian Commission and accepted in 1992 by the Heads of Government, is whether processes in the wider regional (hemispheric) and international environments have not largely negated their significance. First, the persistent international liberalisation of tariffs narrows the difference in protection between sub-regional common markets and the wider (free trade) arrangements. Second, from the middle of the 1990's, the stated commitment of the governments of Trinidad and Tobago and Jamaica to seek entry into NAFTA signalled a possible breach in tariff complementarity between those countries and other members of Caricom not able, or committed to moving in that direction at the same pace. Thirdly, the commitment of all Caricom states to participation in the Free Trade Area of the Americas might suggest that priority would be given to that larger aggregation than to the requirements of a Caribbean Common Market.

The implication of these trends would be that the Caricom Single Market and Economy would have as its focus, not so much the trading arrangement (the common market in movement of goods) that seemed to be the focus originally. Rather it would place emphasis on the creation of an economic platform that would facilitate the free movement of goods, services, selective categories of labour, and capital, as a means of creating the scale of region-wide economic activities capable of competing in wider regional and international markets, and capable of absorbing external capital appropriate to such region-wide activities. The latter would hardly be confined to indigenous ownership.

There are, indeed, some indications that that rationalisation of domestic economic structures, following on the structural adjustment measures undertaken by some of the leading countries in the Community, points now to forms of what might be called informal commercial and financial integration in which there are created region-wide private corporate structures commanding capital movements and production structures using the Single Market as a whole as the base for providing the desired economies of scale. The private sector of Trinidad and Tobago, for example, may be seen in the present period as leading this process of informal commercial integration which really depends on regional governments’ policies to clear obstacles to free movement of factors. In that context, there would be limited calls on a facility for arbitrating intra-regional disputes, as against the period of protection-in-face-of-recession that characterised the Common Market in the late 1970’s and earlier 1980’s. It may be that the Caribbean Court of Justice, in its role of having jurisdiction in relation to common market disputes may have come too late.
The West Indian Commission also advocated the utility of monetary integration or union for the Region, though after substantial technical work, it was unable to persuasively recommend a process towards that objective. In the context of most countries’ commitment to currency convertibility, and a general awareness that, given the Region’s location in the middle of the Americas, inclined to establish a liberalised hemispheric economic environment, the general assumption would be that the United States dollar would be the general standard of measurement of economic efficiency and medium for regional financial accountability.

In the discussions on monetary union, little attention was paid to the existence of a common currency among the Eastern Caribbean countries which at least had the policy value of inhibiting their resort to that excessive money creation that characterised the behaviour of some of the larger states in the 1970’s and 80’s. It seemed to have been generally felt among the region’s technicians and governments that the role of the Eastern Caribbean Central Bank was a too passive one; that such currency union inhibited the exercise of certain necessary monetary functions and thus the exercise of “sovereignty”; that the possession of an “independent” currency was an important attribute of policy-making and sovereignty. Such views have been particularly prevalent in Jamaica, but there are indications that they have salience in other countries. They represent what might be called the English view of monetary integration, as indicated in the debate that has ensued in Europe in respect of the creation of a common monetary system and European Central Bank.

The debate on monetary union as it pertains to the Caribbean would seem to have little salience today, since it would appear to policy-makers not to be a prerequisite for current efforts to reorient economies towards economic growth.

Our general conclusion in surveying the regime(s) established for the functioning of the Caribbean Common Market is that there was limited commitment to some of the instruments brought into existence for the purpose. Further, with the decision to proceed to the establishment of a Single Market and Economy, the prolonged process of implementation has allowed the evolution of new systems in the environment of the Common Market. And these put into question the relevance of a Common Market with boundaries as defined by the Treaty of Chaguaramas, extended to included Suriname.

The West Indian Commission perceived this in two explicit recommendations which it made, as it sought to maintain the “Chaguaramas” character of the Community, but square the circle of the continuing debate of “deepening versus widening”. First the Commission responded to the suggestion that Haiti and the Dominican Republic and Suriname become members of the Community by defining Caricom as the “inner core” of any wider integration process, and by suggesting therefore, that “CARICOM’s relations with the wider Caribbean not be restricted to membership of, or association with, CARICOM itself which should be the core family of the Caribbean integration process...that the possibility be left open for membership of, or a special form of relationship with, Suriname, as well as the Smaller British, Netherlands, French and US territories.” And it suggested a “dual track” approach which would “produce circles of association that start with the intimate West
Indian family and others that encompass an extended family of the non-English speaking islands of the Caribbean.\footnote{757}

The second recommendation of the Commission was for the creation of a wide circle of institutionalised relationships which recognised the geopolitical implications of the Caricom countries' locations in Middle America, and changing orientations of leading South Central American states towards economic liberalisation and open regionalism after the deep recession of the 1980's. Thus the recommendation for an Association of Caribbean States (ACS) as, in the medium term, a system - or at least a framework - of functional and economic integration encompassing all the states which bordered or were located within the Caribbean Sea. This recommendation sought to ensure the maintenance of the Caribbean Community as a discrete entity with a recognisable 'identity'; while accepting that the directions of South and Central American economic development would have significant implications for that of the Caricom states. As William Demas, a member of the Commission and one of the foremost proponents of Caribbean (Caricom) integration asserted some years later:

The relationship between deepening and widening is crucial. The deepening of CARICOM must be achieved in order to make widening and close trade cooperation with much bigger and more powerful countries, near and far, workable.\footnote{8}

**International Structures and Regimes**

Contemporaneously with the indication given to the Caribbean Community that changes would be required in the existing regime of preferentialism defined by the Lomé Convention consequent upon the decision to implement the European Single Market, the European Community also signalled a certain dissatisfaction with the exclusiveness of the Caribbean Community, to the extent that its relations with Europe did not encompass the Greater Antilles states of Haiti and the Dominican Republic.

**A Changing Framework of Euro-Caribbean Relations**

Europe's answer to what was in fact the Caribbean Community's conundrum of deepening versus widening, and its consequent resistance to drawing in the two states, was to propose the Caribbean Forum (CARIFORUM) as the main instrument for implementing in particular the aid provisions of the Lomé Convention. This was no doubt propelled also by the trends, which it wished, and wishes, to encourage, towards elimination of authoritarian structures in both Haiti and the Dominican Republic; secondly by the interests of the EC's new members, Spain and Portugal, in their former colonies in the Hemisphere; and thirdly, by a growing European awareness that Hemispheric arena constituted a profitable field for economic investment and trade; and that, finally, in its Caribbean sector, Haiti and the Dominican Republic had substantial populations relative to the grouping of Caricom countries.

That emphasis on the relevance of the Hemispheric countries in the increasingly competitive, liberalised post-Cold War environment of a single global economic system, was reflected in the European Union's Green Paper on arrangements with the developing countries after the expiration of the Lomé Convention. This proposed the
creation of Regional Economic Partnership Areas (REPA's) - in effect free trade areas between the EU and different geo-economic spheres in the developing world. But it reflected also the EU's appreciation of the fact that future EU-developing country arrangements would have to be compatible with the terms of the WTO, ensuring in particular, reciprocity in trading relations. Put another way, it reflected recognition of the fact that establishment of such arrangements are no longer within the complete jurisdiction of the parties concerned (regional grouping or partial international economic systems), but are subject to multilateral surveillance.

In the meantime, the Caribbean Community and the Dominican Republic have signed a Free Trade Area agreement. And we must presume that if the formula of the REPA should come to characterise Caribbean-EU relations, then a new regime would come into existence, encompassing at least the existing Caribbean Community states, Haiti, the Dominican Republic, and subject to the clearing of certain obstacles, Cuba.

In addition, consideration needs to be given to the possibility that for the EU, such a free trade arrangement should also include the Central American states, already, in any case grouped with the Caricom states under the Caribbean Basin Initiative. The question that would be likely to arise is what relative priorities would the traditional Caricom states give to the Caribbean Common Market vis-a-vis this free trade area scheme, bearing in mind the limited capabilities of the states involved. Presumably this scheme would also have its own arbitral institution. In considering such a new geo-economic arrangement, Caricom states might well wish that they be given the "special and differential characteristics" of the micro-states of the Eastern Caribbean. Yet, on the other hand, none of these fall within the category of least-developed countries to which the EU is prone to give special consideration.

Caribbean states would also need to bear in mind that the European Union is unlikely to be impressed by arguments that place deepening of an existing integration system as a necessary priority before widening. This would be so first, because of the long time period in which the Caricom states have been involved in implementing schemes for widening; and secondly in the light of the fact that the EU itself has gone through the process, during more or less the same time period, of defining how to accommodate the imperative of geographical widening while maintaining the pace of deepening - a problem made more acute by the geopolitical imperatives for reorganisation of post-Cold War Europe.

As we have just noted, a REPA which involved the countries mentioned above would approximate to traditional American definitions of the Caribbean Basin, all of whose constituent members are now, as it were, candidate members for participation in the Free Trade Area of the Americas (FTAA). The process of negotiation of the FTAA does not recognise sub-regional economic groupings, though in practice the participants are cognisant of the collective approach to the negotiation taken by the Caricom states.

Changing Caribbean-Hemispheric Relations

The anxiety of the United States to first, find a way of accommodating Hemispheric states' wishes to enter into NAFTA without having to reopen and resubmit the scheme for
Congressional consideration and, secondly, to organise Hemispheric economic relations so as to give itself some comparative advantage in global economic competition, has in effect forced a further deviation of the US from its traditional commitment to multilateralism over regionalism in its approach to furthering the GATT process of global economic liberalisation.9

But within the FTAA process itself, countries like Brazil, with obviously greater weight than the Caricom states, would appear to be insisting that there is additional virtue in some bloc-to-bloc negotiation within the Hemispheric area, so as to ensure that the dominant country in the area does not bias any agreement unduly in its favour. This stance by Brazil, however, does not favour the recognition of special and differential characteristics of the micro-states of the Hemisphere as entitling them to recognition as a specific category within any free trade area.

On the other hand, the bloc-to-bloc approach has in one sense been defeated even before the proposal for an FTAA, since Mexico’s adherence to NAFTA has given it a comparative institutional advantage which other states now feel constrained to seek. Hence the ambivalence of Chile in meandering between some form of adherence to Mercosur and adherence to the United States through a bilaterally-negotiated free trade area even prior to the establishment of the FTAA.

The fate of the Caricom states in this context is contingent on what evolves from the competing conceptions of weightier states in the negotiating arena. But it is noticeable that many of the Central American states have sought to influence the process by establishing free trade area schemes with Mexico - an agenda which Mexico itself is encouraging. The Dominican Republic in turn, has itself negotiated a free trade area with the Central American states, thus paving its way into an alternative arrangement to that which it has negotiated with the Caricom states. Further in the context of these linkages between the Central American states and Mexico, the European Union’s negotiation of a free trade area agreement with this latter country in a sense initiates the process of REPA-like arrangements into the Caribbean Basin, given the Central American states linkage with Mexico.

For the Caricom states what is posed is a complex of parallel schemes or multilateral regimes linking the Caricom area to both the Hemisphere and the European Union, regimes which, given the requirement of having to be WTO-compatible, would have to be mutually complementary in their internal arrangements.

Caricom’s Identity in the Liberalised Environment

The interesting question in such an environment is whether there would be space for a Caricom grouping with a recognisable identity - given the bilateral nature of the negotiating process, and given the early hints of some Caricom states that they might be more NAFTA (or now FTAA)-ready than others. Further, assuming the maintenance of coherence within Caricom, would a Caricom Single Market and Economy with a Common External Tariff not much different from that of the Central American countries - within the context of the FTAA and progressive reductions of tariffs in the multilateral context - have much salience as a identifiable entity?
The Europeans have solved this question of identity by seeking to ensure that deepening of the integration movement has operational meaning in the sense of forcing a recognition by their negotiating partners in multilateral negotiations of the progressive unification of their decision-making structures. The implication of such an approach is that many of the decisions taken by the Union are “borderless.” Further the “direct effect” nature of EU decision-making (and the critical nature, as it has evolved, of the European Court of Justice in this process), does not permit the sort of post-negotiation differentiation between countries, and tardiness in implementation of decisions, that characterises other regional integration groupings, including Caricom. In this way, the EU’s “international identity” is maintained. And so is the complementarity between EU domestic (regional) decision-making and EU multilateral decision-making.

The character of this, admittedly, \textit{sui generis} process of regional decision-making and implementation - in effect of governance - as a response to both region-wide (European) and international geopolitical and geoeconomic imperatives, and its evolutionary nature, is one of the most distinctive aspects of the ongoing integration process in Europe, and the subject of continuing academic discussion.\textsuperscript{11}

This linkage between the sustenance of collective identity and political cohesion (in the operational sense of decision-making and implementation) has not been recognised in the discourse in the Caribbean on regional integration - on the appropriate forms of governance for regional integration groupings in developing states. This lacuna can also be said, in retrospect, to characterise the discussion in the West Indian Commission’s Report, as it sought to square the circle between the avoidance of federalism and the need for internationally-recognised coherence.

But it is worth noting that there did seem to arrive a point in the development of the sub-sub-regional grouping of the Organisation of Eastern Caribbean States when it was recognised that the institutions of decision-making, as described in the Treaty, would have to be adjusted in response to a changing external environment.\textsuperscript{12} Thus the initiative towards what came to be called “OECS Unity” involving a series of Constituent Assemblies of stakeholders in the civil societies of the units, designed to arrive at a consensus on an appropriate form and structure of collective political governance. That the consensus arrived at resembled the more orthodox federalist arrangements would not have encouraged the support of the political elites - raising as it did in an open way, the issue of the cession of sovereignty.

Subsequent to this, initiatives were taken to find an institutional form for recognising that the establishment of an OECS Single Market, when taken in relationship with a Caricom Single Market that would create a liberalised economic space between the OECS countries and Barbados within a related geopolitical space, would require a regime of regulation or governance. Thus proposals were made by the Prime Minister of Barbados for discussion that would lead to some integration between his country and the OECS.\textsuperscript{13} These discussion would appear to have come to nought.

Caribbean Community countries, however, would have to recognise that in the current international environment, when European Union member-states are having to
cope with these issues on a continuing basis as pressures increase for a widening of their system, there would be little sympathy from that quarter (with which the Caricom wishes to negotiate favourable arrangements for the post-2006 era), on the grounds of difficulties that are entailed, including difficulties in the cession of traditional sovereign powers, in such endeavours.

Yet the changing international regimes regulating not only the EU-Caribbean relationship, but the regimes for managing private multinational relations as in the telecommunications area, and more latterly in the international financial services sector as it has evolved in the Caribbean, are all indicating that an institutionalised, internationally accountable domestic (regional) regime in this part of the Caribbean, for undertaking both negotiations and establishing systems for maintaining commitments made in multilateral fora, would appear to be necessary.

In other words, the organising principle, applying to countries in the liberalised and global environment, and which bears emphasis here, is that multilateral systems of regulation are now required to be matched by effective local (regional) management and surveillance regimes; that such regimes need to recognise the “borderless” character of many of the transactions involved; that there is an insistence that states, whether large or small, are accountable for the management/surveillance of such transactions; and that to the extent that governments find that the machineries of individual states are too limited to ensure such responsibilities, then they need to commit themselves to establishing the necessary regimes of regulation or governance at transnational levels that observe both geopolitical and geoeconomic affinities.

In the pre-liberalisation/globalisation era, small states such as those in the Caribbean would claim exemptions to all of this, on grounds of the need for recognition of their limitations in establishing such regimes. Alternatively they would request that “waivers” or exemptions to certain aspects of regulation be granted to them; or they would seek to be embedded within wider sets of institutional relationships managed by larger countries (as in the case of Commonwealth or Lomé preferential systems). But contemporary negotiating discourse at the global level, is less and less willing to accept such qualifications, insisting that the same ground rules apply to all countries, in an era in which private transactions in particular take place in situations of that compression of time and space which characterises contemporary globalisation.

It is these presumptions, nevertheless, that some Caribbean states have sought to contest in petitions to the multilateral institutions, as exemplified in the work of the specially established World Bank/Commonwealth Secretariat Task Force Report on the implications of the vulnerability and special characteristics of small states, and in current responses to OECD demands for regulation of offshore financial and related services.

Some countries in the Caribbean Community, anxious to access in particular NAFTA markets for their industrial commodities manufactured on the basis of joint venture relationships (one perceives Trinidad and Tobago as a case in point), or whose established services activities are substantial and tightly integrated into specialised United States or European markets (the case, one perceives, of
Bahamas), are perhaps more likely to accept the multilateral case for regulation, and establish a “level playing field” regardless of country size, rather than to plead the case for “special and differentiated arrangements.” In this they follow jurisdictions like Singapore, which, without a geographically-related hinterland for its economic activities, has chosen a path of “deep integration” within the informal commercial transactions systems that dominate the OECD world.

Implicit here is the potential development of a “variable geometry” approach to these international requirements within the Caricom area.

**The Development Imperative and Regional Governance**

Caribbean states, as developing countries, might well argue that demands for regional governance systems matching multilateral systems of regulation, or regional governance systems required to manage borderless regional transactions, do not recognise the basis on which such accommodations have been made either between developed-developing economies, or within developed regions themselves.

It is noteworthy, for example, that in the course of Mexico’s integration into the NAFTA, the United States and Canada have recognised the transitional difficulties arising from such integration between economic systems of differing levels of development. And that within the terms of the “level playing field” notion, they have recognised the need for phased integration in certain areas. But more importantly, the United States would appear, partly for geopolitical reasons, to take a more holistic approach, and has accepted that special arrangements may have from time to time to be made to ensure that in its integration into NAFTA, the Mexican economy maintains a minimum level of financial and structural stability. This was implicit in the arrangements made by the US on a bilateral basis with Mexico, to ensure the containment of the Mexican financial implosion of 1994.

In other words, there would appear to be some recognition of what might be called inequality of capabilities, and therefore of the need for special, anticipatory arrangements to ensure that in the medium term, Mexico is able to sustain its obligations within the integration system.

Similarly, in the case of the European Union, the role of the regional or cohesion funds in facilitating the integration of member-states, most latterly those of Spain and Portugal, on a balanced basis is clear. This has been complemented by Treaty provisions for free movement of labour which have the effect of easing the press on labour markets. Both of these have been critical mechanisms for ensuring stability within countries, and over the system as a whole, as the requirements of structural adjustment and convergence are met.

We sum this up by saying that in the case of both the US-Mexico and European examples, a “development imperative” in relation to states/regions of unequal capabilities for adjustment, has been implemented. On that basis the ability of member-states to participate in the building of regional or integrated structures of regulation or governance is enhanced.
But it would appear that in the case of the discussions proceeding towards the establishment of a FTAA, there is hardly any recognition of such a “development imperative” as a means of facilitating the participation of the highly diversified (in terms of capabilities and endowments) potential participants in the schema. This in part reflects the diminishing American interest in economic development aid as a tool for global development and its transference of such responsibilities to the multilateral and regional development institutions. Yet it is ironic that the smallest entities entitled to participate in the FTAA discussions are not members of the Hemispheric economic development institution, the Inter American Development Bank (though some attempts are now made to facilitate the transfer of aid to them). The United States is known as well to be acutely sensitive on the issue of migration from neighbouring states.

The development imperative constituted a significant element in the Lomé/Cotonou Convention arrangement. Recent European thinking has, however, been skeptical of the operational value of the extensive funds allocated over the various agreements, and now seeks new ways of trying to ensure that aid has a more catalytic effect in spurring sustainable economic growth. It would appear to be obvious that, to the extent to which the lesser developed countries (and regions) entering the European Union required cohesion funds to facilitate participation in the integration process, in a similar manner the case requires to be made that within the framework of proposed REPA’s (if these turn out to be the future mode of relationship), such a facility would be a necessary complement to the instruments designed to permit an effective free trade area arrangement between Europe and its developing states partners, including those of the Caribbean.

The counterpart to this, from the European perspective, would presumably be the development of effective structures of regional regulation and governance, that recognised that in the contemporary world, international integration and globalisation processes are changing the nature, and uses of sovereignty. And that developing states, as in the case of developed states, must accommodate to this reality, in spite of the novelty of formal state sovereignty, if they are to be capable of matching the demands of the multilateral systems of transactions while maintaining some form of “identity.” The forms of such regional regulation and governance would therefore be a continuing aspect of the policy dialogue of participating states in evolving free trade, or even more cohesive, integration systems.17

Conclusion

A renewed internationalisation of the internal processes, structures and institutions of the Caribbean countries is beginning to imposed itself on these states. Unlike the period of British imperialism, or more importantly, the immediate period after independence, there is now no institutional veil of economic protection inhibiting harsh processes from the external environment from deleteriously affecting the states as individual entities or as a collective sub-region. Nor do they have, for the most part, larger states diplomatically mediating, on their behalf, passage through changing environments; or embedding them, for largely strategic and security reasons, in larger systems that function as instruments of protection.
Innovation undertaken by the Caricom states in the post-Cold War strategic, and increasingly liberalised economic systems has not been rapid enough to respond to structural and institutional changes in that environment which have had a direct effect on them. The necessity to confront such changes has induced the states to try to enhance collective machinery for dealing with them. But doubt about diminishing “sovereign authority” has again reduced the pace of institutional change, leaving the states and the sub-region without a clear identity in international economic negotiation in particular.

But the pressure of change is increasing, particularly as a reorganised and reorganising Europe, the original creator of a Caribbean sub-region, and their dominant neighbour, the United States, seek to redefine their competitive economic relationship vis-à-vis the development of “emerging markets” in the Hemisphere and elsewhere. The pace at which the Caricom states can achieve a viable system of collective negotiating and regulatory arrangements will determine the extent to which they can sustain an identity as a collective region integrated with other relevant system, or as component units, succumb to differential, individualised integration in pursuit of economic viability.

In the context of the search for meaningful systems of institutionalised integration and regime governance we have referred to innovations being undertaken in, *inter alia*, the European Union. We do not propose that these systems devised for highly developed economic systems are directly transferable to the systems of small developing entities. Nonetheless, we take the view that the reliance on assertions about the need to preserve “sovereignty” will not find sympathetic ears from countries themselves involved in finding ways of “sharing sovereignty” in order to reduce vulnerability. Further, we have noted that the Caricom states need to take proper cognisance of much older developing states like Mexico, for example, which have made certain strategic decisions in the current global environment about the sharing of ceding sovereignty in the interest of long-term economic and social viability.

Finally we have noted, in looking at the perspective of the advanced states who are pursuing the construction of regimes into which developing states like those of the Caribbean Community are being drawn, that a new look needs to be taken in respect of the incentives and underpinning structures which need to be devised for developing states which are having to reorganise their methodologies, and re-examine their capabilities, for entering into the liberalised international environment on terms which offer the possibility of long-term viability. And we have suggested that what we have called a “development imperative” needs to be an integral part of processes of regional and international integration encompassing the countries of the developing world - in particular those with small, vulnerable economies such as exist in the Caribbean Community and the wider Caribbean Basin.
Endnotes

1 See Vaughan A. Lewis, “The State, the Problem of Governance and Economic Welfare in the Contemporary Caribbean,” in Ken I. Boodhoo (ed.) Economic and Human Development in the Caribbean Basin (Trinidad and Tobago: Institute of International Relations, University of the West Indies, 2000), 134-147.

2 See Group of Caribbean Experts, The Caribbean Community in the 1980’s, (Caribbean Community Secretariat, 1981); and The Nassau Understanding on Structural Adjustment and Closer Integration for Accelerated Development, 7th July 1984 (Caribbean Community Secretariat.)

3 See Time for Action: The Report of the West Indian Commission (Barbados, Black Rock: 1992). This writer was, as Director General of the Organization of Eastern Caribbean States, a member, ex officio, of the West Indian Commission.

4 Though the Prime Minister of Barbados, Owen Arthur, has taken the view that “We in the Caribbean tend to expose ourselves to cruel judgement by setting nonsensical timetables. It was nonsense to believe a single market and economy could be created by 1989-1992.” See “Arthur: Regional free market will take time.” Trinidad Guardian, 21 November, 2000.

5 The Commission reported that “...we clearly perceive as the general wish that the machinery and procedures for achieving closer integration should be revitalized and reformed.” But “in giving form to this in our Report we have made the decision not to revisit the Federation of 1958-1962...It is a question of finding where there is real community of interest, the right measure of exercising practical powers jointly without over-balancing into the kind of centralized authority which foreign to West Indian thinking at the present time...Amalgamation of power in one single centre is not practical at this time; the joint exercise of sovereignty in a whole range of operational matters is, we believe, perfectly feasible.” Op. cit. p.25.


To this end the Prime Minister of Barbados, Owen Arthur, was invited to participate in the regular meetings of Heads of Governments of the OECS. See also his “Prospects for Caribbean Political Unity,” *Journal of Eastern Caribbean Studies*, Vol.23, no.1, 1998, pp.27-34.

On the general issue of the regulation of globalization see, for example, Vincent Cable, *Globalization and Global Governance* (London: Royal Institute for International Affairs, Chatham House Papers, 1999).

For an exploratory discussion of some implications of the changing preferential regimes as they applied to the Caribbean see, Vaughan A. Lewis, “Caribbean Countries: Transiting to New Regimes of International Economic Governance.” The W.A. Lewis–George Beckford Memorial Lecture to the 23rd West Indies Agricultural Economic Conference, Nassau, Bahamas, 15 November 2000, to be published in the Conference Proceedings.

See *Small States: Meeting Challenges in the Global Economy*, Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States, March 6,2000. Prime Minister Owen Arthur was Chairman of the Ministerial Committee established to present the case in this document to the multilateral institutions.