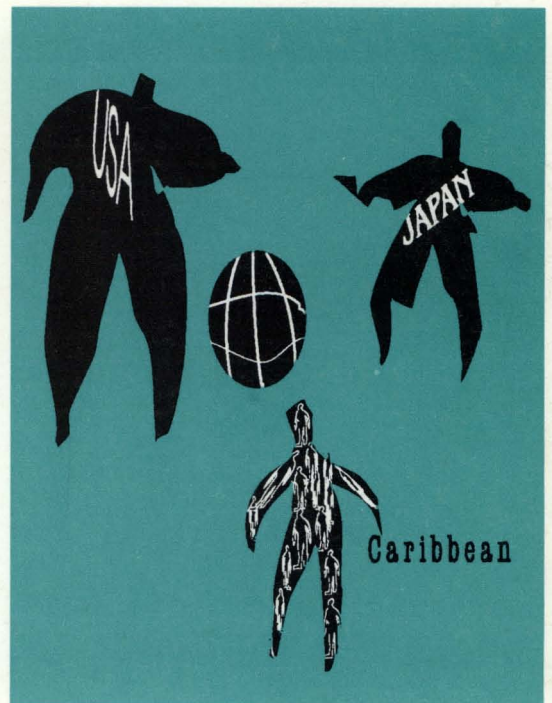
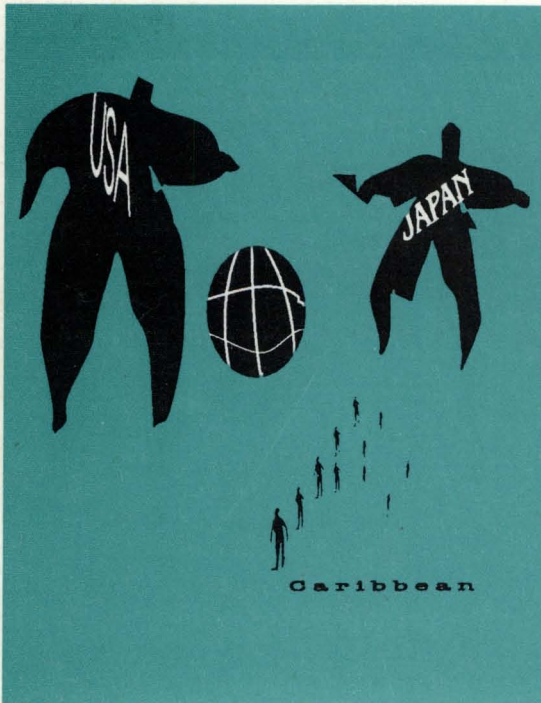


Eighth ADLITH BROWN Memorial Lecture

The Caribbean Community in a Changing International Environment: Towards the Next Century

Havelock R. Brewster



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ADLITH BROWN
Memorial Lecture

THE CARIBBEAN COMMUNITY IN A CHANGING
INTERNATIONAL ENVIRONMENT:
TOWARDS THE NEXT CENTURY

HAVELOCK R. BREWSTER

REGIONAL PROGRAMME OF MONETARY STUDIES
INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH
UNIVERSITY OF THE WEST INDIES
INSTITUTE OF DEVELOPMENT STUDIES
UNIVERSITY OF GUYANA

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**Eighth ADLITH BROWN Memorial Lecture
by Havelock Brewster
delivered on
27 October 1992
at the XXIV Annual Conference
of the Regional Programme of Monetary Studies
in Nassau, The Bahamas**

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THE LATE DR. ADLITH BROWN

The Adlith Brown Memorial Lecture honours the memory of Dr. Adlith Brown, co-ordinator of the Regional Programme of Monetary Studies from 1980 to 1984.

Although born in Jamaica, she could truly have been described as a Caribbean woman. Her sense of regionalism was nurtured on the Mona campus of the University of the West Indies where she did her undergraduate work for the B.Sc. (Economics) offered by the University. She subsequently completed her Masters (with distinction) as well as her doctorate degrees from McGill University.

Adlith returned to teach at the University (St. Augustine campus) in 1969 and in 1971 was transferred to the Mona campus where she taught Monetary Economics Research in 1976 and was one of the main anchors of its research programmes. She co-ordinated first the Caribbean Public Enterprise Project and from 1980 the Regional Programme of Monetary Studies. In this period she was also promoted to Senior Research Fellow and in 1982 to the position of Acting Deputy Director, which she held up to her death. These latter years demonstrated most her capacity for intellectual leadership and for creative management.

Adlith revelled in the realm of ideas. It is therefore understandable that she was fast developing a reputation of being an outstanding economic theorist as her writings attest. Indeed, she was an ideal person to co-ordinate the Regional Programme of Monetary Studies, given her passion for regionalism, her intellectual standing and her understanding of the process and problems of policy-making with which her colleagues in the central banks had to cope.

Each year the Open Lecture at the conference of the Regional Programme of Monetary Studies is sponsored by Caribbean central banks and designated the Adlith Brown Memorial Lecture.

INTRODUCTORY REMARKS
by
Compton Bourne

Mr. James Smith, Governor of the Central Bank of the Bahamas, Honourable Minister in the Ministry of Finance, Mr. William Allen, Distinguished Colleagues and Friends in the Regional Programme of Monetary Studies, Ladies and Gentlemen.

It is indeed a great pleasure and a privilege for me to be able to introduce Mr. Havelock Brewster who will deliver the Eighth Adlith Brown Memorial Lecture on the subject of CARICOM in a changing International Environment: Towards the Next Century.

Mr. Brewster is a national of Guyana who is very much a Caribbean man in spirit and practice. Having completed his secondary education in Georgetown, Guyana, he proceeded to study economics at the University of Durham in England where he graduated with First Class Honours and at Dalhousie University in Canada from which he obtained the M.A. degree.

Mr. Brewster's professional career includes, for periods of varying length, full-time employment at the Commonwealth Secretariat in London, the University of the West Indies — first as a Lecturer at the Mona Campus, then as Professor of Economics at the Cave Hill campus, and at the United Nations Conference on Trade and Development Secretariat in Geneva where he still works.

Mr. Brewster is perhaps best known for his seminal monograph entitled the *Dynamics of West Indian Economic Integration* — a work which he co-authored with Professor C.Y. Thomas in 1967. This work which elaborated the economic case for integration has made a lasting impression on at least two generations of Caribbean economists, many of whom now hold high office in agencies instrumental to the quest for Caribbean integration. Havelock Brewster has continued to explore this issue, returning periodically to the region to deliver addresses such as "The Theory of Integration and the Caribbean Community Process" and "Caribbean Development Policy and Regional Community".

Mr. Brewster has made intellectual contributions on other economic policy issues. I recall his writings in the late 1960s on the then and still vexed question of diversification out of sugar as a matter of long-run economic development policy. Time and the continuity of adverse circumstances makes us wonder

whether his early advice should not have been heeded long ago. He also wrote a few seminal papers on the connections between labour productivity, wage rates and inflation and on incomes policy.

Last but not least, I would like to mention the survey of the literature on Caribbean economics which Mr. Brewster co-authored in the 1970s with Adlith Brown — the person whose memory we honour tonight.

For all these reasons, I am confident that the content of Mr. Brewster's lecture will be of great enlightenment. I now invite him to the podium.

The Caribbean Community in a Changing International Environment: Towards the Next Century*

Havelock R. Brewster

"Let unity of all kinds be appraised,
no less than the prospects of disunity"

(A.N.R. Robinson)

INTRODUCTION

It is an honour for me to deliver this evening, at the invitation made on behalf of Caribbean central banks by Governor James Smith of the Bahamas Central Bank, the Eighth Adlith Brown Memorial Lecture. I was fortunate to have been a friend and colleague of Adlith when we were at Mona more than two decades ago. We collaborated in matters of Caribbean development economics and regional integration in the years before her involvement with the monetary studies programme. So I feel she would probably regard me as a fitting person to pay this small tribute to her memory. Those of you who knew Adlith will recall her remarkable capacity for combining incisiveness of ideas with the gentlest manner of expression. I do not promise to match her, but I shall at least try to be both critical and constructive.

The subject of my lecture today is the future of the Caribbean Community in a changing international environment. The Report of the West Indian Commission, *Time for Action* (1992), having just been published, it is a particularly propitious time to expose contending ideas. It is my intention here to express rather different opinions about the future of the Caribbean community from those advanced by the Commission.

* The author is grateful to Andrew Downes, University of the West Indies, Cave Hill, for encouragement to pursue this topic; to Nassau Adams, Frank Joshua and George Williams, secretariat of the United Nations Conference on Trade and Development (UNCTAD), for detailed comments and helpful suggestions; and to participants in the XXIV's Annual Conference of the Regional Programme of Monetary Studies for reactions to the ideas advanced here. They are all absolved from responsibility for the views presented in this paper, as is the UNCTAD secretariat to which the author is affiliated.

CONTEMPORARY MODELS OF CARIBBEAN INTEGRATION

To put the Commission's proposals and my own views in perspective, it might be useful to begin by reviewing briefly the characteristics and expectations of the basic options that currently seem to be on offer in respect of Caribbean integration. There appear to be basically four models. The first one might be called the *national model* of Caribbean integration, as revealed by the behaviour of the individual member states. In this model, there is a strong, more or less open-ended verbal commitment to Caribbean integration, to the point of advocacy of unitary statehood among some member states. However, individual states actually behave as if economic development and political independence would be best secured through individual state efforts. Derogations from and delays in implementing CARICOM regimes and in furthering accepted regional objectives and commitments, while pursuing often contradictory policies at the behest of the IMF and the World Bank, are some manifestations of this approach.

The fact that the expected results of this model have not been attained, as yet, is attributable, from the standpoint of its adherents, more to the inclement external environment and the political difficulty of implementing the appropriate domestic policies than to the failure to perfect CARICOM regimes. This model looks to what CARICOM can contribute, additionally, to the efforts of the individual states. Apparently, individual member states are not convinced that CARICOM can be or necessarily must be the collective saviour of the region. Nor do they see convincing evidence that foreign enterprises, international organizations and the big powers are or will be less ready to do business with them separately — the Caribbean Basin Initiative and the more recent Enterprise for the Americas Initiative being cases in point. This model, to my mind, expresses a realistic perception of the Caribbean and should not be dismissed simply as hypocritical or not serious.

The second is the *CARICOM model*. It views Caribbean integration as the best path to achieving economic and political viability, survival and development of the region, given, of course, good political and economic management. This model is associated with persons who have not only made major intellectual contributions to Caribbean integration, but practised it, as former Secretaries-General of CARICOM and Attorney-General of the West Indies Federation. The "simple and irrefutable" reason for holding this view about Caribbean integration, to quote from William Demas (1991) is that "we are all so small (including the 'biggest member countries) that we need to achieve economies of scale and critical mass". For Alister McIntyre (1987) the proposi-

tion was exemplified in this way: "might not the ... lesson of Grenada be that when the chips are down, regionalism offers the only possible path for survival and progress?" While Ramphal (1987) found the "true realpolitik for small developing countries like Caribbean states ... in maximizing regional independence in a wholly hard-headed manner taking account of the reality of superpower politics and the threat to internationalism".

What the CARICOM model seems to be saying essentially is not only that the Caribbean whole is substantially and decisively greater than the sum of its parts, but that "when the chips are down" we cannot rely sufficiently on political and economic relations extending beyond the West Indies for survival, independence and progress. This model does not, of course, deny, in fact it promotes, the idea that CARICOM may secure benefits from relationships of lesser but varying intensity, particularly with the European Community, North America, Latin America and the rest of the Caribbean. This model foresees the eventual creation of a unified economic space providing for free internal trade and common external protection, together with co-operation, co-ordination of common services, in a widening range of functional areas of common interest like foreign policy, the judiciary, education, health and monetary policy.

All three of the persons I have just mentioned as architects of the CARICOM model were associated with the West Indies Commission, Ramphal being the Chair and McIntyre the Vice-Chair. It is not surprising, therefore, that essentially the same ideas have been reiterated. The Commission makes it clear that 'the path of integration, rather than federation or closer political union' should be followed. West Indian unity at the political level, they feel, remains for our people 'a sort of Holy Grail shining on the edge of a distance too far away to matter for the time being'. However, they now place greater emphasis on an export-led strategy of development. Certain institutional mechanisms (a Council of Ministers and a three-member Commission) intended to promote the implementation of Community decisions are proposed. And they move from monetary co-operation to the advocacy of a single currency and monetary union.

The third is the *American model*. It was put forward recently by Richard Fletcher and Robert Pastor (1991). It views Caribbean integration, coupled with appropriate domestic policies, as desirable and necessary. However, this is not because it can itself be the saviour of the region, but because it is the most attractive means available for getting greatly enlarged trade, aid, financial and debt relief benefits from the United States by being admitted into the North American Free Trade Area (NAFTA). Implicitly, Caribbean integration without

the prospect of incorporation into NAFTA would seem to be hardly worthwhile, in the authors' view, because even CARICOM's five million people amount, in GDP terms, to less than that of Dade County, Florida. This American model directly challenges the CARICOM model in asserting that the economic size of the area does in fact fall very far short of the critical mass required for efficient production; that the rationale for Caribbean integration is solely economic; and that the superpower threat, far from being an awesome prospect, is probably popularly welcome.

The fourth is the *World Bank's model* (1990). Like the American model, this one offers little or no positive benefits from Caribbean integration as such. In fact, the costs could be greater than the benefits, and probably already have been, according to its proponents. The reason is that CARICOM is still far too small to be the source of large, dynamic benefits, while development behind protective barriers and discriminatory policies is costly. It is in turn a logical extension of the American model in that the greatest benefits are foreseen from Caribbean integration into the world economy, not merely into a North American economy. The experience of the South-East Asian countries and Mauritius would be seen as a vindication of this model.

This approach requires essentially liberal and non-discriminatory trade policies and market-based, structural adjustment, macroeconomic policies of the kind promoted by the IMF and the World Bank. In this model, therefore, Caribbean integration is foreseen as a process based on export-led growth that would progressively converge toward regional free trade and the disappearance of external protection, or at most, the maintenance of a very low common external tariff. However, it foresees some advantages from the regional co-ordination of policies in such fields as payments clearing, monetary policy, and taxation. An interesting feature of this model is that it anticipates regional economic integration being strengthened as a result of, rather than as a facilitating condition for, Caribbean integration into the world economy. This would come about through vigorous competition among the individual states.

But CARICOM already has an agenda for the implementation of its integrating regimes, in particular free trade, a common external tariff, industrial integration and fiscal incentives. Also, the individual states have their own derogations from CARICOM regimes and different schedules and sequences for the implementation of Bank/Fund structural adjustment programmes. In the World Bank model, therefore, individual states would proceed at their own pace towards eventual convergence in regional free trade and very limited common external protection. One might thus sympathize with the World Bank if it felt

that its model of Caribbean integration is more in harmony with that of the behaviour of the member governments than that of CARICOM itself.

With hindsight, I ought perhaps to make a passing comment on a model that dates back to the mid-1960s, since I was myself associated with it, together with Clive Thomas (Brewster and Thomas, 1967). It is often referred to as *production integration*, though that is an over-simplification. Our approach to integration was based on the observation that the absence of linkages in the production structures of the individual West Indian states severely limited their capacities to generate income and employment since the multiplier effect of any investment was necessarily very small. Furthermore, in the absence of such production linkages one could not expect to find significant, manageable relationships among policy variables. Production and policy dis-articulation went together. The only way to overcome this, we felt, would be to plan productive activities on the basis of the more diverse resource endowment of the region as a whole. We, therefore, gave detailed illustrations of the possibilities for applying this model.

This was in the days before protectionism, globalization and market forces assumed the proportions they now do; before technology became so predominant a factor in production relative to economies of scale; before access to international finance was as limited as it now is; and before the enormous debt burden that the region now carries. While the strategy may have had something to recommend it then, most of these industrial opportunities would now seem to have been forfeited by contemporary developments. I see little prospect for a CARICOM Industrial Programming Scheme in the present-day world of widening economic spaces and industrial globalization. But this does not mean that, independently of such a regime, there may not be opportunities for exploiting region-wide inter-linkages, for example in service sectors such as tourism, banking, insurance, telecommunications and data processing. I will return to this later.

In the rest of my lecture, I will in effect be arguing that none of the contemporary models of Caribbean integration are credible or realizable or do justice to our aspirations for unity. I will offer a fresh approach that purports to be both economically advantageous and politically unifying, while avoiding inter-state tensions.

THE CHANGING INTERNATIONAL ENVIRONMENT

During the course of this decade, a choice will have to be made in respect of the options for Caribbean integration. The evolving global context inevitably will influence the choice to be made, even if internal factors continue to play a role. Perhaps the most influential feature of the international environment is the process of world integration that is taking place simultaneously at three distinct but interrelated levels — at the level of transnational corporations, of regional economic communities and of the multilateral trading system.

Transnational corporations are increasingly undertaking their operations — the sourcing of finance, raw materials, services and technology; production and assembly, marketing and distribution; research and development — on the basis of what is most advantageous on a worldwide basis. This development has been facilitated by information technologies that permit all these elements to be linked up and controlled globally (OECD, 1991, UNCTC, 1991). Hence, the phenomenon is often referred to as globalization. In this process, technological innovation determines competitiveness. Frequently, it entails the merger of companies or even non-equity co-operative arrangements; sometimes the dismemberment and reconstruction of firms. It also takes the form, especially by Japanese corporations, of establishing production and R&D facilities in host countries. Apart from its economic advantages, such as lowering unit costs and improving the quality of products, this process of globalization has been a means of avoiding protective barriers.

Those barriers are also being overcome through the creation and expansion of regional economic communities, such as the North America Free Trade Area among the US, Canada and Mexico, the single market of the European Community and the European Economic Area incorporating the EC and EFTA, and the Asia-Pacific Economic Co-operation Council (APEC). Recent developments elsewhere include the decisions to convert ASEAN into a South-East Asian Free Trade Area, to create new groupings in Latin America like the Rio Group and MERCOSUR and link old ones like CACM and the ANDEAN Group; to establish an African Economic Community; a Black Sea Economic Zone; a Baltic Sea States Organization; and a Central Asian Islamic Common Market.

The creation of wider economic spaces, particularly in the developed world, offers their member states the security of exchanging trade and other economic concessions in a manner that would ensure a relatively 'fair' distribution of gains among themselves, whatever might be the strength of their respective competitive advantages, in contrast to the likely results of genuine free-for-all multi-

lateralism. These regional economic spaces are thus a convenient means of overcoming not only protection among states but the enormous complexity and virtual impossibility of negotiating meaningful multilateralized trade liberalization.

Equally, they can serve the US and the EC as an effective brake to Japanese competition. We may well expect, therefore, that eventually the EC will seek to expand the trade liberalization arrangements of the European Economic Area, not only to Eastern Europe but eventually, perhaps through modifications to their relationship with the ACP Group, to all of Africa; and that the US will want similarly, and indeed has already started, to extend the NAFTA to all of Latin America.

Japan in the end may have no alternative but to integrate into an Asian-Pacific economic zone, despite its understandable reluctance to do so without the US, given its huge trade surplus with that country and the rest of the world. The APEC, which includes the US, already foreshadows this development. If the US and the EC cannot cope with Japanese competition, even after substantial exchange rate re-alignments, Japan would be put in its place by the closing of the doors not only to America and Europe but eventually — via expanded economic communities — to Latin America and Africa. As a recent article in the international press put it (Clark, 1992) "Eventually, the United States and Europe are going to have to think hard whether they can afford the luxury of free trade with Japan. A North American-European trade bloc, in which Japan was free to build factories but to which it could not export, would produce virtually all the benefits of free trade without much of the current trauma. If the Japanese are unhappy with this, invite them to form their own economic bloc in Asia. A Malaysian proposal is on the table. Instead of trying to bury it, the United States should encourage it". The same concern in respect of Europe's 'blunted competitive edge' vis-a-vis Japan was recently expressed by Jacques Delors, President of the EC to the European Parliament.

However, the vulnerability of Japan and fear of a backlash also come across in a new, more sympathetic attitude towards the Southern development cause. At the same time, a natural extension of its interest in South-East Asia to a rapidly liberalizing China would have enormous economic and political balance of power implications. Whether this is merely a smokescreen in its conflict with the US and the EC or the recognition of an opportunity to establish a new and genuine partnership with the South remains to be seen. In any event, the question arises as to whether the South cannot exploit to its own advantage an emerging clash between Japan and the US-EC.

One could not, therefore, view the current GATT Uruguay Round as genuine multilateral trade negotiations. Globalization and wider economic spaces are, in effect, taking care of the remaining protectionism among the developed countries in the industrial sectors, technology, finance and services. The MTNs then are, in effect, a bilateral negotiation between the US and the EC on agriculture; and one between the US-EC-Japan and the developing world in which the promise of concessions in the old trade areas of textiles, clothing, tropical products, steel, etc., is set against Northern demands in respect of the new areas of investment, intellectual property and services.

In multilateralizing what for the most part is increasingly the practice among the developed countries with respect to these new areas, the developing countries would be drawn into a highly unequal regime, while their demands with respect to the old trade areas can be largely ignored. For the developing world then, these so-called multilateral negotiations are essentially an exercise in damage-limitation that, hopefully, would protect them, to some extent, from the abuses of aggressive unilateralism, such as the Super 301 and Special 301 provisions of the United States Omnibus Trade and Competitiveness Act. On the whole, one might take even more literally than intended the assessment of the GATT Director-General that "the philosophy (of the Organization) is not about free trade but about market openings".

Coinciding with these developments are the dramatic changes in the balance of world power following the breakup of the Soviet Union and the dismantling of the Warsaw Pact, the renunciation by East European states and virtually all of the former USSR of atomic weapons and hostile intentions toward the West, their conversion to market capitalism and their economic collapse. But the declared commitment of the United States to global security and peace as part of a new world order embracing as well the precepts of collective responsibility, democracy, human rights and the free market, hardly dampens the tremors emanating from the US boast that it "won the Cold War" and is now "the undisputed leader of the world".

The extent to which the rest of the world, particularly the developing countries, can rely on the good faith of a self-appointed hegemon, however benevolent his self-professed intentions, is already forebodingly unpredictable. The new world order was inaugurated not by the display of an ingenious and determined new capacity for peacekeeping but by a devastating war involving massive human destruction. That order continues to vest collective responsibility in a Security Council in which four of five permanent seats are occupied by European peoples, in an exclusive atomic weapons club, and in 'rented

coalitions'. In the new world order, respect for national sovereignty, although inscribed in many United Nations instruments, can no longer be taken for granted.

Democracy has taken on very elastic meanings, as applied to Haiti, Algeria, Georgia, Yugoslavia, Ireland, Canada, South Africa. Human rights have been selectively interpreted for occurrences in Iraq, Saudi Arabia, Palestine, Israel, China, the United States, Germany, and in respect of Haitian, Vietnamese, Kurdish, and East European refugees. The free market encompasses, with hardly a blush in the industrial countries, heavily regulated exchange rates, interest rates and labour flows, extensively managed trade, massive agricultural subsidies, investment incentives for depressed regions, high social security provisions, industrial, marketing and financial conglomerates that make little pretence at competition. Perhaps most foreboding from the developing world's standpoint is the growing realization that global security in the new world order is not viewed as directly related to the need for economic security. On the whole then, we are seeing a new world order in the making, that is defined, interpreted and implemented without consultation, according to the changing convenience and interests solely of the United States, but with the positive acquiescence of Western Europe, Russia and the former communist East European States.

IMPLICATIONS FOR CARIBBEAN INTEGRATION

What then might be the implications for Caribbean integration of these changes in the international environment — in the world economic and trading systems and in the new balance of world power with its attendant new world order. Turning first to the economic and trading system I foresee the following tendencies.

Firstly, access to external finance, technology, research and development, and markets would be increasingly tied to arrangements determined by global competitive advantage. These are unlikely to correspond to a CARICOM conception of Caribbean integration. A unified regional market would not be viewed as a decisive advantage, while resource complementation and linkage are unlikely to make for competitive advantage on a global scale. This suggests that such CARICOM regimes as regional free trade, the common external tariff and the regional industrial programming scheme would be of lesser value in promoting development than concerted CARICOM-wide efforts to promote economic and human development policies, physical and technological in-

frastructure and services that would be attractive to international and domestic enterprise.

Despite the globalization of industries and the internationalization of companies, extensive research indicates that the role of the host nation is vital to building competitive advantage. While globalization of competition might appear to make the nation less important, instead it seems to make it more so. With fewer impediments to trade to shelter uncompetitive domestic firms and industries, the home nation takes on growing significance because it is the source of the skills and technology that underpin competitive advantage (Porter, 1990).

Secondly, in respect of the wider economic communities that are emerging, neither CARICOM nor its member states may have any real alternative to association with them. The alternative would be a loss of comparative advantage in these markets vis-a-vis other associates. CARICOM, however, still does not take full advantage of free trade into the EC market and, while there are a few remaining restrictions of access (mainly for clothing) to the US market, only minor gains can be expected from participation in NAFTA, as such, under present conditions (Worrell, 1992).

CARICOM would, therefore, need to stress to a greater extent, in its relationship with those groupings, those aspects of co-operation that would promote the development and diversification of its productive and export structure, in particular those relating to inflows of investment and technology and rights of establishment for enterprises. The potential of structural integration with the EC and North America is so large that inevitably it would supersede interest in regional integration. Nevertheless, a CARICOM strategy could have both negotiating advantages and be more effective than individual states' efforts to develop the human, technological, service and physical infrastructures needed to attract international and domestic enterprise.

However, the new American administration — to judge by the lukewarm response of newly elected President Clinton to NAFTA, the more aggressive protectionist stance of a Democratic Party holding not only the Presidency but majorities in both Houses of Congress, as well as the prospect of a more general economic introversion in US policy — may be less than enthusiastic in vigorously extending NAFTA. Moreover, the new Administration's support for the existing NAFTA, conditional on supplemental agreements in respect of the environment and labour rights, may well further reduce its attractiveness to the less developed countries of the hemisphere.

Thirdly, an indiscriminate unilateral opening up of CARICOM to the world economy at large would not seem to be such a good strategy since, as argued earlier, a genuinely free multilateral trading system does not actually exist. As long as overall competitive advantage among Japan, the US and the EC continues to diverge, trade balances remain unadjustable, and relative exchange rates continue to reflect political compromise and volatile financial flows, a free multilateral trading system is impracticable. Caribbean countries, therefore, should be cautious about offering multilateralizable concessions, especially in a GATT whose scope is to be greatly enlarged, that do not produce symmetrical multilateral benefits. There is a clear need for a CARICOM approach here. A targeted strategy seems to make better sense and, in this context, it would seem desirable that, as a complement to economic co-operation agreements with the EC and North America, we should think of one with Japan. There is obviously a trade potential — CARICOM's imports from and exports to Japan are presently only 3.5 per cent and 0.8 per cent respectively of its total trade. However, there may be greater interest in the location of Japanese production facilities in CARICOM as a base for exports to North America and in stimulating a measure of competition in our economic relations with the EC and the US.

Without the kind of CARICOM-wide co-operative efforts envisaged above, particularly those concerned with the development of human resources, physical and services infrastructure, and the adoption of a more enterprising approach to extra-regional integration, a fearful prospect may lie ahead. The world integrating forces may by-pass the Caribbean altogether. These countries may not be able to offer any competitive advantage at all in the industrial globalization process. The widening European and American economic areas may have little more than a diminishing historical interest in them. Realistically, the Caribbean's main assets, apart from its people, are a location of diminishing strategic value, good weather and beaches, and a couple of raw materials. In this scenario, the region's longer-term economic future could be very bleak indeed.

THE CARIBBEAN AND THE NEW WORLD ORDER

Moving on to issues of world power, we in the Caribbean are familiar with American hemispheric, if not world, order as seen only recently in the Grenada and Panama episodes. But new, greater and more widespread insecurities are arising, especially because, as opinion in the United States itself is now expressing, the scale on which it is to be exercised seems to be frighteningly unmatched

by the hegemon's capacity even within his own state for wise and predictable leadership, moral legitimacy, the practice of human rights, and creative rehabilitation for the casualties of the market.

Internationally, as alluded to earlier, we have already witnessed selective interpretations of sovereignty, collective security and responsibility, democracy, human rights and the free market. Who knows what tomorrow may bring? For example, in respect of the use of the Caribbean Sea, air space and atmosphere, boundary disputes, trade, tourism and residence, capital flight, migration, narcotics, money laundering, toxic materials, arms trafficking, and so on? The potential sources of foreseeable conflict are many. And if, as we are reminded by Pastor and Fletcher, there are renegade or pariah states to shatter our sense of security, we may equally lose sleep over the bully on the block.

Some people in the Caribbean, it seems, do not feel much, if any, discomfort in living in the shadow of a country that describes itself as the undisputed leader of the world. But security in surrender, if we can call it that, like the proverbial gilded cage historically has never been a sustainable, wholesome and creative way of living for any people. The fate of the indigenous American peoples are a living and abhorrent testimony to this, as was the fate in our generation of much of Eastern Europe and Central Asia. In the final analysis, overwhelming concentrations of power, whether military or economic, defy the law, established by no less an authority than the purest capitalism, that world welfare is best secured in a competitive equilibrium where there is no one predominant force. The replacement of one kind of world structure by one of even greater power concentration, albeit benign by self-proclamation, and the emergence of a capitalism of black-hole density is a deeply disquieting situation, especially for those living on its perimeter. The spectre of a new imperialism is not a matter to be taken lightly. The newly elected US President has already committed himself to a continuation of the foreign policy of the Bush Administration and will be under intense pressure from Europe, West and East, and Japan to ensure that this is so.

Moreover, as large economic communities develop all over the world, with cultural affinity and kinship as their core and geographic contiguity their boundary, the Caribbean finds itself in a uniquely exposed situation as the world's most vulnerable group of states. The room for manoeuvre is small but it is not totally absent. In this environment, it will not be sufficient for CARICOM of the future merely to aim at co-ordinating reactions to the foreign policy initiatives of others, such as economic and commercial agreements and the policies of international organizations. It will be necessary to co-operate more

closely in order to create and implement a strategy aimed at enhancing and projecting our collective identity, diversifying our alliances, and legitimizing alternative arenas for international deliberations and conflict resolution.

POSSIBLE FUTURE ORIENTATIONS FOR CARICOM PERFORMANCE

Before offering my views on the possible future orientation of CARICOM in our changing international environment, it should be said at the beginning that the revealed shortcomings of the on-going attempt at integration will equally have an impact on the course of events. For while leading regional statesmen and bureaucrats and even some country politicians call for the process to be advanced, it remains doubtful how beneficial the Community arrangements have actually been.

On the whole, the results of CARICOM seem to have been disappointing and according to World Bank studies (1990), they may even have been negative and will continue to be a brake on the development of the individual member states. In fact, CARICOM's exports of manufactured goods, the category most dependent on trade regimes, increased to the rest-of-the-world two and a half times faster than to the region itself since 1973. Intra-regional exports of manufactured goods have hardly increased over the past twenty years from approximately 5 or 6 per cent of total exports. Expressed in regional value-added terms, this is hardly 2 to 3 per cent of CARICOM's total exports. In the fields of functional co-operation, setting aside those common services whose origins were independent of Community arrangements, like the University, co-ordination has widened in scope but not in decisional depth. Foreign policy co-ordination has been a feature mostly only of trade and economic negotiations with the EC and Canada, though common positions have been adopted with respect to a few isolated issues in the United Nations, World Bank and IMF. A Community, as it seems to me, that is increasingly expensive in terms of effort and resources cannot stagnate indefinitely. It must either retrench or find a new dynamic for growth.

A NEW DYNAMIC — THE FIRST-BEST

The new dynamics of West Indian integration could be found in exploiting first-best options. By the first-best I mean arrangements that are better than all other alternatives considered on a world scale. They could, for example, be the unique, or the least-cost, or the no-alternative option.

The last of these require some explanation. They are solutions to problems that necessarily require regional co-operation, such as in respect of regional commons, public goods, and complementary resources. Regional commons are commonly shared benevolent or malevolent resources such as the sea, air-space, the weather, disease, pest infestation. Regional public goods are goods or services which if not provided regionally would not be provided at all, such as regional security, high technology and advanced scientific training and facilities, perhaps even association with powerful economic blocs like the EC and the NAFTA. Complementary resources are resources that are unlikely to be exploited other than through regional arrangements that combine them with other resources, such as arable land or hydro-electric potential.

My proposition is that if integration arrangements initially conform to the first-best there ought, in principle, to be no objective reason for hedging on commitments or renegeing on them. But the present CARICOM arrangements may be characterized as of the second-best, that is, they have been entered into because there seemed to be obstacles to the best, such as external protection, uneconomic scale and cost of production, while as a consequence involving net costs for some member states.

A second-best rationale for integration, as we have seen all over the world and in the Caribbean, lacks real conviction and will fail because people will gravitate to the first-best when it becomes available to them, whether it entails solutions at a level larger or smaller than the Community. Or, they will give only lip-service to such options out of passing political convenience. By contrast, the regional endeavours that have taken strongest root have actually been those in which there was a firm conviction that they were the best possible or for which there was no alternative, as for example, cultural festivals, sports, university education, all developed outside the formal Community context, and of course, economic negotiations with the EC.

The first-best then should be the real test for orienting Caribbean integration in the future, though, of course, not even this approach will be completely free of conflict. With this concept in mind, I would like now to sketch out the broad policy orientations I would pursue. Details and blue-prints of constitutional instruments are, of course, beyond the present effort. The main protagonists for Caribbean integration have always stressed enlarged size as its principal rationale and some like Arthur Lewis have also made much of 'good government' as its justification. However, size as represented by CARICOM would fail by our test of the first-best. And the good government argument simply does not hold

water, when one considers the dismal record of many large countries. Small size can indeed be an advantage for good government.

I believe the best, the unique, most lasting rationale for Caribbean Community is cultural identity and kinship. This has even greater relevance these days when, as I mentioned earlier, there seems to be a strong worldwide tendency toward racial and cultural affinity, even if it is combined with the pragmatic pursuit of economic opportunities. In such a world, shrinking but exclusive, West Indians are even more isolated than before, stranded, as they are, between an unknown, introverted Latin south; a familiar, unwelcoming, Anglo-Saxon north; and a very distant, mysterious East and West. But of whatever racial composition or origin, West Indians recognize and respond to their identity wherever they are. But this is not to say that we should take this altogether for granted and that nothing needs to be done to cultivate and enhance our consciousness and expression of it. Some have suggested that we should view ourselves in a broader historical, Latin American context. But I personally do not feel this is truly authentic and am yet to be convinced that the typical West Indian feels any real identification with the Guatemalans, Colombians, Venezuelans or Argentines. This is not to mean, however, that special, mutually advantageous relationships should not be forged with our neighbours.

A WEST INDIAN COMMONWEALTH (OR UNION)

West Indian identity needs to be enhanced through forms of expression that people can respond to and value with pride, self-esteem and confidence. The centre of this might be a West Indian Commonwealth (other designations are possible — West Indian Union, the West Indian states, the United West Indian States, and so on). The term 'Community' has come to be universally associated with 'organization', rather than statehood — otherwise it might have served this purpose. West Indian Union is a possibility, but we are more familiar with the term 'Commonwealth', and it may be understood as less pre-emptive.

This is not the place for a legal and constitutional discussion. Suffice it to say that within recent times, we have become aware of rather elastic concepts of statehood, sovereignty, and citizenship; and of the fact that what really matters in the end is what a people want themselves and can get others, not necessarily the entire world, to recognize for those purposes that are most important to them. For example, we saw a lot of this being favourably entertained by the Western powers when the USSR was breaking up, before Gorbachev's downfall

and the creation of the Commonwealth of Independent states. We saw it again in the imaginative proposals that were being made for a disuniting Yugoslavia, as we are also seeing in the innovative proposals coming forward in respect of the status of Quebec in Canada. Even here in the West Indies, Dominica has come up with a daring, if not altogether pertinent, concept of 'provisional economic citizenship'.

Some features of the Swiss Confederation are also of interest. It is, for example, composed of a number of 'republics', and a person is first a citizen of the republic of his origin, by virtue of which he is also certified as a citizen of the Confederation. The republics are virtually self-governing for all purposes, except foreign policy and defence. The union has been an evolving concept over the past seven hundred years. In effect, republics 'share sovereignty' without leading to the dismemberment of the state (Lapidoth, 1992, Wildhaber, 1986).

The most interesting model, however, is actually that of the European Union, as established in the Treaty on European Union (signed at Maastricht in February 1992). Although this Treaty established a 'Union', many attributes of statehood and sovereignty of the individual states remain. Indeed, union is a state that, although 'established', is attained in many respects over time (e.g. freedom of movement for workers). Thus, the 'union' is neither fixed nor indivisible.

Co-existing with the European Union will be the individual member states, still holding individual membership in the United Nations and even in the IMF, notwithstanding the expected creation of a monetary union. The European Parliament will not have union legislative powers, nor is a Union defence force provided for. The Court of Auditors will not have jurisdiction over the accounts of the member states. Individual states will continue to maintain their separate diplomatic accreditation in foreign countries. European 'citizenship' is established, conferring certain rights and subject to certain duties. However, foreign countries apparently are not being asked to recognize, for example for purposes of entry, European citizenship as a nationality separate and distinct from that of the member state whose nationality the individual holds.

A West Indian Commonwealth or Union might thus be an evolving, indigenous concept. In providing for 'member states', it could equally have the ingenuity to provide for 'member-citizens'. West Indians would thus have dual citizenship, that of the state from which the individual originates as well as member-citizenship of the West Indian Commonwealth. To circumvent the question of external recognition, passports of identical make and colour could be issued to all member-citizens and they would be stamped on the cover with

both the Commonwealth and the member state insignias (e.g. the West Indian Commonwealth/Republic of Guyana). The passport would, however, be issued only 'in the name' of the head of Government of the member state of origin of the member citizen. The European Union, to judge by present arrangements in the European Community, probably would follow such a procedure.

Since a West Indian Commonwealth would presumably not have initially a unified army, parliament, foreign policy and judiciary, it may not be recognized by the big powers as a unitary state for such purposes as adherence to international treaties requiring parliamentary ratification, such as those conferring membership in the United Nations and other intergovernmental organizations, or for purposes of immigration and financial obligations. In this connection, it is of interest to recall, as mentioned earlier, that the European Union would not have a unified defence force, judiciary or parliament with legislative powers. By contrast, the Commonwealth of Independent States has, at the present time, a unified defence force, while the United States judiciary is not unified at all levels, and the republics of the Swiss Confederation are independent for all purposes but foreign policy and defence.

As regards citizenship, there are a number of meaningful rights and duties that can be established by a West Indian Commonwealth. The rights and duties imposed thereby might include, *inter alia*: freedom to move and reside within the Commonwealth (subject to limitations regarding the right to gainful employment, which may be relaxed progressively over time according to occupation as circumstances permit); the right to vote and to stand as candidates in local elections; entitlement to be protected by the diplomatic or consular authorities of any member state, on the territory of a third country in which the member state of the national is not represented; the right to petition the West Indian Court of Appeal and the Commonwealth Parliamentary Assembly.

The lack of full external recognition is, for some purposes, not a great inconvenience, while, for others, it is a distinct advantage, like having many votes and staff-members in intergovernmental organizations, while speaking with one voice. But for most purposes such a concept would be fully acceptable externally. For example, it could be recognized for purposes of ambassadorial accreditation, international or bilateral trade negotiations, commercial representation, intra-regional travel and even for entering other countries on the basis of the formula proposed above, participation in the Olympic Games, World Cup football, other international sports competitions, cultural festivals, all non-treaty international conferences, agreements and organizations, and all non-governmental organizations, as well as for most identification purposes.

William Demas (1991) recently expressed the view that "it is very difficult to think of some form of togetherness that is entirely novel. The real choice seems to be either deepening CARICOM into a confederation that is stronger than it now is or a nation state that at least at the beginning is loosely federal". In this view, togetherness is either closed marriage or some sort of open visiting relationship, an option which, I dare say, if I may draw a culturally relevant analogy, must seem slightly eccentric to most West Indians. Thus, the concepts of statehood and sovereignty need not, as has been customarily thought, be fixed, indivisible and wholly externally determined. The options open to the West Indies are much wider than the Commission seems to have envisioned. It is regrettable that the manner in which the Commission addressed the issue (economic integration/monetary union versus Federation) has been the source of considerable controversy and confusion, especially in political circles and in the regional press, over options that are essentially false.

INSTITUTIONS OF A WEST INDIAN COMMONWEALTH — TWO LEVELS OF COMMONWEALTH INSTITUTIONS

A West Indian Commonwealth or Union might have at its apex a Conference of Heads of Government (as does CARICOM at present) with a regularly rotating Presidency (a feature of the EC and the Swiss Confederation). The Commonwealth could have two levels of institutions. At the first level, Commonwealth Ministries (Departments or Commissions) could be vested with executive decision-making powers in defined areas delegated by the states, acting under the direction of the Conference of Heads of Government with powers delegated to a Commonwealth Council of Ministers in respect of those portfolios (Brewster, 1992). These ministries could be headed by Commonwealth Ministers (Commissioners) appointed by the Conference. Non-elected ministers responsible to elected bodies would not be without precedent, even in the West Indies. This is also a feature of the United States Federal Government as well as of the EC. It is now time to consider graduating, in a phased manner, some of the 'functional' activities of CARICOM to the status of Commonwealth bodies, adding others that are appropriate. Ironically, the only area in which a form of decision-making at CARICOM level is presently foreshadowed is the Common External Tariff, a matter to which I will return later. The following areas might be candidates for West Indian Commonwealth status:

- External multilateral trade relations (such as with GATT, EC, NAFTA and other regional groupings, and Commonwealth bilateral trade negotiations, for example, with Japan, China, India);
- Regional security (including arms, narcotics, international fraud, terrorism);
- Regional air and maritime transportation;
- Common services (such as natural disaster prevention and relief, specialized medical services, telecommunications, intellectual property, meteorology, law of the sea, environment);
- Advanced education, training and research;
- International sports, culture, heritage and tourism;
- Court of Appeal;
- Parliamentary Assembly;
- Court of Auditors (for accounts of Commonwealth bodies).

A few words of explanation are needed in respect of this proposal, bearing in mind that we are talking of West Indian Commonwealth executive bodies. Some of their activities, for example, external multilateral trade relations, and culture, heritage and sports could involve Commonwealth external missions, replacing in some instances individual state missions, such as those to the EC in Brussels and to the specialized international organizations in Geneva/Vienna/Rome. And, lest it should be thought that I am proposing a new, increased regional bureaucracy, the idea would be to bring together the individual state bureaucracies in these fields into unified regional services under common direction, but not entailing the move of staff to the headquarters location of these Commonwealth bodies. Moreover, since we are dealing with what, for our purposes, is a unifying state or union, these Commonwealth bureaucracies would not have the special diplomatic status that is applied to inter-governmental bodies.

A West Indian Court of Appeal has already been proposed and an Assembly of Parliamentarians approved. The executive responsibilities of the new Commonwealth Ministries proposed above would make the Assembly a meaningful arena for substantive debate and popular consultation, but without conferring legislative status on it. Apart from a membership drawn either from the individual states parliaments, or directly elected, such a West Indian Commonwealth Parliamentary Assembly should find ways of including a Consultative Assembly drawing upon various interest groups and individuals eminent in

different fields. For example, those who have received high honours in their individual states might be automatically eligible for membership in the West Indian Commonwealth Parliamentary Consultative Assembly. This would also help to give real meaning to these honours.

INTER-GOVERNMENTAL INSTITUTIONS COLLECTIVE IDENTITY, SECURITY AND FOREIGN POLICY

At the second level, there could be inter-governmental bodies that, while not vested with executive decision-making powers, could perform advisory, co-ordinating or co-operative services and other useful activities. These bodies could meet, as they do at present in CARICOM, at the relevant ministerial level. Examples of such bodies are those for health, education, labour, agriculture, and so on. However, the main issues at this level concern the future of foreign policy co-ordination and of the present economic integration arrangements.

As I indicated earlier, the increasing isolation of the West Indies is giving rise to a more urgent need to project its collective identity and widen the security arena. Traditional assumptions made, as, for example, in the report of the West Indian Commission, about external relations need to be questioned, looking to the next century and the new world order that is now taking shape, for example, that we are of geo-strategic, if not economic, value to the US; that historical antecedents assure us of a privileged place in the EC; that the UK could be an influential ally in the EC of the future; that our place in the ACP grouping is secure; that the Commonwealth, the G.77, the NAM have real meaning in a world dominated by power and race; that we can continue to ignore Japan, Germany and China, that Latin American and other Caribbean states are our natural allies, rather than potential antagonists; that we are too creolized to find any common ground with Africa and India, the lands of origin of the great majority of our population. The dangers of isolation and insecurity and thus the task ahead will call for a more affirmative approach to regional foreign policy co-ordination. It is a task that could entail variable levels of co-operation, including some joint actions, though I do not feel that the first-best conditions, such as were set out earlier, are now present for graduating foreign policy en bloc to Commonwealth status.

The possibilities are many. Beginning at the level of the United Nations, the Non-Aligned Movement, the (British) Commonwealth and the African-Caribbean-Pacific Group of States associated with the EC, a clear need has arisen to find renovated rationales and mechanisms to enhance the expression of collec-

tive responsibility and military and economic security for the developing world, and indeed for ensuring some measure of equilibrium in the world as a whole. Acting at such a level should not be intimidating, for the force of ideas and diplomatic capabilities are not constrained by small size, especially at this time when the need remains so conspicuously under-fulfilled. It would not be the first time that the West Indies would have played an influential and even critical role on the international stage.

At the regional level, we need to give thought to the means and strategy by which our collective identity and profile could be more visibly and systematically projected in the OAS, SELA, the Rio Group, IADB and ECLAC. There are possibilities too in policy-groupings, as we have seen recently in respect of the Amazon Summit and the Alliance of Island States in respect of the environment and climate issues. Looking ahead, the Alliance need not, for example, be confined to climate negotiations; while a Caucus of Small States (those with a population not much greater than that of Jamaica) could also be a useful family for the West Indies to foster, especially for such purposes as international negotiations in respect of air and maritime transportation, the disposal of toxic materials, quotas in International Commodity Agreements, the Law of the Sea, etc.

A regional foreign policy might also entail reaching out in a positive manner to those lands from which the forebears of the great majority of our population came. Both West Africa and India have a place in the international community that is a good deal more secure than that to which the West Indies can aspire. Both Nigeria and India are, for example, potential permanent Members of the Security Council. We have made a great virtue out of creolization, at the expense of pluralism. The challenge now would be to build on that foundation by projecting both creatively, in a manner that enjoins kinship in a broader genealogy, while respecting the distinctiveness and unity of the society and culture that we have created here.

Finally, we need to begin re-thinking the nature of our economic relations with the EC and with North America. So far, we have been reacting to external initiatives and events, trying to minimize damage or to make do within given parameters. Difficult though it may be, we should plan, looking ahead to the next decade or two, to take the initiative in designing and trying to shape a relationship with those blocs that from our standpoint is more coherent and conforms better to our interests. In adopting such an approach, we should no longer neglect the opportunities that may exist for formalizing our economic relations with Japan (and in due course with India and China). Not only are

there likely to be advantages in such a relationship but it could provide a healthy degree of competition and improve the leverage we have with the EC and with North America.

THE COMMON MARKET

Turning to the trade and economic side of the inter-governmental machinery, I should like to take up the two major current issues, the Common Market and Monetary Union. Nothing further will be said here about industrial integration (including fiscal incentives), since, as I have already indicated, it seems that the opportunities in these areas that might have been present twenty-five years are no longer present, and can be regarded as having been overtaken by global economic developments.

While CARICOM has long established the principle of a free trade area (FTA) among member states, reportedly there still exists a number of illegal restrictions and derogations from the regime. At present, those member states with stable exchange rates (in particular Barbados) seem to have the greatest difficulty in fully implementing free trade in regionally competing industries, as would be expected, given the massive devaluations that have been occurring in other member states. However, the dilemma is that since regional transactions, especially in local value-added terms — and setting aside petroleum, an internationally priced commodity trade which is independent of the integration arrangements — are such a small proportion of the total trade of CARICOM, exchange rate parities cannot be influenced to any significant extent by them — even if a number of specific products in stable currency member states are placed at a disadvantage in the absence of continuing protection.

CARICOM has also established the principle of a common external tariff (CET) and has set dates for its phased, progressively reduced entry into force. Basically, the idea is that a common level of external protection would contribute to stimulating regional production. Thus a differentiated level of tariffs has been provided for. From rest-of-the-world origins, the tariff is higher for goods that compete with regional goods than for those that do not. This is further differentiated, with a relatively higher tariff for final goods than for inputs of primary, intermediate and capital goods.

However, there are additional complexities arising from numerous approved departures from the tariff structure-rules for determining duty exemptions, special arrangements in response to particular concerns, special arrangements in respect of OECS countries, Belize and Montserrat, and for

temporary shortages of supply. In addition, the distinction between competing and non-competing goods in all categories, except perhaps capital equipment, defies meaningful and consistent application. It would be no exaggeration to say that, for the most part, it would be impossible to predict what the external tariff would be for any product, in any member state, at any point in time, let alone whether it would be common to all, some or no member state.

The matter is further complicated by the fact that the CARICOM secretariat recognizes that the CET, if you can call it that, would have to be "managed as a dynamic and flexible instrument responding to economic development in the Region, and in the international economy". The sheer impossibility of negotiating such a labyrinth of derogations and continuous changes over time among twelve member states may have persuaded CARICOM to vest authority over the CET in the Common Market Council and not the individual member states. Of course, since the individual states make up the Council and since decisions are made by the affirmative vote of all members, the decisiveness and coherence of the process are still far from certain.

Evidently then one must anticipate a continuing need for an impressive and doubtless growing bureaucracy, together with a large investment of time, effort and resources in servicing and regulating the application of this regime. I am doubtful that it is worth it. To begin with, for reasons mentioned above, plus the fact of variable changes in exchange rates, and differences in local tax structures, value-added and transport cost, the actual application of an external tariff that is of comprehensive trade coverage and that confers common *effective* protection on the whole region is a certain impossibility. Moreover, liberalization commitments to the IMF/World Bank under structural adjustment programmes could cut across CARICOM's structuring, scheduling and sequencing of the CET.

Perhaps most importantly, even if the CET could eventually be implemented perfectly, as the intended 5 to 20 per cent differential in tariff rates, there is little or no reason to believe that it could represent a critical or decisive advantage in making decisions about the location of productive activities in the region. But the fact of the matter is that discussions on this issue have been proceeding at cross purposes. The CARICOM secretariat ostensibly has been concerned with common effective protection for the promotion of regional productive activities, but without providing satisfactory empirical justification for its proposals. Government policy-makers, on the other hand, have had in mind the quite different objective of revenue collection, and to some extent national industrial and agricultural protection, while being sensitive to

demands from the US and World Bank for liberalized trade. Such different objectives for the CET vitiate from the start any prospect of its effectiveness in relation to any one of them. In the context of the regional development objective, the tariff differential that CET represents is relatively insignificant compared with the broader macro-policies, human, financial, natural and infrastructural requirements of development. Since the phased reduction of the CET is now pre-determined, it could not even play a role in negotiations with other bilateral trading partners, communities or enterprises. The prospect of using up so much time, effort and resources in what is certain to prove an essentially unproductive exercise in terms of its declared economic integration objective should signal the need for a radically different approach.

On the whole, my approach to the Common Market, the FTA and the CET would be a minimalist one. In the case of the FTA, a tariff-quota could be established for those products presently benefiting from derogations, free trade being applicable to the product beyond the volume thus established. In the case of the CET, an agreed minimum (rather than a fixed maximum), say 15 per cent, could be established for all products below which the external tariffs of the individual member states should not fall — mainly for purposes of external trade negotiation at the regional level and for cases where a relatively small margin of protection might genuinely be needed to temporarily safeguard actual or potential regional industries. In other words, only a minimum of effort and resources would be devoted to the management of Common Market regimes and affairs.

Before closing the discussion on the trade side, there is a possibility, to which I should like to point, which offers benefits that are much under-rated. The ratio of the country average to the total value of imports of CARICOM is 0.08, a figure that has remained more or less unchanged for the last twenty-five years and is the lowest for any economic grouping in the developing world. This suggests that significant economies might be gained from pooling imports and increased efficiency in the procurement of some categories of imports, such as motor vehicles, air and maritime transportation and insurance, particularly in the context of trade negotiations with large blocs like the EC, NAFTA and Japan. A variety of techniques are available to the private sector if it is more firmly urged and organized to realize such economies. A conservative estimate of such savings would be 10 per cent of the total import bill, that is to say more than five times the domestic retained value of intra-regional trade in manufactured goods. A number of country studies by the International Trade Centre (ITC), Geneva, indicated that this is a rather conservative estimate.

MONETARY UNION

The commitment of West Indian governments to monetary union seems to be somewhat ambiguous. Strictly speaking, it seems to me to be an authorization, given at the 1991 meeting of heads of Governments in Kingston, to study the matter. The West Indian Commission, however, interprets this as a commitment to establish a single currency and monetary union. In fact, as mentioned earlier, this is endorsed as one of its principal recommendations. But it is at once incomprehensible that the Commission, while expressly wishing to avoid the strains and tensions of Federation, should regard monetary union as anything but an advanced form of political unity. As a result, this proposal too has unnecessarily introduced further controversy and confusion over a false distinction between economic integration and political unification.

The underlying circumstances do not seem to provide a strong justification for monetary integration. The relative importance of intra-regional transactions is very small and, as mentioned above, it is even smaller (8 per cent) than the gross trade statistics indicate. Capital and labour mobility is even less significant. On average, 60 per cent of GDP, and a higher percentage in some member states, is earned from exports to external currency areas, principally the US. The region's production structures are almost completely unlinked. By contrast, 60 per cent of the EC's trade is intra-Community and 71 per cent is with greater Europe, while less than 9 per cent of its GDP is derived from non-European sources. But even in the EC the case for monetary union, as recent events have shown, is not clear-cut.

While many may agree that these facts dampen the case for monetary union (which would have to include commercial banking policy), they, nevertheless, find that its justification lies in the more dynamic advantages of cementing, hastening and deepening regional economic integration, in the stability which it can bring to exchange rates, inflation and the balance of payments, in lowering exchange transactions cost, greater convenience and regional symbolism (Hilaire *et al.*, 1991). Its feasibility is exemplified by reference to the experience of the OECS states and the African countries participating in the CFA zone.

In both cases, the arrangements have promoted a high level of discipline and stability in economic management. But they have also raised questions about the trade-off with the discretionary demands of economic growth policies, particularly among individual member states. In the case of the CFA franc, the World Bank has found that its stability vis-à-vis the French franc, resulting in its overvaluation by as much as 50 per cent, has had a negative impact on the

competitiveness of exports and attractiveness to investors. Subordination of the different economic policy requirements of individual member states to the collective maintenance of the value of the CFA franc, as exemplified by the cases of Senegal, Côte d'Ivoire and Gabon, has created fissiparous strains within the region. One official went so far as to say: 'I believe the CFA franc has always been a profit exportation zone; a zone in which those who earn money in the morning, export in the evening'.

In the case of the EC dollar, it is apparent that stability has not served some member states as well as it has Antigua and St. Lucia. It cannot be assumed that the East Caribbean states will indefinitely be able to sustain the strains of monetary union, especially if further divergences should take place as a result of less advantageous conditions in the European Community, and elsewhere, for the primary commodity exports in which some of them specialize. Even in the case of Barbados, which too has enjoyed long-term currency stability, the apparent diminishing competitiveness of its tourist industry has given rise to discussions about the need for some devaluation. A similar question has also been raised about Trinidad and Tobago's failing competitiveness. Furthermore, the dynamic effects of both these monetary unions in advancing economic integration in their respective regions are conspicuous only by their absence.

Exchange rate stability is not *ipso facto* a mark of good economic management — for this evidently is needed not only by the member states with unstable currencies but those with stable currencies. For example, in the unstable cases of Guyana and Jamaica, the need for and beneficial effects of the apparently large gains in so-called international competitiveness, as measured by changes in real effective exchange rates, have been rather dubious, as Thomas (1991) and Girvan (1992) have shown. But, as mentioned above, in the stable cases of Barbados and Trinidad and Tobago, there have equally arisen questions about the loss of international competitiveness and its sustainability. While in the other stable case of the OECS monetary union, the fixed exchange rate system has not been uniformly beneficial for all member states.

A common currency would probably impose a discipline that has been lacking in some CARICOM member states, especially with respect to exchange rates, inflation, interest rates, money supply and fiscal balances. However, to move from conspicuous indiscipline to complete rigidity may not be an advisable proposition, especially where differences in economic structures and wide and growing divergences in development patterns and performance inevitably impose a need for a degree of national policy discretion. For example, among the many telling statistics in these respects is the unexpectedly large

divergences in the growth of the size of the commercial banking systems, and in commercial banking practices and structures, as between Barbados and the OECS, notwithstanding the relatively high and increasing degree of convergence in their economic performance and the absolute stability of their exchange rate parities (Anyadike-Danes, 1992).

The answer to reconciling the dual requirements of discipline and discretion might be sought in a three-stage approach. In the first stage, procedures and mechanisms could be defined within which the use of agreed objective criteria in fixing parities (against the US dollar), and changes in the alignment of West Indian currencies would be progressively introduced. Within this approach, it would also be easy to devise financial instruments for reducing transactions costs and expressing the symbols of unity in visible forms, such as a Caribbean Unit of Account (Worrell, 1992). If the experience is positive and merits further development, the second stage could be to devise an exchange rate mechanism, providing for variations within progressively narrowed limits of the parities of West Indian exchange rates. This stage would, in time, indicate whether the final stage of creating a common currency/monetary union is feasible and desirable. The EC, it might be noted, is now at the second stage but even this, notwithstanding the high degree of convergence among these countries and the importance of intra-Community trade, has produced such strains that some countries have opted out of the arrangement.

The Commission envisages a variable-speed approach to the creation of a common currency, beginning with those that, among other requirements, have maintained fixed parities against the US dollar for thirty-six consecutive months. Presumably, the OECS, Barbados, Trinidad and Tobago and Belize (excluding the Bahamas for other reasons) would be expected to lead the way. Ironically, for the reasons given above, this is precisely where the trouble may begin. All CARICOM countries, however, would have at once to 'reiterate their intention to establish a common currency'. Whether or not the Commission's recommendations can be eventually implemented, commitment *now* to a principle that cannot be realized in the targeted or foreseeable future itself raises a serious problem, as has been amply demonstrated with respect to a number of other accepted CARICOM instruments, particularly the Rules of Origin and the Common External Tariff (CET). It creates an atmosphere of unfulfilled promise which degenerates into demoralization, inter-state recriminations and negative spill-over effects on other co-operative activities.

INSTITUTIONAL ALTERNATIVES FOR THE PROMOTION OF REGIONAL ECONOMIC CO-OPERATION

The approach to West Indian integration I have put forward in this paper would result in the present Community arrangements being superseded, for the latter are based largely on the Common Market regime and related economic activities, and to a lesser extent on functional co-operation. How then should the existing bureaucratic apparatus be used? A good part of the resources could be re-deployed to support the new institutional structures. For the rest, the alternative I foresee on the economic side is the development of a more organized effort to stimulate collaborative measures among the actors themselves, enterprise, governmental and non-governmental.

For example, a principal activity could be to promote and support the national associations of manufacturing, commercial banking, tourism and other service enterprises in getting together to work out collaborative programmes aimed at attracting new export and domestic industries to the region. One could foresee packages of prospective enterprises for all member states being assembled and presented in joint, cost-effective, and attractive promotion programmes directed to prospective investors from the US, Western Europe, Japan and South East Asia.

Another principal activity would be concerned with organizing and guiding the responsible national officials in undertaking regular, in-depth, consultations and research on macroeconomic and exchange rate policy and national and regional policy assessment and outlook analysis. This process might gradually build up to the use of guidelines and the co-ordination of policy whenever generally advantageous. In this context, it is possible to foresee, as suggested above, a start being made with the use of agreed criteria in determining the need for and extent of exchange rate adjustments, progressing in time towards the creation of a mechanism that would help to limit the extent of arbitrary and exploitable divergence among regional exchange rate parities.

CONCLUSIONS

In this lecture, I have argued that the CARICOM and other models of Caribbean integration currently being offered are neither credible nor realizable in the contemporary world of widening economic spaces and globalization. They also do not do justice to our aspirations for unity. The shortcomings of the existing approach as well as far-reaching changes in the international environment

imply a more discriminating evaluation of regional initiatives as well as greater enterprise in the pursuit of common, joint or co-operative actions and policies towards the rest of the world, selectively. Above all, they call for much enhanced regional efforts in the development of human resources and physical infrastructure.

In adopting such an orientation, the new dynamic should arise, in contrast to the protective designs of the past, from exploiting first-best options — the unique, the least-cost or the no-alternative — being examples. My proposition is that the best, unique, most lasting rationale for Caribbean Community is cultural identity and kinship. This has also been the underlying unifying force in other groupings of countries. It needs to be enhanced by building up the self-esteem and confidence of our people, in particular through the creation of a unifying and meaningful identity. The activities to which this approach would initially give rise would tend to minimize inter-state tensions while helping to promote a habit of fruitful, equitable co-operation and mutual trust. These activities are in contrast to those of the present regime and those proposed by the Commission which provoke, from the outset, inter-state conflict.

At the centre of this identity would be a West Indian Commonwealth (or Union), and West Indian citizenship. We can define these concepts in non-traditional ways. They do not need to attract universal external acceptability and they do not have to be based on the concepts of statehood, sovereignty and nationality that are fixed and indivisible.

The institutions of a West Indian Commonwealth would exist at two levels — one vested with executive, decision-making powers in defined areas delegated by the states (basically in areas meeting the first-best test, like multi-national trade negotiations, regional security, various common services). The other would be intergovernmental institutions performing advisory, co-ordinating or co-operative services, but without executive decision-making powers (areas like economic and foreign policy that do not at present meet the first-best test). Reviewing, in this light, Common Market and Monetary Union commitments and aspirations, my conclusions are that they are neither workable nor desirable. A proxy to the FTA and the CET arrangements is proposed which involves a simple and realistic trade-off between the costs and benefits of imperfections in these regimes.

On the economic side, the Community institutions needed should be designed more for a role in catalyzing and organizing those responsible for action at the national level, both enterprise and governmental, than in planning and managing supra-national regimes such as those for industrial and agricul-

tural development. One example of this proposed orientation would be organizing and supporting the national enterprise associations in launching joint, targeted and cost-effective efforts to attract new, especially export, enterprises to the region. Another would be the organization of in-depth consultations and research on regional macroeconomic and exchange rate management and on national and regional policy assessment and outlook analysis, leading in time to progressively closer co-ordination of economic policies.

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