Regionalism and the Association of Caribbean States[*]

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INTRODUCTION

Regional cooperation is being promoted as a form of economic governance for developing countries to assist them in coping with the challenges of globalisation (UNDP, 1999). The Association of Caribbean States (ACS) was launched in 1994 as one response to globalisation by the countries of the Greater Caribbean region. Within this perspective, this paper discusses the ACS experience as a case of regional economic governance and the prospects for the organisation.

I. REGIONALISM, GLOBALISATION AND THE ACS

I.1 Economic regionalism as a response to globalisation

Regional organisations come in a wide variety of shapes and forms: the 1999/2000 *Yearbook of International Organisations* lists a total of 4,427 including 180 governmental bodies (U I A, 2000). We propose a differentiation of regional organisations according to the *range* of subject areas covered, the *scope* of intra-regional cooperation and extra-regional coordination, and the *intensity* of market integration as well as of extra-market functional cooperation and institutional integration. Figure 1 depicts this method of differentiation, locating particular types of regional organisations within a three-dimensional framework.

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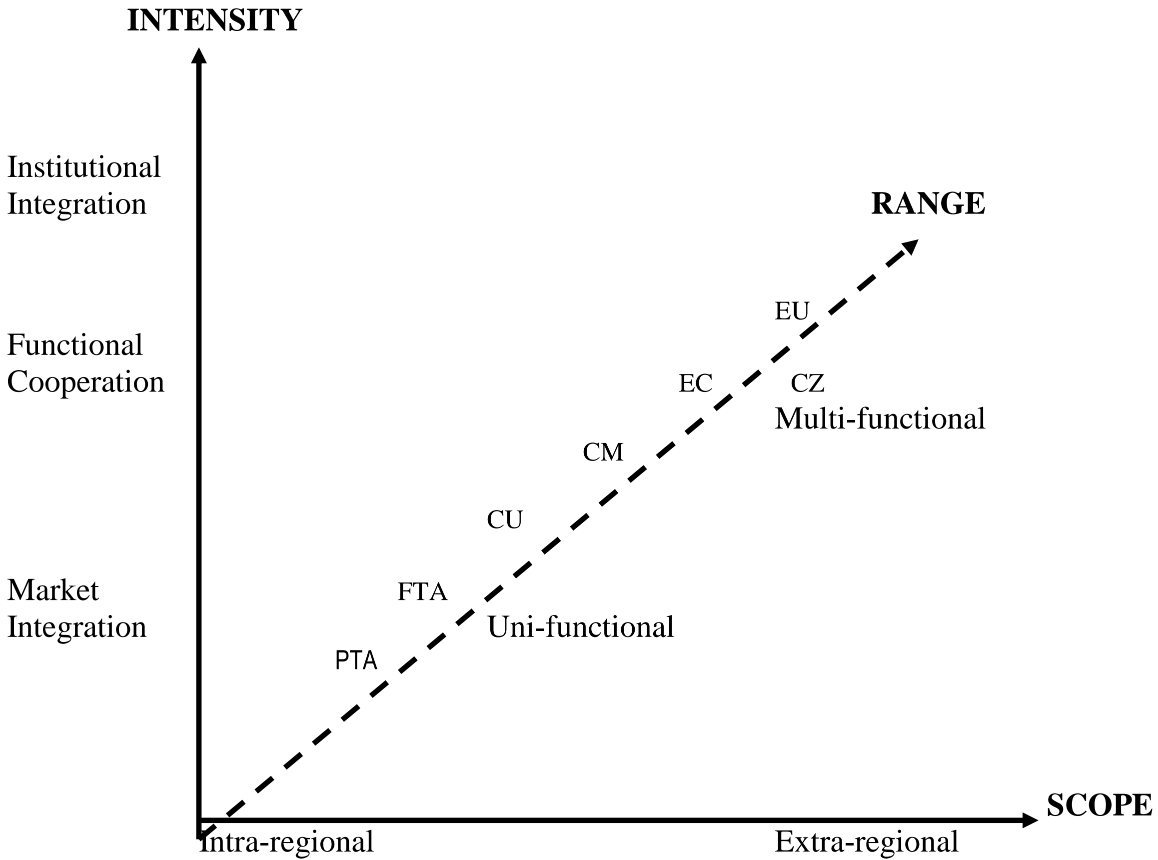
Figure 1. Character and Strength of Regionalism



Notes: PTA = Preferential Trading Area FTA = Free Trade Area CU = Customs Union
CM = Common Market EC = Economic Community EU = Economic Union CZ = Cooperation Zone
Source: author

In the context of globalisation greatest interest has fallen on institutional expressions of economic regionalism particularly preferential trading areas, free trade areas such as the North American Free Trade Area (NAFTA) and economic unions such as the European Union (EU) and the Caribbean Community (Caricom). Lawrence (1999:30) argues that "The current moves toward regionalisation are, by and large…efforts to fill the functional needs of international trade and investment and the requirements of international governance and cooperation to which globalisation gives rise." Economic regionalism is considered to be consistent with globalisation insofar as they provide for accelerated intra-regional trade and investment liberalisation along the lines of "open regionalism" (ECLAC, 1994). However they may also be a means by which groups of countries seek to shape the direction and content of globalisation by strengthening their bargaining power and negotiating capacities in extra-regional relations.

Both the intra-regional and the extra-regional aspects of regionalism are relevant to developing countries. Intra-regional economic integration, it is argued, will widen the market space for trade, investment and labour flows, stimulate improvements in static and dynamic allocative efficiency, and increase the competitiveness of domestic enterprises and their preparedness for global trade and investment liberalisation. In external relations, regional functional cooperation is argued as a strategy of resource pooling in areas such as international negotiations, higher education and science and technology; where economies of scale and critical mass requirements are significant (UNDP 1999: 29).

A plausible hypothesis is that small countries stand to derive greater benefits from the extra-regional/functional cooperation aspects of regionalism vis-à-vis the intra-regional/economic integration aspects, compared to larger countries. Small economies have a higher trade/GDP ratio and greater export specialisation, hence the scope for intra-regional trade expansion is restricted. Small countries also experience a higher threshold for successful entry to scale-intensive and critical mass-intensive activities relative to their economic size; so that the potential gains from resource pooling in such activities are relatively more significant. This is suggested by the experience of CARICOM, which has been markedly more successful in functional cooperation in areas such as higher education and external negotiations than in the growth of intra-regional trade, which remains modest.

Other factors affecting the strength of economic regionalism are the extent of complementarity or competitiveness of participating economies, the degree of political and policy consensus among member states and the strength of the "sense of community". A recent development has been the adoption of regionalism as a conditionality element in trade negotiations between developed and developing countries, notably in the EU's relations with the African-Caribbean-Pacific Group and with Latin America and the US's relations with Central America[1].

I.2 The ACS as a regional organisation

One of the issues involved in characterising the ACS is the fact that the organisation does not conform readily to any of the well-recognised types of economic regionalism. A close analysis of its nature and work programme leads to the conclusion that it is in essence a system of functional cooperation containing both intra-regional and extra-regional elements and addressing both economic and non-economic subject areas. Its defining characteristic as a regional organisation is the shared geographic space of the Caribbean Sea (hereinafter the region of the "Greater Caribbean"). Hence we argue that the proper characterisation of the ACS is a *Zone of Cooperation*—meaning a group of countries sharing a common geographic space that agree to develop cooperation in the pursuit of common interests. The potential benefits of the Zone of Cooperation are synergistic: they are derived to the extent that functional cooperation complements and facilitates existing integration processes. An example of this is the improvement of transport facilities and cooperation in tourism that facilitates and provides opportunities for expanded trade

within the framework of trade liberalisation agreements negotiated among and between sub-groups in the region.

II. ORIGINS OF THE ACS

The birth of the ACS in 1994 can be attributed to a specific historical conjuncture that produced a perceived coincidence of interest in its establishment among key state-players in the Greater Caribbean region. While it is customary to refer to the originating role of CARICOM, this initiative could hardly have succeeded without the strategic support of the countries of the Group of 3 (Colombia, Mexico and Venezuela) as well as of others including Cuba and the Dominican Republic. A brief discussion of the motives and perceptions of the principal players in the historical context is useful in analysing the subsequent course taken by the organisation.

In 1992-1994 the Cold War had recently come to an end and the world was rushing into globalisation. Major economic blocs, notably the EU and NAFTA, were being constituted within the framework of the global economy. The EU had also signalled its intention to bring the Dominican Republic, Haiti and possibly Cuba into the Caribbean Group under the Lomé Accord with the ACP. The Group of 3 had come into existence to foster cooperation among themselves and dialogue with Central America, where the civil conflicts were coming to an end. CARICOM was debating its future and the relative merits of "deepening" (strengthening) vs. "widening" (extending the membership of) the Community. Environmental issues were also given prominence as a result of the Rio Earth Summit in 1992 and the SIDS Conference in Barbados of 1994. Hence, among the chief objectives set for the ACS in its Convention were the consolidation of an economic space within the Caribbean region through the liberalisation of trade and investment relations, and the protection of the environmental integrity of the Caribbean Sea.

For an organisation such as the ACS to be established it was necessary to transcend the historical rooted differences and mutual isolation of countries and groups of countries within the Greater Caribbean region. The ACS structure recognises four sub-groups among the membership: CARICOM, the Group of 3, Central America and the non-grouped countries[2]; with the Associate Members (Dutch and French territories) comprising a fifth category. Anglophones had traditionally centred their conception of the Caribbean on CARICOM, which up to the early 1990s was an exclusively English-speaking club. During the 1970s-1980s the CARICOM Caribbean-view was undergoing a process of gradual expansion to embrace the other major states and territories in the Caribbean Sea[3]. Hispanic conceptions of the Caribbean region, on the other hand, have usually embraced either all the islands or the entire basin. The former, *El Caribe Insular* (Insular or Island Caribbean) was traditionally dominant in the Spanish speaking islands while the latter; *El Gran Caribe* (Greater Caribbean) has predominated in the large mainland states of the Group of 3. Central America for its part has tended to consider itself as being a distinct sub-region, though recognising its eastern shore as part of the Caribbean basin.

The CARICOM proposal to set up the ACS, therefore, broke new ground in terms of the scope of regional cooperation that it envisaged. A key recommendation of the Independent West Indian Commission, reporting in 1992, it was advanced as a solution to the issue of the “deepening” vs. “widening” of CARICOM (West Indian Commission, 1992). The strategy advocated was to deepen CARICOM by forging the Single Market and Economy among its existing membership, while widening relations of functional cooperation with the rest of the Caribbean through a new Association of Caribbean States.

The adoption of the proposal by the Group of 3 proved decisive, given their substantial economic and geo-political weight in the region[4]. For them, the new association would provide an institutional framework for the development of trade and investment liberalisation and functional cooperation relations in a region of great geo-strategic importance to each of the three. For the non-grouped countries, participation in the ACS would represent a strategic opportunity to end their traditional isolation from the greater part of the Caribbean region and to address the *de facto* exclusion arising from their non-membership in any of the existing regional economic groupings. Similar considerations would have applied in the cases of the Dutch and the French affiliated countries, which joined the ACS as Associate Members[5] at the outset. Given the commitment of the other countries Central America would have found it convenient to join the association, especially in the light of the support of the G3 countries and their special relationship with them.

III. EVOLUTION OF THE ACS 1994-2001

Apart from the initial tasks of establishing itself as a legal and administrative entity with an efficiently functioning Secretariat, the ACS in its 7-year history has faced major challenges in securing political consensus on specifics among its members, in gaining public acceptance of its legitimacy and in defining a clearly demarcated role vis-à-vis other regional organisations. Underlying most of these challenges, we believe, were two inter-related factors: first, the existence of differing conceptions of the role and character of the ACS as an *integration* vs. a *cooperation* organisation or grouping; and second, the existence of wide structural differences in the size and external trading relationships among the countries forming the ACS membership.

Table 1: Main Indicators of the Size of Economies, Economic and Social Development of ACS Countries.

ACS Members/ Sub-Groups	Surface Area (Km2)	Population (000's) 1999	Prop. Illiteracy > 15 years 2000	GDP Mns of $ 2000	GDP per Inhabitant 2000	GDP Av. Growth (%) 1991-2000	Particip'n of Industry (Over PIB) 1998	Exports (mns $) Current 1999	Imports (Mns $) Current 1999	Balance Goods 1999
ACS								**189,714**	**201,335**	**-11,622**
Group of Three								**167,760**	**169,362**	**-1,602**
Colombia	1.142	41566	6.8	82856	1993	2.6	14	11,555	10,659	896
Mexico	1.967	97367	9.1	573937	5895	3.5	21.1	136,144	145,150	-9,006
Venezuela	916	23707	6.6	120484	5082	2	15.8	20,061	13,553	6,508
CACM								**11,135**	**18,026**	**-6,891**
Costa Rica	51	3993	4.1	15784	4013	5	19	6,277	5,969	308
El Salvador	21	6154	25.1	12916	2099	4.6	23.1	1,164	3,128	-1,964
Guatemala	109	11090	45.8	19068	1719	4.1	11.3	2,458	4,554	-2,096
Honduras	112	6316	24.4	5932	939	3.1	18.1	758	2,652	-1,894
Nicaragua	131	4939	32.9	2396	485	3.3	15.3	478	1,723	-1,245
CARICOM								**5,378**	**10,432**	**-5,054**
Antigua/Barbuda	0.44	68		622**(a)**	9147	3.3	2.3	…	…	…
Bahamas	14	303	1.3	3939(**a**)	13000**(b)**			102**(b)**	1,620**(b)**	-1,518
Barbados	0.43	269	1.9	2317**(a)**	8613	1.4	6.4	197	1,067	-870
Belize	23	235		630**(a)**	2681	4.1	12.5	159	366	-207
Dominica	0.75	71		257**(a)**	3620	2.1	7.2	53	133	-80
Grenada	0.34	94		241**(a)**	2564	3.5	6.4	33	202	-169
Guyana	216	865	1.9	814	941	5.3	15.8	…	…	…
Haiti	28	8205	48.5	3523**(a)**	429	-1	7.4	61**(b)**	…	…
Jamaica	11	2561	13.8	7282	2843	0.1	15.7	1,354**(b)**	3,113**(b)**	-1,759
St.Kitts/Nevis	0.27	41		288**(a)**	7024	4.1	10	36**(b)**	147**(b)**	-112
St. Lucia	0.62	150		570**(a)**	3800	2.2	7.9	52	355	-303
St. Vincent/Grenadines	0.39	116		316**(a)**	2724	3.2	7.4	45	201	-156
Suriname	164	418	5.9	903**(a)**	2160	1.7	15.1	481**(a)**	486	-5
Trinidad/Tobago	0.44	1291	1.4	6873	5324	3	17.4	2,806	2,742	64
Non-Grouped								**5,441**	**3,515**	**1,926**
Cuba	115	11159	3.2			-1.4		…	…	…
Dominican Rep	48	8364	16	19830	2371	6.3	14.4	4,736**(b)**	…	…
Panama	76	2812	7.9	9956	3541	4.4	8.6	705	3,515	-2,810
French Territories								**1821**	**4142**	**-2321**
Fr. Guiana	91000	153		3601**(a)**	10301**(a)**	0.24		804 **(a)**	597 **(a)**	207
Guadeloupe	1705	444		1556**(a)**	8184 **(a)**	0.56		274 **(a)**	1833 **(a)**	-1559
Martinique	1060	393		4530**(a)**	11625 **(a)**	0.71		743**(a)**	1712 **(a)**	-969
Dutch Territories								**14155**	**3148**	**11007**
Aruba	188			1729 **(a)**	18706**(a)**	0.22		12674 **(a)**	1515 **(a)**	11159
Netherland Ant	783	207		2373 **(a)**	11595 **(a)**	0.36		1481 **(a)**	1633 **(a)**	-152

Sources: ECLAC, based on official figures
Johannes Heirman, ***The Main Trends in Trade, Trade Policy and Integration Agreements in the Countries of the Association Of Caribbean States (ACS)***. Santiago, Chile: ECLAC, Division of International Trade and Integration, November 2001.
Association of Caribbean States (ACS): ACS Trade Database: http:www.acs-aec.org/Trade/Dbase/Dbase-eng/dbaseindex_eng.htm

Notes: (a) corresponds to the year 1998; (b) corresponds to the year 1997.

III.1 Integration vs. cooperation

The ambiguity concerning integration vs. cooperation as the primary mission of the ACS may have been present in differing perceptions of the role of the organisation among its principal stakeholders. This is reflected in the wording of the ACS Convention, which declares the Association to be an organisation of "consultation, cooperation and concerted action" (ACS: 1994; Art. 3, Para. 1) while listing among the stated objectives "integration, including economic integration (ACS: 1994; Art.3, para. 2(a*)).* Initial

*Table 2: INTEGRATION AND TRADE AGREEMENTS OF ACS MEMBER STATES, CIRCA 2001**

*Includes agreements under negotiation

ACS Member states	Partners/Participating countries	Type of Agreement
Colombia, Mexico & Venezuela (Group of 3)	Group of 3	Free Trade
Colombia	CARICOM	Preferential Trade
Mexico	USA and Canada	Free Trade (NAFTA)
	European Union.	Free Trade
	Chile	Free Trade
Venezuela	CARICOM	Preferential Trade
5 Central American countries	5 Central American countries	Customs Union (CACM)
	Chile	Free Trade
Costa Rica	Canada	Free Trade
	Mexico	Free Trade
Nicaragua	Mexico	Free Trade
El Salvador, Guatemala, Honduras (Northern Triangle)	Mexico	Free Trade
Panama	CACM	
CARICOM	CARICOM	Customs Union
	Canada	Preferential Trade (CARIBCAN)
Suriname	CARICOM	Customs Union
Haiti	CARICOM	Customs Union[d]
Cuba	ALADI	Preferential Trade
	CARICOM	Preferential Trade
	Andean Community	Preferential Trade
Dominican Republic	CACM	Free Trade
	CARICOM	Free Trade
Several Caribbean and Central American countries	Mexico and Venezuela	San José Agreement[e]
	USA	Preferential Trade (CBI, 24 countries)
		Preferential Trade (CBTPA, 24 countries)
CARICOM, Dominican Republic & Haiti	EU	Preferential Trade (Lomé Convention,) Free Trade (REPA)
Colombia, Venezuela	Andean Community	Customs Union
	USA	Preferential Trade[i]
	EU	Preferential Trade,FC [j]
24 ACS members	34 Countries in North America & Latin America & the Caribbean	Free Trade (FTAA)

Notes:

Fc: functional co-operation in non-economic areas.

[a] Became a Free Trade Agreement on 1/8/1999.
[b] Protocol to the General Treaty on Central American Economic Integration, Guatemala City.
[c] Still pending the negotiation of some bilateral lists for the removal of tariffs
[d] The timetable for joining the customs union is being studied.
[e] Supply of oil with preferential financing.
[f] Caribbean Basin Trade Partnership Act (CBTPA) granting to these countries treatment comparable to that granted by the US to mexico. This is in addition to the CBI.
[g] Lomé IV Convention
[h] Protocol Modifying the Andean Sub-regional Integration Agreement, Trujillo, Perú
[I] Andean Trade Preference Act (ATPA) granted in support of efforts by these countries to fight the illegal production and trafficking in drugs
[j] The Andean countries are beneficiaries of the European Union's Generalised System of Preferences. granted in support of efforts by these countries to fight the illegal production and trafficking in drugs

Source: based on Johannes Heirman, *The Main Trends In Trade, Trade Policy And Integration Agreements In The Countries Of The Association Of Caribbean States (Acs)*. Santiago de Chile: United Nations, Economic Commission for Latin America and the Caribbean (ECLAC), Division of International Trade and Integration, November 2001; Table 10.

reports in the media also appear to have suggested that the ACS would establish a free trade area or an economic bloc (Financial Times: 1994).

Two difficulties for the role of the ACS as an "economic bloc in the making" were to become manifest. One was structural: in 1994 20 of the 25 ACS member states already belonged to four existing economic integration groupings: NAFTA, CARICOM, the Central American Economic Integration System (SIECA) and the Andean Community (CAN). Since then Suriname and Haiti have acceded to CARICOM and Panama has joined the Central American Integration System (SICA). This means that the primary integration commitment for the majority of ACS members lies with integration groupings rather than with the ACS itself. In the case of the countries of the Group of 3, with nearly three-quarters of the foreign trade of the ACS, the majority of the membership of the integration groupings to which they belong lies outside of the ACS. This structural characteristic effectively ruled out a path of "convergence" of existing integration groupings of ACS membership into an ACS integration grouping of its own

TABLE 3. ACS EXPORTS BY SUBGROUPS AND MAIN DESTINATIONS, 1994,1999

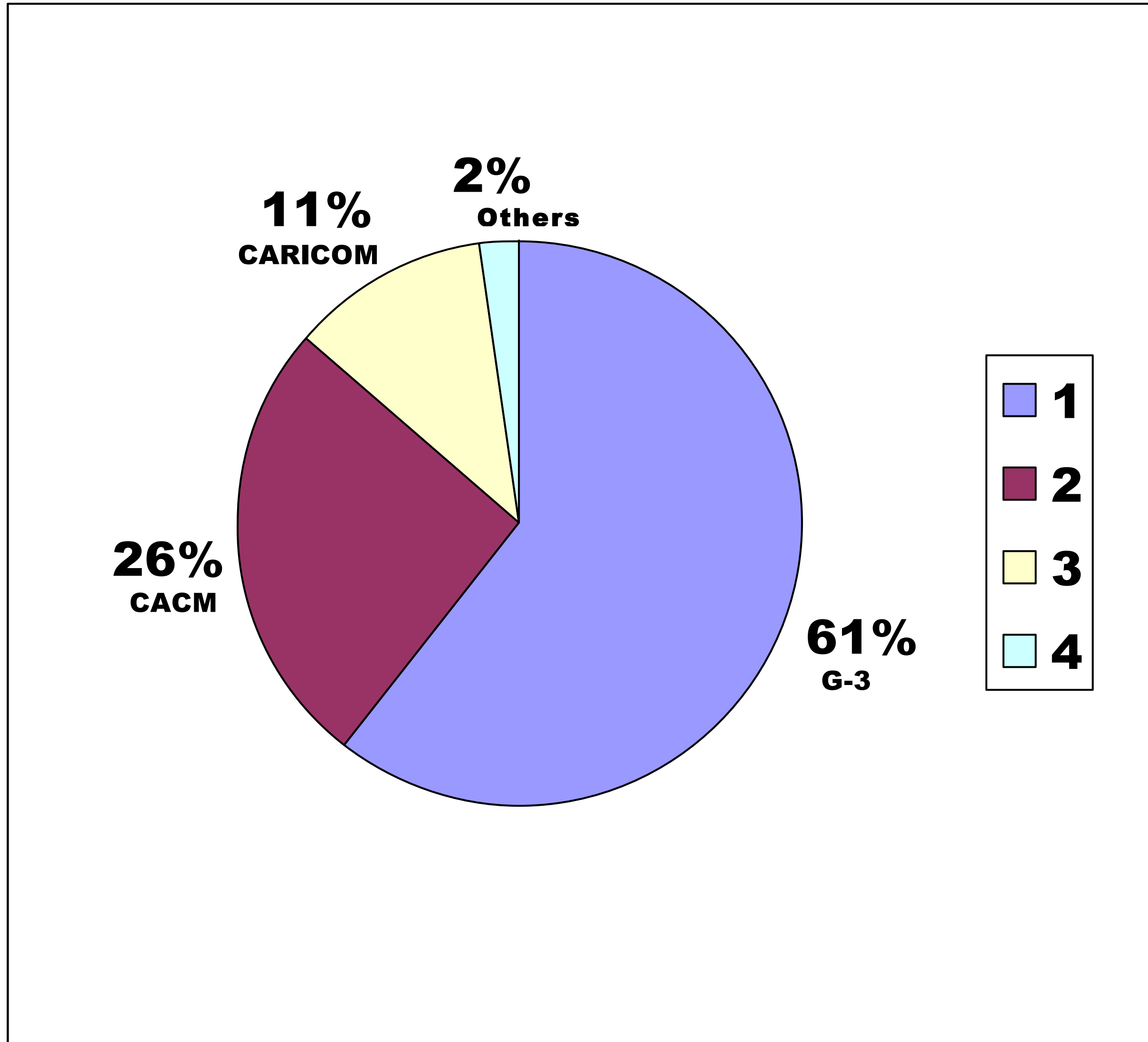
Destination / Origin	A C S								European Union		Rest Of the	
		Group of Three				Others						
	Total	Total	Mex	Col	Ven	MCCA	CARICOM	ACS		USA	World	World
Exports $M												
ACS												
1994	8,895	2,966	533	1,574	859	2,451	1,990	1,511	9,354	68,592	11,146	97,986
1999	11,775	3,378	726	1,218	1,435	4,506	1,834	2,168	10,743	144,750	22,819	190,087
G-3												
1994	6,363	2,629	360	1,494	774	1,122	1,340	1,277	6,834	63,012	9,597	85,806
1999	7,142	2,880	374	1,156	1,350	1,987	706	1,617	7,689	136,631	16,443	167,905
MCCA												
1994	1,616	192	123	19	50	1,228	43	161	1,325	2,111	448	5,501
1999	3,050	336	270	31	35	2,289	98	348	1,951	4,976	1,199	11,175
CARICOM												
1994	781	124	38	54	32	19	585	55	838	1,550	963	4,132
1999	1,342	116	57	20	39	108	981	146	906	2,161	688	5,097
Others [a]												
1994	134	21	11	6	3	82	21	19	356	1,919	138	2,548
1999	241	46	25	12	10	122	48	58	198	982	4,490	5,911
By Subgroups (%)												
ACS												
1994	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1999	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
G3												
1994	71.5	88.6	67.7	94.9	90.1	45.8	67.3	84.5	73.1	91.9	86.1	87.6
1999	60.7	85.2	51.5	94.9	94.1	44.1	38.5	74.6	71.6	94.4	72.1	88.3
CACM												
1994	18.2	6.5	23.2	1.2	5.8	50.1	2.2	10.6	14.2	3.1	4.0	5.6
1999	25.9	9.9	37.2	2.5	2.4	50.8	5.4	16.0	18.2	3.4	5.3	5.9
CARICOM												
1994	8.8	4.2	7.1	3.4	3.8	0.8	29.4	3.6	9.0	2.3	8.6	4.2
1999	11.4	3.4	7.9	1.6	2.8	2.4	53.5	6.7	8.4	1.5	3.0	2.7
Others												
1994	1.5	0.7	2.1	0.4	0.4	3.4	1.1	1.3	3.8	2.8	1.2	2.6
1999	2.1	1.4	3.4	1.0	0.7	2.7	2.6	2.7	1.8	0.7	19.7	3.1
By destination (%)												
ACS												
1994	9.1	3.0	0.5	1.6	0.9	2.5	2.0	1.5	9.5	70.0	11.4	100.0
1999	6.2	1.8	0.4	0.6	0.8	2.4	1.0	1.1	5.7	76.1	12.0	100.0
G3												
1994	7.4	3.1	0.4	1.7	0.9	1.3	1.6	1.5	8.0	73.4	11.2	100.0
1999	4.3	1.7	0.2	0.7	0.8	1.2	0.4	1.0	4.6	81.4	9.8	100.0
CACM												
1994	29.4	3.5	2.2	0.3	0.9	22.3	0.8	2.9	24.1	38.4	8.1	100.0
1999	27.3	3.0	2.4	0.3	0.3	20.5	0.9	3.1	17.5	44.5	10.7	100.0
CARICOM												
1994	18.9	3.0	0.9	1.3	0.8	0.4	14.2	1.3	20.3	37.5	23.3	100.0
1999	26.3	2.3	1.1	0.4	0.8	2.1	19.3	2.9	17.8	42.4	13.5	100.0
Others												
1994	5.3	0.8	0.4	0.3	0.1	3.2	0.8	0.7	14.0	75.3	5.4	100.0
1999	4.1	0.8	0.4	0.2	0.2	2.1	0.8	1.0	3.3	16.6	76.0	100.0

Johannes Heirman, *The Main Trends In Trade, Trade Policy And Integration Agreements In The Countries Of The Association Of Caribbean States (Acs)*. Santiago de Chile: United Nations, Economic Commission for Latin America and the Caribbean (ECLAC), Division of International Trade and Integration, November 2001.

Second, the launch of Free Trade Area of the Americas (FTAA) negotiations soon after the ACS was formed effectively trumped the possibility of an ACS FTA. The FTAA counts with the participation of 24 of the 25 ACS member states, as well as with the

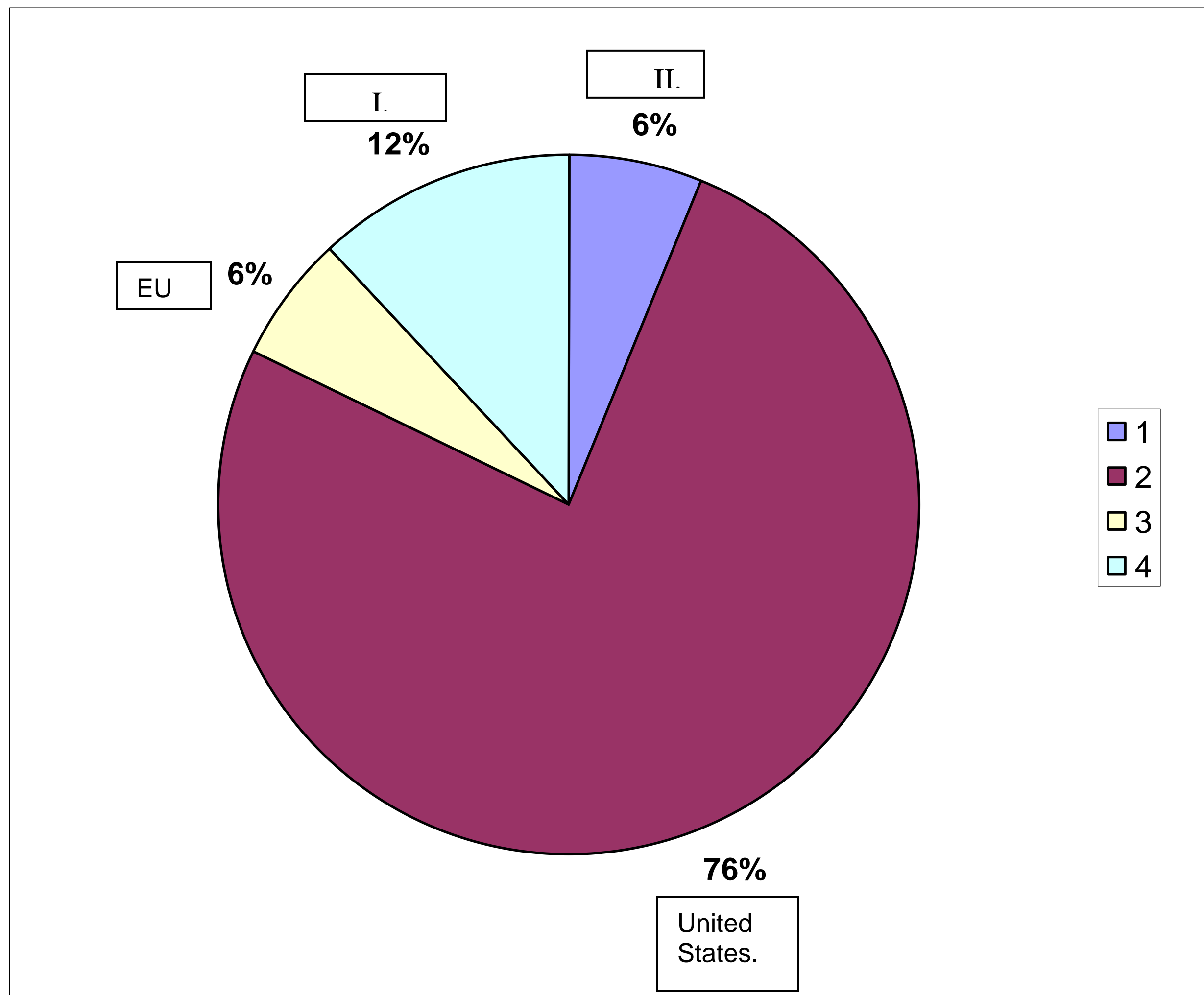
United States and Canada, which are two of the region's most important trading partners [REF. TABLE 3]. As Insanally (1998:12) observed, "The reality of the situation is that the liberalisation of trade in the ACS has been placed on the back burner as ACS Member States have become embroiled in FTAA negotiations." The onerous demands of the FTAA negotiating process and the strong political and institutional support provided to it by powerful ACS and non-ACS members meant that the majority of ACS members were to opt to pursue the objective of trade and investment liberalisation among themselves within this wider hemispheric context.

Chart 1. ACS Exports by ACS subgroups, 1999.



Notes:
Others-includes the Non-Grouped countries (Cuba, the Dominican Republic and Panama), and the Associate Member countries (France, Aruba and the Netherlands Antilles).

Chart 2. Total ACS exports by destination, 1999.



Notes: Others- exports to the rest of the world.

The integration/cooperation issue was expressed in various other forms in the discussions among member states in the first 6 years of the ACS. The 1st ACS Summit in August 1995 set trade, transport and tourism (the "3 T's") as the ACS focal areas. However by December 1999 the number of Special Committees established by the ACS Ministerial Council had reached a total of seven. In addition to those dealing with the "3 T's" Committees also existed for Natural Resources; for the Environment; for Science, Technology, Education, Health and Culture; and for Natural Disasters.

This led to concerns among member states about *diffusion of effort* and *resource insufficiency*-- a sense that the ACS was severely short of the money and manpower required to effectively service its rapidly expanding work programme. Related to this was the *duplication issue*; expressed as a perception that the ACS might be seeking to duplicate, or compete with, the work of existing regional organisations. There was also an

issue of *uneven participation* due to the indifference of many of the ACS's smaller members to its activities. This was reflected in the relatively low rate of attendance at ACS meetings of the majority of CARICOM countries, particularly the members of the OECS countries, and of Central American countries; compared to attendance by the members of the Group of 3, the non-grouped countries and the larger CARICOM states.

Table 4: Attendance at Main ACS Meetings, 1998-2001.

	1998	1999	2000	2001
Meetings (no.)[1]	**9**	**11**	**13**	**13**
Attendance (%)[2]	**64**	**54**	**52**	**50**
CARICOM[3] countries	**60**	**53**	**39**	**33**
- OECS[4] countries	20	15	12	12
CACM[5] countries	**42**	**38**	**38**	**45**
G-3[6] countries	**100**	**85**	**90**	**85**
Non-grouped countries[7]	**93**	**82**	**79**	**79**
Associate Members[8]	**67**	**52**	**51**	**46**

Source: ACS records

Notes.

1. For 1998, 1999, meetings of the Ministerial Council and the Special Committees. For 2001, 2001, includes the above plus the Executive Board of the Ministerial Council and the Council of the Special Fund.
2. Weighted average of the meetings attended.
3. Members of the Caribbean Community.
4. Members of the Organisation of Eastern Caribbean States (also included in CARICOM figure).
5. Members of the Central American Common Market.
6. Colombia, Mexico and Venezuela.
7. Cuba, the Dominican Republic and Panama.
8. Aruba, France and the Netherlands Antilles.

III.2 The ACS as a Zone of Cooperation

By 2000 the ACS was engaged in a process of self-evaluation facilitated by the appointment of an independent review group of high-level experts. Discussions on its future course crystallised into two schools. One assumed that the ACS would continue on a path of embracing all or most of the programme developed by the seven special committees, in line with the original expectations. The other was that the ACS would re-affirm a focus on the three cooperation areas set out in the inaugural Summit, with the addition of natural disasters, which had become a major concern to Central America. In this view the ACS would also seek consciously to collaborate with, and complement, the activities of existing regional organisations. We characterise these as the *maximalist* vs. the *niche* or *value added* conception of the ACS role.

The proponents of the maximalist role came mainly from the non-grouped countries. This was logical since they do not belong to any existing regional economic integration grouping and perceived a need to develop a comprehensive system of cooperation bearing resemblance to an integration system. On the other hand the majority of the ACS membership lined up behind the niche or value added conception. This became the basis of a consensus that was reflected in the decisions on rationalisation and prioritisation of the work programme taken in December 2000. The number of Special Committees was reduced from seven to four—the "3 T's" and Natural Disasters—and priorities were set in each of the four focal areas.

The refined strategy received political endorsement at the 3rd ACS Summit in December 2001 (ACS:2001a). This reaffirmed consultation, cooperation and concerted action as the defining character of the ACS as a regional organisation; and adopted establishment of the Greater Caribbean Zone of Cooperation as its principal mission. By these decisions, the ACS accepted a self-definition as an organisation of functional cooperation rather than as an economic integration grouping per se.

IV. STRUCTURAL CHARACTERISTICS AND POLITICAL CONSENSUS

The structural differences among ACS members also created difficulties in securing political consensus on cooperation on a number of issues. On the other hand, the areas of achieved consensus provide valuable indications on the potential for functional cooperation within the ACS system. We characterise these as the processes of *contradiction, competition, and complementarity* in ACS agenda setting. Contradiction refers to instances of directly opposing interests of different members or sub-groups of members another due to structural divergence in their external trade relations. Competition occurs where immediate priorities differ even if long-term interests are convergent. Complementarity occurs when perceived priorities and long-term interests converge and is a necessary precondition for effective cooperative action by the organisation.

IV. 1 Contradiction

The effects of contradiction are, at best, failure to cooperate in a particular subject area of interest to the membership and at worst, distrust and the undermining of confidence among members and a loss of credibility in the organisation. The most notable example of contradiction was the issue of the preferential banana import regime granted by the European Union to the African Caribbean Pacific Group of countries under the Lomé and Cotonou accords, from which CARICOM members of the ACS benefit. Central and South American banana exporters supported the United States in opposing the EU banana regime, leading to a protracted dispute with the EU. The issue emerged soon after the establishment of the ACS in 1994 and, although informal efforts were made for the ACS to be used as a forum to resolve the dispute these did not come to fruition as both sub-groups preferred to utilise existing traditional diplomatic channels to press their respective cases. The issue was only finally resolved at the level of the WTO, at the

Ministerial Meeting at Doha which granted a waiver to the EU to allow a modified banana regime to come into effect.

Another potential area of contradiction that is now under discussion is the issue of special treatment of small economies in trade agreements. ACS declarations routinely contain pledges to take account of differences in the size and levels of development of member states particularly of the smallest members. How this is put into practice involves questions of definition and interpretation with respect to the scope, extent and degree of permanence of special treatment.

Within the ACS there is as yet no politically agreed definition of "small" or "smaller". From one perspective, 22 of the 25 member states fall into these categories, ranging in population size from 11 million (Cuba) to 45,000 (St. Kitts). Thirteen (ACS, 2001) of these are under 1.5 million in population, the definition of small economies employed by the Commonwealth/World Bank task force. All of these are members of CARICOM and they constitute the majority of CARICOM ACS members. Within CARICOM the Treaty of Chaguaramas distinguishes between "Less Developed Countries" (LDCs) and "More Developed Countries (MDCs) with LDCs having special and permanent derogations in trade and tariffs under the Treaty. CARICOM countries have therefore been the most vigorous in pressing for SDT, both on account of the group as a whole and in order to respect the terms of the Treaty.

In 2001 the ACS Special Committee on Trade reached consensus on a statement of Principles and Guidelines on Special and Differential Treatment for Small Economies and this was endorsed by ACS Heads of State and Government at the 3rd ACS Summit in December 2001 (ACS 2001b). However the interpretation of and degree of support for SDT varies according to the perceived interests of other sub-groups within the ACS and its impact on their external trade negotiations policy.

The other smaller economies in the ACS from Central America and the non-grouped countries are in a different situation from CARICOM in certain significant respects. First, historically they have not been important beneficiaries of across the board trade preferences of the type received by CARICOM members under the ACP arrangements. One-way preferences on the US market have been on a commodity-by-commodity basis and through CBI and CBTPA provisions that also contain restrictions on the degree of coverage. They also derive modest benefits from the limited Generalised System of Preferences (GSP). For these reasons the CARICOM demand for SDT may be perceived as part of strategy to maintain historical trading privileges that are not consistent with current thrust towards global trade liberalisation and that have afforded levels of per capita income that are in some instances considerably higher than those of non-CARICOM countries.

Secondly, these countries are on average considerably larger than CARICOM countries and they have no equivalent to the OECS mini-states. Third, they are not bound by Treaty obligations to grant SDT similar to those that exist under the CARICOM's Treaty. And fourth, by early 2002 Central America was preparing for free trade agreement

negotiations with its main trading partners, the United States and the EU. This diminishes the scope for negotiations on a special regime for small economies as a whole within a hemispheric (FTAA) or global (WTO) framework.

Positions also vary within the Group of Three. Venezuela and Colombia are members of the Andean Community and, while not opposed to SDT in principle they tend to emphasise the aspect that relates to "levels of development" as much as that relating to "size". Mexico is likely to view the issue from its perspective as a participant in NAFTA, which does not incorporate the principle of SDT and is based on the philosophy of the "level playing field". In this perspective special treatment for smaller countries focuses on technical assistance and capacity building measures for governments and the private sector, with consideration of temporary derogation on a case-by-case basis.

IV. 2 Competition

The subject area of external trade negotiations also shows instances of competing priorities (as distinct from contradictory interests). Failure to proceed with negotiations for an ACS FTA in deference to the FTAA process was itself one such instance. Another was the failed attempt to secure agreement on a Caribbean Preferential Tariff (CPT) within the framework of the ACS as the alternative to an ACS FTA. The CPT would be compatible with existing and proposed trade agreements and would respect differences in the levels of development of ACS members, with a special regime for the CARICOM LDCs. Under Article XX of the ACS Convention (1994), the CPT could be implemented by those ACS countries willing to participate in the absence of unanimous agreement among the ACS membership.

Technical meetings on the CPT went on over a 2-year period resulting in agreed draft approved by the ACS Trade Committee. But at the end of 2000 the CPT proposal was abandoned in the face of lack of interest from the majority of the ACS membership. Mexico had always indicated it would not be part of the CPT, preferring to give priority to the FTAA process, its negotiations with the EU, and a series of bilateral negotiations with Central American countries. Central America failed to confirm its participation in the CPT because of the demands of the FTAA negotiations and of a number of bilateral negotiations as well of its own integration process. In the face of the non-participation of Mexico and Central America Caricom decided that the value added from the CPT would not be worth the effort. CARICOM already had trade agreements with Venezuela, Colombia, the Dominican Republic and Cuba, the principal CPT protagonists; and was also preoccupied with negotiations with the EU, the FTAA, bilateral negotiations and the requirements of the CARICOM Single Market and Economy (CSME). In effect, the majority of ACS countries indicated that there were more pressing and urgent priorities on their trade negotiating agenda than the ACS CPT.

Another case of competing short-term priorities was the response to the fall-out of tourism traffic to the Greater Caribbean following September 11, 2001. ACS countries had agreed from 1995 that tourism would be one of the focal areas of cooperation and in

1999 a Memorandum of Understanding on establishing the Sustainable Tourism Zone of the Caribbean (STZC) was signed at the 2nd ACS Summit, which was to lead to the signing of the STZC Convention at the 3rd Summit in December 2001. However the immediate responses to the crisis affecting tourism after 9/11 were along national and traditional sub-regional lines. CARICOM convened two emergency tourism summits with the collaboration of the Caribbean Tourism Organisation (CTO), which developed a short-term marketing programme. In 2001 Mexico withdrew from the CTO and the involvement of the other Spanish-speaking CTO members (Cuba, the Dominican Republic and Venezuela) in the CTO-engineered response programme was not significant. At the same time Central American was developing a response programme of its own to promote its own through that sub-region's Committee of Tourism Ministers.

IV. 3 Complementarity

Against these occurrences of contradiction and competition in ACS agenda setting there are several instances of complementarity in the areas of trade, sustainable tourism, transport, natural resources and the environment. These point to the potential for developing functional cooperation in the medium and long-term in areas of common interest to the community of Greater Caribbean States.

In the area of trade, the ACS has identified "value added" activities that complement existing trade liberalisation processes. For instance, work has started on developing an agreed common definition of rum to be proposed for the FTAA negotiations. This would ensure greater market access for the region's rum industries when the FTAA comes into effect while ensuring recognition of rum as a sugar cane based spirit and possibly extending to its a "geographical indication" as a specifically Caribbean spirit (ACS, June 2002). Another significant value added activity is the organisation of the annual ACS Business Forum of the Greater Caribbean, an event that attracts hundreds of exporting and importing companies with the aim of stimulating trade transactions and encouraging policy dialogue between the private sector and public officials. Other agreed activities are the launching of an association of trade and investment agencies of the Greater Caribbean, a study of obstacles to trade and efforts to develop a project for an Integrated Information System of the Greater Caribbean. A study of the scope for Special and Differential Treatment for Small Economies in the FTAA has also been commissioned.

The negotiation and signature of the Convention on the Sustainable Tourism Zone of the Caribbean (STZC), which was signed at the 3rd Summit in December 2001, is a signal achievement in functional cooperation for the ACS. Tourism is an activity of considerable common interest, being the largest single foreign exchange earner for 18 of the ACS's 25 member states as well as the three Associate Members. The STZC Convention calls for 12 broad strategies aimed at ensuring the economic, social, cultural and environmental sustainability of the industry as a single recognisable zone in the global tourism marketplace, as well as for the categorisation of destinations according to sustainability standards and practices. Considerable effort will be necessary in order to effect ratification and implementation of the STZC.

In transport, ACS members have agreed on an ambitious programme to "Unite the Caribbean by Air and Sea" (ACS, 2001). Central to this is the negotiation of an Agreement on a Common Air Transport Policy among the majority of member states that will provide expanded rights to the servicing of intra-ACS routes for regional carriers[6]. And on-going activity is the convening of meetings of CEOs of regional airlines to determine the scope for inter-airline functional cooperation and the development of multi-destination tourism packages. In maritime transport, a project on a Port and Data Base Centre has been developed in collaboration with the Caribbean Shipping Association, a major private sector body, to facilitate greater utilization of the port facilities of the Greater Caribbean by shippers and brokers.

Since the formation of the ACS a series of major natural disasters affecting different countries in the region has highlighted the need for functional cooperation in this subject area. This was reflected in negotiation and signature of the ACS Agreement on Natural Disasters at 2nd ACS Summit in 1999 and the elevation of the Working Group on Natural Disasters to the status of a Special Committee in December 1999. Cooperation is being developed on.: (i) the formulation and implementation of standards, policies and laws for the management and prevention of natural disasters; (ii) the establishment of joint programmes designed to manage natural disasters with the assistance of specialised natural disaster organizations throughout the region; and (iii) cooperation in the formulation, funding and aid programmes for ACS Member States that request such services, particularly with respect to seeking the assistance of international and regional organisations.

In ACS member states adopted the Caribbean Environment Plan, providing for cooperation across a wide range around the common patrimony of the Caribbean Sea. Central to the strategy is the proposal to have the United Nations General Assembly declare the Caribbean Sea to be a Special Area in the Context of Sustainable Development, which would empower the nations sharing the Caribbean basin to engage in joint actions to protect and jointly manage the Caribbean Marine Environment (CARICOM, 1997). This initiative resulted in adoption of General Assembly Resolution calling for the "integrated management" of the Caribbean Sea (UN, 2000). ACS member states are agreed on the need to continue the Special Area initiative and efforts are continuing through 2002, with the likelihood that this topic will be the subject of the political dialogue by the ACS Ministerial Council at its meeting in November 2002.

V. CONCLUSIONS

This paper set out the proposition that the effectiveness of regionalism as a strategy for responding to globalisation will be a function of the degree of its multi-functional cooperation in intra-regional and extra-regional relations. The ACS experience shows that regionalism can be a relevant strategy in the absence of market liberalisation and integration, although these are the principal elements in the best-known integration

schemes. In the economic sphere regionalism can complement bilaterally and sub-regional arrangements for market liberalisation by sector-specific functional cooperation based on geographical propinquity. Sustainable tourism and transport are two critical areas in the region of the Greater Caribbean with the potential to facilitate expanded intra-regional trade and support the re-positioning of the regional economies in international markets for services.

Shared geographic space also underlies a cooperation imperative in the environment and natural disasters, subjects that have assumed importance due to degradation of the regional coastal and marine environment and the effects of global climate change. It would be a mistake, therefore, to think of regionalism as a purely or mainly economic strategy since globalisation has important non-economic dimensions including the environment, health and culture in which regional cooperation is relevant, especially for small developing countries.

It is fairly self-evident that a critical success factor for a regional organisation is the perceived coincidence of interests among all or most of the membership and shared conceptions of the character and principal objectives of the organisation. In the case of the ACS these factors operated first, through divergent conceptions of the organisation's primary purpose as being integration vis-à-vis cooperation. We have argued that this divergence was implicit in an initial ambiguity in the specification of the role of the organisation but only became explicitly articulated in the context of operationalisation, the pressures of resource scarcity and the need to justify its existence.

Second, the critical success factors were mediated by a number of structural and conjunctural characteristics of the membership in the form of wide disparities in their size, economic structure and external trading relationships. These characteristics underlay the differences in conception referred to above and conditioned the interplay of contradiction, competition and complementarity in agenda setting that has been one of the notable features of the ACS's relatively short history.

To the extent that there is now consensus on the purpose and role of the ACS, the organisation appears to have set in place one of its critical success factors. Its future sustainability and effectiveness will turn on the ability of its membership to maximise complementarity and minimise contradiction and competition in its agenda setting and work programme. Presently this is expressed as agreement on consultation, cooperation and concerted action on trade, sustainable tourism, transport and natural disasters as the chief elements in the work programme—"the 3 C's for the 3 T's plus ND"-- and summarised in the form of the Greater Caribbean Zone of Cooperation as the guiding mission of the ACS. We can expect continued pressure on the cohesiveness of the ACS due to contradictory and competing short-term interests arising out of the dynamics of globalisation and hemispheric market liberalisation, such as in trade relations policy regarding the WTO, the FTAA, and the EU. Maintaining and enlarging this cohesiveness requires continuing emphasis on shared geographic space as the principal *raison d'etre* of the existence of the organisation and the basis of the coincidence of long-term strategic interest of its membership.

Endnotes

(1). Viz. the EU negotiations for Regional Economic Partnership Agreements (REPAs) with the ACP under the Cotonou Accord; and the impending negotiations between the United States and Central America for a Free Trade Agreement.

(2). Cuba, the Dominican Republic, Haiti and Panama. Haiti has since acceded to membership of CARICOM.

(3). Key factors in this were the active Caribbean policy of Cuba throughout the period and of Puerto Rico during the 1980s; and the diminishing isolation of the Dominican Republic and Haiti due to political changes in both countries.

(4). The G3 decision was taken at their Summit meeting in October 1993.

(5) The Aruba and the Netherlands Antilles, and France on behalf of French Guiana, Guadeloupe and Martinique.

(6). Negotiation of the agreement is now well advanced and signature is expected in 2003.

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