

Caricom Integration

by

Hon. Gaston Browne

June 1, 2006 - The operationalisation of the CSM is a very important step for the integration, of Caricom economies. Notwithstanding the dissolution of the West Indies Federation in 1962, there is incontrovertible evidence confirming that integration works and that it is a basic requirement in the new global developmental architecture which is seeking to move developing countries from aid to a new dispensation trade. The USA is easily the most successful country on the planet assuming there is no other civilization. We have seen the success of integration in the USA, European Union, in Asia and in South America. Japan, is a typical example of an integrated island economy. If the individual islands comprising the nation of Japan were individual states, the country of Japan would not have been as nearly as powerful or as successful. Chances are they would all have been developing countries.

Integration is nothing new to the Caribbean. There has been movement of people in the region from time immemorial. Antigua & Barbuda has been practicing integration for decades and has benefited immensely. We have benefited from the movement of people, the movement of goods and services and intra-regional investments. Today, a large percentage of our population comprise of Caricom nationals who came here under a policy of almost unfettered free movement under the Antigua Labour Party Government. There have been significant regional investments made in Antigua including the Nevis Street pier which was funded by Republic Bank in Trinidad and this created an opportunity for us to double our cruise tourism passenger arrivals. RBTT Bank located on High Street, is a regional investment, Sandals is a regional investment, Clico, Life of Barbados and Sagico are also examples of regional investments that have benefited Antiguan & Barbudans. These businesses are owned presently by other Caricom entities but it is not inconceivable that the opportunity may arise for some of them to be owned and controlled by Antiguan in the future.

We saw this transformation in the ownership of Dews and Brysons which were once above the economic means of local investors but were subsequently purchased by an indigenous Antiguan family, the Winter family.

Whereas we may not be competitive in certain economic sectors, the generalisation that Antigua & Barbuda cannot compete regionally is flawed. In fact, we live in a competitive global economy therefore, competition is not regional but global. As Antiguan and Barbudans, we have the intellectual capacity and the creativity to be globally competitive.

We should not be fearful about regional competition instead we should continue to position and develop our people to achieve global competitiveness. We have witnessed this global competitiveness with the Stanford International Bank, an Antiguan based offshore bank which is globally competitive with several billions, United States Dollars in assets. This business grew exponentially from a small offshore bank to a major global player. Other than the employment provided for Antiguan and Barbudans, we have benefited from the bank's consumption of local

services, foreign exchange earnings, fees and loans for development in excess of EC\$200M from the Standford Group of companies.

It is true that we cannot compete in all areas, but this is equally true for all countries. Every single country on the globe has trading limitations. For eg. China is a major manufacturing power, the “supermarket of the world” but their tourism and financial services sectors are insignificant compared to their manufacturing and agricultural sectors. Their offshore financial services sector is even more insignificant when compared to the financial services sector of other countries including small island states like Cayman Islands and the Channel Islands.

It is well known that we do not have the competencies to compete effectively in certain areas including manufacturing and agriculture and that is why these sectors combined contribute less than 10 percent of GDP. That is the primary reason why Antigua & Barbuda diversified its economy out of agriculture into services including tourism and financial services.

Whereas, agriculture and manufacturing has strategic significance for food security, nutrition of our people and for our country’s balance of payments as well as, our foreign exchange position, we do not have the inherent competitive competencies to make these sectors the primary drivers of our economy. The evidence is there to support that our area of competence is in the provision of services and that diversification into services has improved our living standards. Services is the major driver of all developed economies while the majority of people in most agriculturally based developing countries continue to live in poverty. Today, we live in a services dominated, information technology age and not an industrial or agrarian one. It begs the question as to whether some of these individuals are positing the regression of Antigua & Barbuda into an agriculturally based society.

The CSM will provide Antiguan and Barbudans the opportunity to invest in other countries in the region that have greater competencies in manufacturing and agriculture. This in itself could be strategic for a number of businesses. For example, a local retailer of timber could achieve vertical/backward integration by investing in a timber mill in Guyana. Someone involved in the food retail industry could invest directly in rice and sugar production and achieve this type of economic integration. Similarly, there will be opportunities for other businesses within Caricom to establish service based businesses in our country including tourism and financial services in keeping with the competence of our country thereby supporting stronger economic growth and development nationally.

Antigua & Barbuda has always been one of the prime investment destinations within Caricom. Our country’s economic stability, buoyancy and relative low levels of crime would make Antigua and Barbuda more ideal than several of the More Developed Countries (MDC’s) for the establishment of these service based industries. In fact, based on the crime situation in Jamaica, Trinidad and Guyana and the stability and buoyancy of our economy, I could see Antigua & Barbuda benefiting from a disproportionately large amount of intra-regional investments. The issue about other Caricom nationals moving their small domesticated niche businesses to displace Antiguan and Barbudans is unlikely since it would be either be too risky for them to enter a new market or they simply would not have the resources to enter into a new market because of their small size.

There is no need for us to become xenophobic over the operationalisation of the CSM. The reality is, Antigua & Barbuda despite its small size has been competing effectively in a number of social and economic areas. Socially, we have competed effectively in the Calypso/Soca arena with the likes of King Short Shirt, King Obstinate, Swallow and Burning flames. In cricket, Viv Richards, Andy Roberts, Riche Richardson etc. In recent times we have seen Antiguan Businessmen expanding their businesses regionally and internationally. ABIB has recently acquired a bank in the Turks and Caicos Islands and they now have a presence in the U.S. Their offices in these countries are manned by Antiguan and Barbudans. Rob Barret, Antiguan Resorts has evolved from an Antiguan business into an international business with resorts in St. Lucia, St. Vincent & the Grenadines and Florida. Hadeed Motors now have a car dealership in Trinidad and Tobago. Several years ago, an Antiguan firm Johnson Construction exported construction and engineering services throughout the Caribbean.

There are some who are deliberately distorting the facts about the CSM by exploiting the genuine fears of our people. The irony about it is that these opportunistic individualists are arguing that they support the CSM but yet still rather than dealing with the genuine concerns of the CSM and perhaps the present Government's inability to effectively manage these issues, they are seeking to derail a process that has been taking place for decades in order to promote their selfish and political agenda's. This is extremely dangerous since our present focus appears to be based exclusively on the potential dislocations. In as much as the inequities in the treaty must be addressed, it is equally important that we position ourselves to capitalise on the social and economic opportunities that the CSM and wider integration of the region will bring to individual member states and the region as a whole.

I have no problem with the genuine concerns that are being raised. For example the assessment for Antigua & Barbuda to pay US\$14 million to the Regional Development Fund is inequitable and must be resisted. The need for derogations on the removal of certain restrictions including the non citizen land holding license is real and desirable. There may also be a need for derogations to protect certain industries and businesses until such to time that they achieve competitiveness. However, these should not be utilised as a mechanism to institutionalise inefficient production. It is good that these issues are being flagged for corrective action but we should not encourage these individualists to use these genuine concerns and their spurious arguments to derail the integration process.

They argue spuriously:

- That there will be a drastic reduction in revenues on international trade as a result of the operationalisation of the CSM. This assertion is simply false. The reality is, the CSM has been operational even without the completion of certain formalities. The Antigua Labour Party Government committed the people of this country to a common external tariff in 1992 which has been phased in over the years and there has been no reduction in taxes on international trade. To the contrary, these revenues have increased consistently year after year.
- That prices would increase. To the contrary prices are likely to reduce as we achieve greater economies of scale through the integration of markets and businesses. In fact, inflation has been at an all time low in the region and this has happened against the backdrop of increased intraregional trade which increased from under EC\$100 million in 1963 to approximately EC\$10 billion today.

- That Caricom Nationals would flood Antigua & Barbuda as a result of the passage of the Caricom Movement of Factors Act. This act, which is a harmonized piece of legislation, common to all member countries further legitimises and will make the age old movement of skilled Caricom nationals, hassle free. The act will facilitate the free movement of skilled nationals but it is not the determinant for the movement of people. It is the requirements for skilled individuals and the economic opportunities that will ultimately determine the demand. If free movement was exclusively responsible for creating demand, then perhaps all of Montserrat would have been in Antigua today considering the existing volcanic crisis and the negative impact on their country's economy and their personal safety. That being the case, perhaps more Antiguan would have moved to Barbuda. The point I am making is, ultimately, it is the demand for the skills and the economic opportunities that will determine the movement of people.

If the economy of Antigua becomes stagnant, there will be no need for additional skilled and unskilled individuals and Caricom nationals would simply go elsewhere. If however, the economy achieves the double digit rate of growth as predicted by the UPP Government then we will need to import additional labour both skilled and unskilled to support this rate of growth resulting in further dilution of the indigenous population.

- They argue that the Movement of Factors Act will take away our Antiguan identity and that the act gives these Caricom Nationals the right to vote in our general elections. That's deceitful xenophobic political spin. Even when we had the British Caribbean Federal Act of 1956, we maintained our Antiguan identity. The act in essence, defined a national as a citizen of a member state. In other words, in order to be accorded certain national treatment an individual must be a citizen or the entity must be controlled by a citizen of the member state in opposed to a resident who is not a citizen. The act clearly recognizes and differentiates between a national of a Member state and a national of Antigua & Barbuda. National treatment as enshrined in the treaty and the harmonized enabling legislations are limited to:
 - The right of establishment
 - The right to provide a service
 - The right to move capital
 - The free movement of skilled nationals.

These individuals have no right to vote in general elections until such time that they satisfy the requirements of the Constitution of Antigua & Barbuda and the requirements as enshrined in the Representation of the Peoples Act. Therefore the argument that they have a right to vote is erroneous.

We need people to develop, especially skilled people and if it is that Antigua & Barbuda is the desired destination for skilled nationals then that in itself will provide Antigua & Barbuda with a competitive advantage especially considering the shortage of skills in the region ("brain drain") which has been posited as one of our developmental challenges.

The irony about all this is that the individualists have failed to make similar arguments against extra-regional labour and capital. Cases in point, we have actively sought and attracted extra-regional investments and have offered them the rights of establishments including licenses to own land which incidentally have been granted almost invariably. How could we justify

depriving Caricom nationals, our espoused brothers and sisters the right of establishment when there are no restrictions preventing any person or entity on the globe from establishing a business in Antigua? Over the years, we have allowed people from all walks of life the right to move to Antigua and to practice in various professions. Presently our Government is seeking to import doctors and nurses from the Philippines. How could we rationalize this lack of commitment to our Caricom brothers and sisters? Perhaps it is a cultural problem in which we do not believe in our very own.

I accept that there are some concerns involving the CSME that should be addressed but I do not believe that it necessitates derailing the integration movement that has been taking place since the formation of Carifta by our late father of the nation, Sir, VC Bird, Burnham of Guyana and Barrow of Barbados. From since that period in 1963 when Carifta was formed and its subsequent evolution into Caricom, intra-regional trade increased from under 100 million annually to approximately 10 billion and the living standards of Caricom people barring Haiti which only became a member in 2002 have improved. Antigua has been at the forefront of the integration movement and we should remain at the forefront. There is no doubt that we have benefited immensely from the integration process. Our Caricom brothers and sisters have made immense contributions towards the advancement of our country. They brought certain skills to the country and they contributed immensely to our country's population growth and economic development. We have benefited from functional cooperation as a result of our membership of Caricom from various regional institutions in Education – Caribbean Examination Council (CXC) Health – Caribbean Environmental Health Institute (CEHI), Disaster Management - (Cedera), Labour - Caribbean Congress of Labour (CCL), Finance - Caribbean Development Bank (CDB), Eastern Caribbean Central Bank (ECCB), among others. We have benefited from shared costs in a number of areas including international representation. There is also the potential for improved economic performance through the harmonization of incentives and regional marketing initiatives.

They are some who are opportunistically seeking to make the CSM into a partisan political issue instead of a developmental issue even contrary to their espoused belief and commitment to the process. Obviously their espoused commitment is far different from their commitment in practice. It was certainly a partisan issue under the UPP while in opposition. For example, when the Caricom Skilled Nationals Act was debated and subsequently passed by the ALP in 1997, the UPP opposed the bill vehemently for some of the very reasons being espoused by these opportunists. Caribbean integration is part of the legacy of the Antigua Labour Party, we are firmly in favour of the integration process and will remain responsible with our position on the CSM/CSME and the integration process as a whole while protecting and promoting the national interest. We recognize the need to approach the debate responsibly from a developmental standpoint especially considering that we are likely to resume the governance of the country in the very near future and will be called upon to preside over the continued integration of the region.

I believe that some among us are being penny wise and pound foolish. There is likely to be some dislocation in the process of integration but I have no doubt that these fallouts could be mitigated with skillful management and that the benefits will be immense compared to the fallouts. Our focus, instead of seeking to derail a process that has been ongoing, with the gradual removal of barriers to trade and investments, is to utilize the protective mechanisms enshrined in the treaty including requests for derogations, special and differential treatment and assistance as

appropriate and to position our people to capitalize on the opportunities. These safeguards are enshrined both in the treaty and the movement of factors legislation which mirrors the treaty and is, in essence, a piece of enabling legislation. I see an opportunity for Antigua & Barbuda to become the financial, tourism and information technology centre within Caricom. This is where our competitive advantage lie, this is the niche that we should be seeking to create within Caricom. There is also the opportunity for our country to upgrade Antigua State College into a campus of the University of the West Indies to service the Leeward Islands since our population may be too small to sustain a full fledged university campus.

Since Trinidad's strength is in manufacturing based on its cheap energy, let Trinidad continue to serve as the primary area of manufacturing production.

In order to share in the benefits of that sector we should be encouraging our people especially our manufacturers to seek strategically integrative opportunities in Trinidad and the other member states, be it ownership (including mergers and acquisitions), distributorship, or some form of strategic alliances with entities in the other member states. The same is true for Guyana's competence in the production agricultural products and timber. The challenge is for each state to be developed in accordance with its natural competencies and integrating these economies in the national and regional interests.

As indicated earlier, there are safeguard measures within the Caricom treaty and the various enabling legislations including the application of restrictions to address any real or perceived threat that is inimical to the development of a member state. I have no doubt that the concerns that could impact negatively on certain sectors of the economy could be mitigated through skillful leadership and negotiations by the Government. If it is, that we are saying that the UPP Government does not have the commitment to Caricom nationals or skills to negotiate effectively then, that's a management issue and should not be confused with the overall good of the integration movement.

At the end of the day, I recognize that this issue is a very emotional issue that would continue to be dominated by fears and misinformation which have now skewed the basic assumptions, the values and beliefs of a wide cross section of our population to the extent that the consensus appears to be that there are no benefits for our country's participation in the CSM. Whereas this may be the prevailing sentiment that is being exploited and embedded into the consciousness of our people by these opportunists, I believe that the integration process which is an ongoing process will survive and may be even further accelerated by some precipitative event that will change our basic assumptions and bring us to the reality that our respective countries are no longer viable as individual units in the new global trade architecture.

We missed the opportunity to integrate in the national and regional interests with the dissolution of the West Indies Federation in 1962 let us not miss the opportunity in 2006.

Finally, I hope that this article will help to contribute to the debate and bring some balance to the debate on the merits and demerits of the integration process. In addition, I trust that there would be some moderation to the unnecessarily harsh criticisms of the CSM, that the individualists would see the need for integration and put an end to their efforts to derail the integration process.

Hon. Gaston Browne

Opposition Member of Parliament for St. John's City West Antigua

Tel #s: 268 -461-6782; 464-7347

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