

FRANKLY SPEAKING

CANADA-CARICOM FREE TRADE AGREEMENT.

A Commentary.

In 2002, I was invited by Government to participate (at my expense) in a regional consultation in Dominica on a proposed Caribbean negotiation process towards a Free Trade Area of the Americas (FTAA). After preparation (in discussions with some professional associates) of a discussion paper and traveling down from Canada including two overnight airport stopovers to arrive in time, I was granted ten (repeat, 10) minutes to provide my input. With only time for a brief and summary overview, I left copies of my paper for further discussion and comment by regional conference participants and the various affected Ministries of Trade*. To date, I have heard not a word. So pardon me if I appear doubtful about the seriousness of purpose with which regional politicians and officials view all this posturing about SME, FTAA, C-C FTA, C-EU EPA, etc, etc, etc, except for how much money they can sweep off the negotiating table.

With regard to the specific subject of a proposed Canada-CARICOM Free Trade Agreement, I detect an element or wariness on the part of the Canadian government in approaching these negotiations, for good reason. After all, Canada is not a new-comer to the Caribbean region development dance and would have learned from its earlier involvement, at least since the days of the Federal Palm and Federal Maple fiasco, that too much store cannot be placed on what passes for logic and intelligent public decision-making process in the islands.

It should also be quite clear by now that donor countries, whatever their intentions (benevolent or opportunistic), are increasingly inclined to look beyond the words of Caribbean state officials to their own independent evaluation processes. No wonder then that Canada does not wish to be drawn into a long term commitment for so-called development funding within island jurisdictions which from even the most sympathetic of assessments are not economically viable on an individual basis. I think that it is equally offensive for Caribbean negotiators to approach the table seeking development support while firmly wedded to the *status quo* of the Chaguaramas Agreement. Small wonder then that while Canada may see a Trade Agreement as contributory to regional development, with some potential benefits to Canada, they would simultaneously propose that any development aid funding towards a more viable trade regime remain a separate and distinct exercise.

Even the most superficial observer would have learned from the CARIFORUM-EU Economic Partnership Agreement that there is high risk of dissipation of aid funding tied to trade with little prospect of a complementary and catalyst relationship, so long as the economic sovereignty arrangements buttressed by Chaguaramas continues. This is not an experience that Canada would want to partner or promote for several obvious reasons:

- 1. There is no clear mechanism for separating out for management, monitoring and control purposes, the respective effects of aid assistance from EU versus a probable Canada source either on a CARICOM-wide or territorial basis.**
- 2. Canadian Free Trade related development assistance to CARICOM could conceivably conflict with or be subsumed within EU-CARIFORUM EPA-related development assistance;**
- 3. Already, there is evidence of aid indigestion (ie, slowness in take-up of allocated development funds) among the CARICOM countries. Indications are that only the Dominican Republic has shown the capacity to put E_-EPA funding to good use.**
- 4. The predominant beneficiaries of development assistance will accrue to the larger sized, better endowed, more market-ready member states and unless the Chaguaramas protocols are revisited both on a political and structural level, the smaller island jurisdictions may be relatively (and even absolutely) disadvantaged. This would advocate a CSME at a minimum.**
- 5. Canada should logically be concerned by the slow progress towards the Single Market and Economy (CSME) framework for the CARICOM countries which though a movement in the right direction, is a far cry from an acceptable basis for effective trade.**
- 6. Canada might rightly be deterred by an aid program designed primarily on a technically-defensible basis in the absence of either a CARIFORUM or CARICOM political directorate capable of addressing welfare issues.**
- 7. In default of 6 above (and ideally in addition to 6 above), there is an absolute necessity for a binding framework within which allocation, implementation and monitoring and evaluation of aid might occur. It is unacceptable (though understandable) for non-CARICOM but CARIFORUM countries like Haiti and the Dominican Republic to resist a CARICOM lead on this or to subject themselves to outside political direction. It is equally unacceptable to displace this function to the lowest common denominator (ie, the individual jurisdictions). So we are in a catch 22 situation.**
- 8. One cannot support the position of the CARICOM proponents, who, while aware of this dilemma and the difficulties that flow from it, would place on the negotiating table for consideration by Canada, the concept and proposal for Separate and Different Treatment (SDT) of smaller and more fragile economies. Even within the CSME exercise, this is an approach that has not taken proper flight. Why should Canada buy into it now? The only viable solution which must be faced is the need for an integrated CARICOM economic environment subject to a commonly supported economic strategy and responsible to a political directorate. In other words, an Economic Union of the Caribbean !!**

Now, no one suggests that this scenario will emerge overnight but unless it guides the CARICOM team and the negotiating process is designed within this framework, what we have before us is a thinly disguised position of attempting to extract as much as can be taken from the Canadian partners for questionable purposes, incapable of effective application or monitoring. We, in the Caribbean, cannot keep regurgitating mantras that we know to be unworkable, and campaigning for propositions which have failed historically. Eventually, we will run out of sympathetic international partners or become protégés of self-serving and cynical foreign regimes or worst of all, become doomed as failed states. It is time to confront the bull!

Now as to the issue of a Trade agreement, *per se*, there are a number of considerations which bear mentioning. A trade agreement with Canada is not of critical importance to Canada. Economic viability and political and social stability of these islands on her doorstep is obviously of interest and concern. If a beneficial trade relationship provides one way of achieving that stability then it is desirable to do so. True, Canada has been active in the islands as early as the Triangular Trade and this has morphed into current major private investment interests in:

- (1) Mining (Jamaica, Trinidad, Guyana)
- (2) Financial Services (Royal Bank of Canada, Scotia Bank).
- (3) Tourism Destination Services. (Hotels and visitor services).

It is also conceivable that a variety of other investment opportunities for private Canadian capital may exist in several sectors where local/regional investment has been slow in coming forward, such as:

- (1) Offshore Tertiary Education;
- (2) Offshore Medical Services and Facilities, particularly Wellness Tourism;
- (3) Pharmaceuticals, Cosmetics, Nutraceuticals utilizing local products;
- (4) Information and Communication Technologies;
- (5) Fine Foods and Fashion Industries;
- (6) Household furniture and furnishing accessories;
- (7) Film, Promotions and Advertising;
- (8) Retirement and Nursing Care communities.....

to name a few imminent and attractively feasible possibilities.

On the CARICOM side of the equation, much more groundwork needs to be done to create a viable supply-side environment within which competitive production can occur and market penetration might succeed. I shall be developing this in a more detailed *FRANKLY SPEAKING*.... Discussion paper, but for the moment let me highlight what I believe to be the essential building blocks for this to emerge:

- (1) Regionalization of factor inputs;
- (2) Rationalization of input supply areas across the region;
- (3) Rationalization of location for manufacturing/processing operations;

- (4) Movement of capital, entrepreneurship, skills to meet production needs;**
- (5) Prioritization of Research and Development (new products, new techniques, new machinery etc)**
- (6) Systematic investment in social and physical infrastructure across the region to support the regional development agenda;**
- (7) A modern professional administrative system;**

And over-arching all of this, there must exist a Regional Development Framework or Action Plan, disaggregated in its essentials by territorial jurisdictions and a Regional political directorate with effective powers to make this concept work.

I submit that without thinking and action along lines such as these, we are just whistling Dixie. I attach for those serious about these things, a Menu of Discussion Items which might inform negotiations on a regional development agenda pursuant to Free trade. (Appendix A).

Appendix A.

- 1. A Region-wide Energy policy and programme encompassing alternative sourcing, exploration, extraction, generation and distribution including issues of environmental management, performance monitoring and legal remedies.**
- 2. Region-wide Environmental management policy particularly with regard to common maritime resources including dangerous goods transportation, pollution and dumping.**
- 3. Intra- and Extra-Regional Air and Sea transportation of passengers and goods including issues of border security and control**
- 4. Regional production of agricultural, processed and manufactured goods with special reference to quality, health and safety, standards and metropolitan market opportunities.**
- 5. Trade policy administration, market intelligence, facilitation and penetration.**
- 6. Foreign direct investment areas and sectors with special reference to local co-venturing, foreign partnerships and licensing, beneficial personal and corporate taxation regimes.**
- 7. Promotion of skills and technology transfer. Inducements and incentives to institute a regional “Brain Gain” as part of the development effort. Training, apprenticeships, internships for local personnel at overseas businesses, governments and institutions.**
- 8. Secondment of Nationals and Non-Nationals Resident Abroad to established research-oriented Centers of Excellence towards practical problem-solving, invention and innovation and design of new products for the market.**

***[See also: W.R.Franklin Watty, *Perspectives Surrounding Smaller Economies in a Free Trade Area of the Americas (FTAA)*, A paper presented to a Regional**

**Collaboration on External Trade Negotiations, Roseau, Dominica, West Indies,
October 17-18 2002. DAAS Discussion Papers. Economic Development Series.]**

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September 12th, 2010.**