

# Opportunities for the Caribbean

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Prepared and Presented by  
Dr. Leroy Almendarez  
Director General of Foreign Trade-Belize

# Outline

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iv. Rights of establishment

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“Let this re-enactment today be not just a physical dramatization of our past but a tangible re-dedication to the future. “Let it be the reincarnation of the spirit and intent of the charter of July 4, 1973. Let today become our moment for a new resolve, for rejuvenated determination and consciousness.”

**Trinidad and Tobago Prime Minister Kamla Persad-Bissessar**

“We, the Caribbean, are great peoples, whose spirit continues to infuse the world with music, colour, spice, vibrancy, excitement. “No challenge can daunt our people who created the technology that makes sweet music from steelpan. “No problem can stop people whose reggae musical forms have inspired revolutionary change across the world.

**Jamaica Prime Minister Portia Simpson-Miller**

## Introduction

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- i. In July 1989, the political leaders of the Caribbean Community decided to move the Caribbean economic integration process forward from a common market to a single market and economy.
- ii. The rationale given was that it was the appropriate regional response to the severe economic challenges posed by trade liberalization and globalization.
- iii. Essentially the political leadership views the CSME as pushing the Region towards greater economic competitiveness in response to the new international economic order dominated by marketization and the loss of preferences.
- iv. In 2006, after a period of seventeen years, the CSME was established.

# The Challenges and Opportunities of Trade Liberalization and Globalization

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- i. Increased economic competition as a result of the dismantling of trade preferences of some of the Region's major export commodities and the general lowering of trade barriers;
- ii. Additional trade liberalization initiatives in the not too distant future (WTO, FTAA, EPA);
- iii. Pressure on external sector performance as a result of (i), contributing to increased external borrowing, higher external debt;
- iv. As a result of (i), stagnation, decline and/or significant economic adjustment in some industries – bananas, sugar, manufacturing;
- v. Reduced real income growth as a result of the inability to compete;
- vi. Reduced employment, increasing poverty and income inequality against a background of substantial poverty in some countries;

# CARICOM Strategic Plan 2015-2019

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Arising out of the consultations, a number of areas of intervention are identified in the Plan but given our limited resources, the Heads of Government recognised the need to further prioritise. They therefore agreed on the following high-priority areas for focused implementation over the next five years:

- i. Accelerate implementation and use of the CARICOM Single Market and Economy (CSME);**
- ii. Introduce Measures for Macro-economic Stabilisation;
- iii. Build Competitiveness and Unleash Key Economic Drivers to Transition to Growth and Generate Employment;
- iv. Human Capital Development;

# CARICOM Strategic Plan

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- vi. vi. Advance Health and Wellness;
- vii. Enhance Citizen Security and Justice;
- viii. Climate Adaptation and Mitigation and Disaster Mitigation and Management;
- ix. Develop the Single ICT Space;
- x. Deepen Foreign Policy Coordination (to support strategic repositioning of CARICOM and desired outcomes);
- xi. Public Education, Public Information and Advocacy;
- xii. Reform of the CARICOM Secretariat, the Organs, Bodies, Institutions and Governance Arrangements.

## Overview of the CSME

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The key elements of the CSME as proposed in the Revised Treaty of Chaguaramas are:

- i. Free movement of goods and services (Common Market);
- ii. Rights of establishment (Protocol II);
- iii. Free movement of capital (Protocol II);
- iv. Free movement of labour (Protocol II);
- v. Common trade policy (Protocol IV);

## Overview of the CSME

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- vi. Economic, fiscal and monetary policy harmonization (Protocols III to V);
- vii. Harmonization of policy with respect to competition, consumer protection including sanitary and phytosanitary measures; dumping and subsidies (Protocol VIII);
- viii. Support to disadvantaged countries, regions and sectors (Protocol VII);
- ix. Other policy harmonization (transportation policy (Protocol VI); company policy; intellectual property; technology; banking and securities; standards and technical regulations; commercial arbitration).

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## Initiatives of the CSME

# CARICOM Capital Market

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## Introduction

The CSME market space encompasses a total population of approximately 16.4 million, a geographic area (land and sea) of about 2,963,186 km<sup>2</sup>, with a combined estimated GDP in 2014 equivalent to approximately US\$68.87 billion. Applying the 2014 average savings rate of 9% to the latter produces an indicative US\$6.2 billion potentially available quantum of investment.

Deep and liquid securities (or capital) markets are regarded as a hallmark of vibrant financial systems and a very valuable complement to bank-source financing.

## CARICOM Capital Market

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- i. fully integrated securities markets among member states.
- ii. All such projects inevitably have long delivery cycles, times primarily due to the often complex political and technical processes involved in smoothing out various asymmetries between the constituent member states.
- iii. In general terms, the value of active capital markets is the promotion of efficient and effective mobilisation of savings into investment, thereby stimulating economic growth and development.

## CARICOM Capital Market

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In specific terms, the (inter-related) potential benefits of securities markets may be identified as the following:

- **Diversification of funding sources:** funding streams derived from issuances of equity or debt securities provide a valuable alternative to bank financing for long term capital needs, which serves to increase the quantum of funding available, improve access thereto and avoid over-reliance on banks;
- **Enhanced economic resilience:** capital market financing options reduce economic vulnerability to credit constrictions in the banking sector, and writ large, a vibrant regional capital market would reduce reliance on and exposure to volatile external capital inflows;

## CARICOM Capital Market

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- **Improved risk and capital allocation:** capital markets are shown to be better at mobilising long term funding and venture capital; transmitting demand and supply signals (vis asset prices), thereby directing capital flows to their most beneficial economic use; and at distributing risk – certain investors are better placed than banks to assume risk and are better able to absorb losses;
- **Decrease in cost of capital:** a wider array of funding options increases competition and contestability in the funding markets, which normally operates to reduce the cost of capital.

# Engineering an Integrated Capital Market for CARICOM

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- The framework principles that should inform the development of a fully integrated CARICOM capital market are co-extensive with the imperatives of the RTC in relation to the creation of an internal market (that is, the ‘freedoms’) and with the international standards promulgated by the International Organization of Securities Commissions (IOSCO) in relation to the regulation of securities markets.
- This means that the intended end state for CARICOM is free-flowing cross-border (if not borderless) economic activity inherent in a single market. In securities market terms, this translates **into any CARICOM issuer, investor or market intermediary being able to issue/sell, buy and deal, respectively, in securities in any member state, without ‘border friction’**. The principles on the IOSCO side are three-fold: 1) **investor protection**, 2) **ensuring that markets are fair, efficient and transparent** and 3) **reduction of systemic risk**.

## Trade in Services

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- i. General Agreement on Trade in Services (GATS) under the WTO
- ii. Trade in Services within CARICOM/EU-CARIFORUM Economic Partnership Agreement
- iii. A focus on Cultural Industries

# Services

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Under GATS, Services represent the fastest growing sector of the global economy and account for two thirds of global output, one third of global employment and nearly 20% of global trade.

## Modes of Supply

- i. services supplied from one country to another (e.g. international telephone calls), officially known as “**cross-border supply**” (in WTO jargon, “mode 1”)
- ii. consumers or firms making use of a service in another country (e.g. tourism), officially “**consumption abroad**” (“mode 2”)
- iii. a foreign company setting up subsidiaries or branches to provide services in another country (e.g. foreign banks setting up operations in a country), officially “**commercial presence**” (“mode 3”)
- iv. individuals travelling from their own country to supply services in another (e.g. fashion models or consultants), officially “**presence of natural persons**” (“mode 4”)

# Services

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## EU/CARIFORUM Economic Partnership Agreement

- i. The picture on implementation on the EU side is difficult to determine in practice since consultations indicate that few CARIFORUM service suppliers have actually attempted to contest the EU market under the Agreement.
- ii. Access to the EU by CARIFORUM service providers is frustrated by the requirements and challenges involved in obtaining Schengen visas.
- iii. While there has been progress in negotiations on mutual recognition for some service sectors, they have remained inactive for others. Some jurisdictions allow for a review of foreign qualifications and reciprocity that would allow for recognition.
- iv. Where dialogue and (non-financial) cooperation is provided for – notably for the cultural sector – there has been agreement on broad modalities but still only very initial activation of the range of provisions to support services trade. This represents an underutilized opportunity that could itself assist with implementation efforts in both CARIFORUM and the EU, in particular in relation to regulatory issues and standards as well as institutional capacity.
- v. The creation and strengthening of service coalitions and organizing service sectors is a clear achievement. However, questions as to sustainability remain.
- vi. While enquiry points – a key mechanism to facilitate trade in services under the Agreement – have been established, they have not been adequately mobilized or utilized and there are concerns about their effectiveness.

## Services Tracked by CARICOM

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- i. Transportation services
- ii. Travel and Tourism
- iii. Communication services, including postal, courier and telecommunications
- iv. Construction services
- v. Insurance services
- vi. Financial services including offshore financial services
- vii. Computer and information services
- viii. Legal services - Miscellaneous business professional and technical services
- ix. **Accounting and related services - Miscellaneous business professional and technical services**
- x. Engineering and related services - Miscellaneous business professional and technical services
- xi. Research and development
- xii. Other business services
- xiii. Education services Personal, cultural and recreational services
- xiv. Health services
- xv. Entertainment services including cultural services and live bands
- xvi. Distribution services Other trade related services
- xvii. Services incidental to the energy industry Misc. Business, professional & technical

## Cultural Industries

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Cultural industry refers to the various businesses that produce, distribute, market or sell products that belong categorically in creative arts. Such products could include clothing, decorative material for homes, books, movies, television programs, or music

## Cultural Industries

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fostering a regional environment conducive to the development of the cultural industries

- i. Creation of an enabling environment for creative industries through the development, implementation, and harmonization of government policies on trade, industrial, and intellectual property policies relevant to the sector.
- ii. Preservation of proactive policies aimed at promoting cultural diversity and investment in the cultural sector in bilateral and multilateral negotiations (e.g., WTO) and in interregional arrangements (e.g., Economic Partnership Agreements), for example, through negotiation of improved market access in trading partners' markets.

## Cultural Industries

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Harmonization, simplification, and implementation of intra-regional trade measures to facilitate the deepening of the regional market; for example, common customs regimes and procedures, and national skills certification procedures

## Some Key Issues

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- i. freedom of movement of cultural workers and equipment
- ii. expansion of the professionals listed in the category, and greater precision in defining their function.
- iii. Also important is a reduction of tariffs and taxes on inputs for creative products.
- iv. Adoption of the Carnet system to facilitate less costly movement of cultural goods for exhibition and promotion overseas.
- v. Harmonization of trade measures applied to extra-regional partners, such as the Common External Tariff, and procedures for issuing work permits to extra-regional practitioners in creative industries.

## Some Key Issues

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- vi. Increased public-private consultation in culture-related policy making and training of officials on the particularities of creative industries.
- vii. Increased stakeholder awareness building initiatives on the policies that affect the creative industries.
- viii. Improve data collection systems, document the economic impact of the cultural industries, and establish benchmarks, targets, and policy measures to promote employment generation, enterprise development, industrial upgrading, and export expansion.
- ix. Increase local and regional content on the airwaves (e.g., radio and TV) through local content legislation/regulation where needed. Encourage and facilitate the “uploading” of local and regional content onto the World-Wide-Web, for example, through the webcasting of festivals and events.
- x. Develop cultural industry associations to represent the interests of the sector and also to develop a code of ethics and standards for remuneration rates and work practices, particularly for cultural workers who provide services to private investors.

## Some Key Issues

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- xi.** An overarching regional council of industry associations would help to achieve some critical mass in terms of networking and advocacy.
- xii.** Incentives should be provided for the establishment of such entities and funding allocated to defray costs of operation where necessary.
- xiii.** Improve access to finance, credit, and business support services for emerging and export-ready firms and artists, and educate financiers on valuing intellectual capital.
- xiv.** Establish booking agencies and trade/export facilitation centers. Much of this can be done through aggregator web sites.
- xv.** These measures should be matched by market development grants and financing for participation in trade fairs.
- xvi.** Introduce incentive regimes specific to creative industries. For example, tax incentives to individual artists; tax concessions to purchasers of Caribbean products; tax concessions for importers of specialized equipment and material that are used as inputs into the creative process or production.

## Some Key Issues

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- xvi. Copyright exploitation, protection, and collective administration are vital components of the industrial and export upgrading agenda.
- xvii. Parallel initiatives are required in anti-piracy and public awareness campaigns in the regional and diasporic markets.
- xviii. National and regional rights management centres need to be established for multiple areas of the cultural industries (e.g., music, book publishing, visual arts).
- xix. Develop and execute strategies for increased linkages between the cultural industries and the wider economy, for example, distribution, education, financial services, and tourism.
- xx. In the latter, this could be done through festivals like the Caribbean Festival of Arts. Facilitate and encourage new marketing strategies targeted at the diasporic and intra-regional markets as well as cultural tourists.
- xxi. Improve accessibility to broadband Internet services to facilitate alternative broadcasting, marketing, and distribution of cultural goods, services, and events.
- xxii. Establish a stronger e-commerce platform and a regional warehousing and fulfilment system for sales and distribution of cultural goods and services.

## Some Key Issues

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- i. Upgrade the human resource capabilities of the cultural sector through technical training in the arts at the secondary and tertiary levels, as well as training in arts administration, management, and cultural entrepreneurship.
- ii. Increase funding and human resources for regional art institutes, forge alliances with similar institutions overseas, and establish scholarships for training.
- iii. The marketing and branding of the region's cultural industries requires significant investment. The region already enjoys much market appeal.
- iv. This needs to be translated into stronger commercial opportunities for distribution over the Internet as well as expanded destination branding for cultural tourism.

# Community Competition Policy

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- i. The goal of the Community Competition Policy shall be to ensure that the benefits expected from the establishment of the CSME are not frustrated by anti-competitive business conduct.
- ii. 2. In fulfilment of the goal set out in paragraph 1 of this Article, the Community shall pursue the following objectives:
  - iii. (a) the promotion and maintenance of competition and enhancement of economic efficiency in production, trade and commerce;
  - iv. (b) subject to this Treaty, the prohibition of anti-competitive business conduct which prevents, restricts or distorts competition or which constitutes the abuse of a dominant position in the market; and
  - v. (c) the promotion of consumer welfare and protection of consumer interests.
- vi. The CARICOM Competition Commission (the Commission) was established by Article 171 of the RTC, and is one of the key institutions in support of the CSME.

## Establishment of the Competition Commission

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For the purposes of implementation of the Community Competition Policy, there is hereby established a Competition Commission (hereinafter called "the Commission) having the composition, functions and powers hereinafter set forth.

## Functions of the Competition Commission

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The Commission shall:

- (a) apply the rules of competition in respect of anti-competitive cross-border business conduct;
- (b) promote and protect competition in the Community and co-ordinate the implementation of the Community Competition Policy; and
- (c) perform any other function conferred on it by any competent body of the Community.

## Conclusion/Recommendation

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- The free movement of people underpins all other key pillars of the CSME, since it is critical for most modes of the supply of services, the right of establishment and even the movement of capital.
- The services sector in the region is critical since intra-regional trade in services has exponentially outstripped trade in goods over the last decade.
- services export has been viewed as a viable alternative to the export of goods and the reliance on non-reciprocal preferential access to European and North American markets.

## Conclusion/Recommendation

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Companies must be able to recruit and attract the best skills from across the region.

key developments which make labour mobility increasingly critical:

- i. the emergence of the knowledge economy is changing skill needs across all industries and occupations and placing an increasing premium on access to workers with the right skills
- ii. recent economic growth in some Member States has led to a tightening of labour markets and growing evidence of skill shortages. Of note is the fact that even though the cost of living continues to increase, the construction sectors across the region have not slowed down, resulting in a sustained demand for labour in this sector.

## Conclusion/Recommendation

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- i. In terms of external trade, the region in its negotiations with the European Union on an Economic Partnership Agreement has placed a premium on the development of its services sectors which may have a good chance of being competitive in an EPA environment.
- ii. It is for this reason that the temporary movement of service providers within the context of the EPA is seen as critical.
- iii. It is therefore essential that the regime for the free movement of persons be implemented in a seamless fashion across the Membership so that there is a higher degree of facilitation of service providers.
- iv. Free movement of people (in this case service providers) will ultimately mean greater competition and a higher quality of services available.

## Conclusion/Recommendation

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Important that the Contingent Rights protocol be ratified so that with migration beneficiaries such as spouses, children and other beneficiaries enjoy rights as citizens of CARICOM (e.g Education and Health Care).