

JAPAN-CARICOM PUBLIC SEMINAR ON CLIMATE CHANGE AND BIODIVERSITY

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ECONOMY, TRADE AND INVESTMENT

The CARICOM Single Market

In 1989, The Heads of Government of the Caribbean Community determined to establish a Single Market and Economy among their membership in the shortest possible time.

This initiative arose from two main sources:

First the negotiations to restructure international trade in goods and services under transparent and legally binding rules were well underway. The region had to be reconfigured to this new reality.

Secondly, the Community recognised that the many resources of the region should be more accessible to intra-regional investors and consumers. The removal of barriers to regional trade and investment would serve to stimulate economic growth within the region.

The CARICOM Single Market

This led to the CARICOM Single Market being established in 2005.

Twelve CARICOM States committed to the CARICOM Single Market in 2006- Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts-Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago.

The CARICOM Single Market has been notified to the World Trade Organisation (WTO) as a functioning trade and economic agreement which is fully compliant with international trading rules.

Several institutions now serve the Community by monitoring and strengthening the integration system. Key to the daily operations of the Single Market are:

- the CARICOM Secretariat,
- the Caribbean Court of Justice,
- the CARICOM Competition Commission
- the CARICOM Development Fund

The CARICOM Single Market

Investment

The Caribbean Community (CARICOM) Investment Policy regime is currently evolving into a comprehensive framework for the attraction and promotion of private sector investment (national, intra-regional and foreign) in support of the development objectives of the Community

Within this context, the intention is to transform and market the Community as a single investment space based on the locational advantages of individual Member States. This intention is reflected in the provisions of the Revised Treaty of Chaguaramas and underpins the investment policy framework which is currently being designed for the Community.

The CARICOM Single Market serves to ease the movement of entrepreneurs and other investors across the Community.

Each CARICOM National has the right to set up any business activity in any of the twelve participating states without restrictions on the basis of nationality. The Revised Treaty mandates that all such restrictions be removed and prohibits their introduction within the economic space.

The CARICOM Single Market

Investment

CARICOM states are very reliant on investment flows. The intra-regional effort to remove restrictions and simplify business facilitation for commercial interests serves to make the region more accessible to extra-regional investors and regional investors alike.

The main positive elements of the investment policy environment include:

- Private enterprise driven economies with private property rights protected;
- Generous investment incentives offered for extended periods of time;
- Discriminatory treatment of foreign investment eliminated in many areas;
- The right to compensation in cases of expropriation recognized in the law;
- Government ownership concentrated in a few major, basic sectors, but privatization activities have progressed;
- A network of double taxation and bilateral investment agreements with a number of countries;
- A stable legal and regulatory framework in place for establishing an investment and operating a private business;
- No legal limits on financial remittances abroad;
- Stable industrial relations climate;
- Educated, skilled, and disciplined labour force;
- Political and social stability.

The CARICOM Single Market

Investment

Table 1
Foreign Direct Investment Inflows (FDI) to CARICOM States
(2000-2008) (US\$Million)

Economy	2000	2001	2002	2003	2004	2005	2006	2007	2008
Antigua & Barbuda	52	57	80	179	95	133	207	358	255
Bahamas	250	102	153	147	443	564	706	746	700
Barbados	19	18	17	58	-12	62	36	233	133
Belize	23	60	50	58	112	127	73	140	179
Dominica	14	15	12	20	27	33	34	61	60
Grenada	287	444	61	85	66	86	119	190	168
Guyana	67	56	44	26	30	77	102	152	178
Haiti	6	8	6	26	160	75	30
Jamaica	456	614	481	721	602	682	850	867	789
Montserrat	4	1	2	2	3	1	1	6	2
St Kitts & Nevis	99	90	81	67	53	104	203	164	94
St Lucia	58	63	55	102	81	82	119	259	110
St Vincent & Grenadines	38	21	37	55	66	42	85	117	95
Suriname	-97	-27	-74	-76	286	399	323	316	-234
Trinidad & Tobago	680	835	791	808	998	940	788	830	3,047
CARICOM Inflows	1,950	2,349	1,796	2,260	2,856	3,358	3,806	4,514	5,606
Annual Growth Rate	-1%	20%	-24%	26%	26%	18%	13%	19%	24%

The CARICOM Single Market

The Single Economy

CARICOM is committed to completing a Single Economy among its membership. However much remains to be done to ensure the success of the Single Market, the foundation for the Single Economy. Studies have been commissioned, and convergence targets set to design the best programme and sequence for the Single Economy. An implementation target of 2015 is in place but is likely to be revisited in light of the impact the current global crisis has had on all Members.

The CARICOM Single Market

Trade in Goods

Goods have been traded without duties among CARICOM states for many years provided that they meet Community Rules of Origin.

Single Market rules prohibit the application of tariff and non-tariff barriers to the movement of all CARICOM goods.

The only exceptions to free trade are those goods which present risks to human, plant or animal health; and raise national security concerns.

There is therefore full consistency with internationally agreed trade rules by the CARICOM states.

The CARICOM Single Market

Trade in Services

Services are traded without restriction in the Community.

As a region whose main exports are tourism services, transportation and related services have long assumed a prominent place in these economies.

The Treaty requires the removal of all restrictions to such trade and prohibits the imposition of barriers in the future. Given the high degree of intra-regional movement of persons consuming services while abroad, and the establishment of businesses across the Community, the reference to restrictions mainly relates to the movement of persons on a temporary basis.

The Treaty effectively assures the free movement of CARICOM service providers who meet standard regulatory requirements.

The CARICOM Single Market

Movement of Capital

The Revised Treaty provides for a single economic space which prohibits the restriction of capital. Article 40 of the Revised Treaty envisages the freedom of CARICOM Nationals to transfer money through bank notes, cheques, electronic transfers and other mediums of exchange without prior authorization. It also provides for the trade of shares and other financial products freely within the area.

The provisions of Article 40 have not yet been fulfilled. This is due in part to the maintenance of fixed exchange regimes in two states, Barbados and Belize and the need for greater harmonization on macroeconomic matters.

The CARICOM Single Market

Movement of Capital

While investors, consumers and entrepreneurs can move funds across the Community for commercial purposes; the maintenance of exchange controls by any state presents a conflict with the ambitions of the Community. In the absence of a single currency or floating exchange rate regimes across the Single Market, the free movement of all forms of capital is not possible.

Every effort is being made to minimise the impact of exchange controls on cross-border economic activities, and increase levels of cooperation among Members on matters of financial regulation in particular.

The CARICOM Single Market

Movement of Skilled Labour

As a first step towards the Single Economy, ten categories of Skilled Workers from CARICOM states are permitted to move from one state to another to seek employment, and reside indefinitely, while working. Practically all skilled labour is accommodated by the Single Market.

The ability to secure the services of skilled labour is vital to the development of successful enterprises and economic growth of states.

The CARICOM Single Market

Movement of Skilled Labour

The Treaty effectively serves to empower CARICOM Nationals to move to desired occupations with greater flexibility than that permitted through use of the work permit regime. Work permits usually limit the employer and employee to specific timeframes and areas for work. The Treaty eliminates those constraints for skilled labour.

The CARICOM Single Market

Future of CSM

The Revised Treaty of Chaguaramas was negotiated and drafted when the WTO was in its infancy.

It was intended to position the region to interact successfully with larger and more developed trading partners while improving national and regional production systems.

Despite completing negotiations with trading partners for new WTO compliant trade agreements, the internal dimension of the Community is in need of attention.

Therefore, ten years after its signature, the Treaty is undergoing review.

The CARICOM Single Market

Future of CSM

The objectives of the Treaty include full employment of labour and other factors of production.

A full audit of the CSM has led to the identification of certain deficiencies within the CSM architecture.

Recommendations have been made to address the technical, financial and institutional shortcomings at the national and regional levels which may have constrained the operations of the Single Market.

In October 2009 the Prime Minister of Barbados, as Lead Head of Government with responsibility for the CSME, convened a Convocation on the CSME for the stakeholders – government, private sector, civil society and labour representatives.

The CARICOM Single Market

Future of CSM

Each stakeholder grouping affirmed the objectives of the CSME and urged its completion. With such a resounding mandate, the Community is intent on refining and improving the Single Market.

The gradual emergence of the global economy from a deep and complex recession compels CARICOM to redouble its efforts at cooperation and integration. A far more competitive international economy is awakening to new forms of regulation and reduced demand for certain goods and services. CARICOM must reexamine its modus operandi and recommit to raising the quality and volume of its production of goods and services.

The CARICOM Single Market

Conclusions

CARICOM is open for business. Any employer can secure skilled labour from any of the twelve participating countries.

Exports of Community Origin must not be confronted with any form of obstruction when entering a CSME state. CARICOM Service Providers and investors must receive national treatment when pursuing their economic activities. Discrimination on the basis of nationality only is not permitted when conducting commercial activities within CARICOM.

The Community, while proud of its collective advances, is reviewing its operations with a view to making its institutions more adaptable and responsive to the needs of its membership.

The CARICOM Single Market

Conclusions

It is expected that as employers and investors maximize their access to the resources available within the Single Market, the economies of the region will trade more with both traditional and new trading nations.

CARICOM is more than an economic arrangement. While the CSME is a trade and economic agreement, the Community of nations comprising CARICOM enjoy a shared history and culture which bodes well for increased levels of cooperation among states and deeper integration in the future.