

CARIBBEAN CONVERGENCE

Revisiting Caribbean Integration*

BACKGROUND

ECLAC Conferences

POLITICS OF DEVELOPMENT

- European Integration
- Caribbean Integration Challenges
- Caribbean Vulnerability & Shocks
- Caribbean Resilience to Cope
- Caribbean Capacity to have Buffers

Global Financial Architecture

- Small Economies
- New Research Agenda
- Old Integration Models
- New Research on Caribbean Convergence

Winston Dookeran

Minister of Finance of the Republic of Trinidad and Tobago

BACKGROUND

ECLAC Conferences

Fifteen years ago in Port of Spain at an ECLAC conference, we were discussing new dimensions of Caribbean Challenges ahead of us. Out of that conference came a book published by ECLAC entitled “The Caribbean Quest: Structural Change in the Emerging Global Order”. It could not have been timelier and it remains one of the important interventions of ECLAC in trying to develop a thought process based on the realities of the challenges of the day and the vision of the changes that are likely to take place. At another ECLAC roundtable in Guyana, in the intervening 15 years, my political experience changed my perspective of the challenge of structural change.

THE POLITICS OF DEVELOPMENT

With the right formula we can merge the logic of economics with the logic of politics and get the development right. As we search for the road - path of structural change in the Caribbean, we must understand the synergy between the political logic and economic logic.

In the global arena over the last few years we have seen the global financial crisis, first articulated as a private sector problem; a failure of markets problem, and soon became translated into a sovereign debt issue in Europe. That too was just a partial analysis of what was taking place globally. The market failure concept; the sovereign debt challenge turned out in the end to be an underlying development problem.

- **European Integration Challenge**

The *European Integration Movement*- at its heart -was being questioned. The most recent articulation of that questioning came at the recent elections in France where an interesting debate emerged between the *austerity package* on one hand and the *growth compact* on the other hand. This emphasizes the fact that as countries we have to face up to political choices.

It appears that a sense of fatigue has set in with the austerity packages. The recent developments in Europe which continue to have ripple effects in the rest of the world have brought to the fore that the logic of politics and the logic of economics must be synchronized. We are aware of the political changes in Europe. Underlying it all is was the very theory of integration which European countries embarked upon many years ago.

- **Caribbean Integration Challenges**

Similarly, Caribbean countries mirrored the institutional structures of European integration in our own formulation of the integration process. We know therefore that we are at a different crossroad. One in which the technical solutions are limited; one in which there is now need to reassess the direction we must now pursue.

While there is no easy answer, the process of developing an answer needs to be reviewed. Some past thinking needs to be reassessed in regard to the process but also in terms of going into new ventures. The field of politics should also be included. It is in that context that Caribbean Countries have faced major challenges.

- **Caribbean Vulnerability & Shocks**

Caribbean countries are open and vulnerable economies and subject to internal and external shocks. To some extent, mainstream thinkers including the World Bank, IMF, IDB and others have attempted to measure that problem via arithmetical ratios. They have tried to assess how our ratios from a microeconomic standpoint in terms of stability and sustainability are measured. The truth is, ratios are indeed reflections of the state of affairs

but do not present to us a direction for movement forward. Moving forward requires us to find very innovative ways that will allow the flexibility to adjust. As small economies in the region we must focus on the degree of flexibility that does exist or should exist and how to make it happen.

- **Caribbean Resilience to Cope**

It is nice to expect that we can cope with these challenges and at the same time build a new resilience. Therefore, we should place on the agenda: “Our resilience to cope” -in the context of the reality of changing world order.

- **Caribbean Capacity to have Buffers**

Most importantly, we need buffers that are internally generated and buffers that are eternally supportive. We need to review the buffers that do exist in terms of the international institutions and their dealing with small states and Caribbean economies in particular and the ability to adjust and to cope.

GLOBAL FINANCIAL ARCHITECTURE

- **Small Economies**

Recently some of us as finance ministers urged the IMF to revisit the issues of small economies. The IMF did respond and set up a special work group of executive directors which include all small economies to address this problem. As a result of our advocacy, we will meet in Washington.

- **New Research Agenda**

This only the beginning as the architecture of the discussion has to be determined- not by the executive directors of the IMF but by scholarly intervention of Caribbean thinkers. Otherwise, it would be become a bureaucratic response to a political request. This is why this Roundtable is important to provide the intellectual architecture to deal with these problems. The institutions that exist are somewhat enslaved by the methods of the past. This is not a criticism of them but it is an evolving process as we move on and search for solutions.

- **Old Integration Models**

Even within the Caribbean we have sensed a level of paralysis in thinking. Ever since the very fertile debate which took place in the 1960's -promoted largely by the *University of the West Indies* professionals – what we eventually adopted was the European Integration Process model focusing on trade and markets as opposed to production. The debate did take place but the public policy articulation of that debate did not happen. So when we say today that *Caribbean Integration* and perhaps CARICOM has reached its limits, it is no wonder for it had been designed in a framework of integration of markets and expansion of trade when indeed it should have focused more on production and the competitiveness of the Caribbean Economy in the global order.

- **New Research on Caribbean Convergence**

The integration models based on trades and markets do not capture the full scope of the development challenge that is linked to production and distribution. Therefore, we need to now find a convergence model that is centred on production, distribution and competitiveness. At the same time, it should also deal with the issues of equality. A new Caribbean Convergence model that seeks new economic space becomes important. There is no geographical limitation to Caribbean convergence and there ought not to be. It is a shift from physical limited place to open economic space.

The old Caribbean Integration Movement limits to some extent our thinking and in today's global arena. We must search for the mechanisms for Caribbean convergence. That means we should look at the convergence of capital and the economies of scale. We must also look at the resource-rich countries in the Caribbean and how they can play a driver's role in the new process.

As we search for more economic space, Caribbean convergence is an issue that we need to look at in the context of the ever-changing global arena.

Furthermore, this new economic convergence process will have to confront the political challenges and redesigning of the economic and financial architecture. It is a challenge to drill down for development: How we can move from the macroeconomic frameworks into the “drilling down” frameworks; into the “making it happen’ framework; into the getting results framework.

All this is happening in the context of satisfying the new equilibrium between the political debates and the requirements of our time and the economic reality which we must face-up to. We must come forward and influence public policy to get the logics of politics and the logics of economics in alignment with each other.