Iberoamericana. Nordic Journal of Latin American and Caribbean Studies
Vol. XXXII: 1 2002, pp. 29-56

The Mini-States Within the Caribbean Basin in the Inter-American Integration Process*

Gordon Anthony Layne

I. Introduction

The term 'integration', in general, signifies the "coming together of parts into a whole". And though it has been having a profound and significant impact on international political economy, history has shown that regional integration is not easy to achieve, as this process entails the ability of the factions involved to interconnect and compromise on very delicate matters. Regional integration is motivated by various needs and goals – political, economic, social, etc. The classic approach to this enterprise submitted by Balassa (1961)[1] defined integration as a process, which commences with linking countries through the process of trade with the elimination of trade restrictions. But there are quite a number of definitions to the concept. On the basis of evidence presented in some works, the endeavor is clearly understood as the creation of security communities (or zones of peace) among states in a region (Deutch *et al*, 1957). Other scholars perceive integration in terms of the radical reordering of both the conventional international order and of the existing authoritative structures of governance, defining the process as the voluntary creation of larger political units involving the self-conscious eschewal of force in relations between participating institutions.

Furthermore, regional integration has been described as the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new center, whose institutions possess or demand jurisdiction over pre-existing national states. The end result of a process of political integration is a new political community, superimposed over the pre-existing ones (Hass, 1968). Integration is also defined as the formation of new political systems out of hitherto separate political systems (Hodges, 1972). And some analysts take the definition a step forward, defining the effort through placing emphasis

* The author thanks the Journal's anonymous referee for comments on an earlier version of this article.

doi:https://doi.org/10.16993/ibero.142

on the importance of central institutions. In accordance with this thought, the integration process is defined as the attainment within an area of the bonds of political community, of central institutions with binding decision-making powers and methods of control determining the allocation of values at the regional level and also of adequate consensus-formation mechanisms (Harrison, 1974). And yet, other angles are taken by specialists who define the task as the creation and maintenance of intense and diversified patterns of interaction among previously autonomous units (Wallace, 1990).

After considering the different thoughts on this subject, there is no doubt that regional integration process is only completed when trade, monetary, fiscal and social policies are united within a single institution that interprets and sets the mechanisms and rules for the system to function by. Last, but by no ways least, the process of regional integration entails the 'will' of the inhabitants concerned. It is a sovereignty-enhancing process in which the capacity of the people (especially those living in the 'least developed sections' of a given region) to shape their own social and political development could be effectively strengthened. And because regional integration inevitably involves the 'disproportionate concentration of economic flows', and the co-ordination of foreign economic policies among a group of countries of varying potential (that are) in close geographic proximity, it is necessary to make a profound analysis of the position of the small Caribbean Basin states within the inter-American integration process prior to the Free Trade Area of the Americas (FTAA) arrangement.

II. Global Implications of Western Hemisphere Integration

Throughout the twentieth century, the world has moved steadily towards broader regional groupings that have helped us set aside some of our national differences, avoid open direct conflict, and concentrate on the benefits of cooperation. The last decade has been one of considerable advance in the process of regionalism[2], as well as the full-scale liberalization of trade in goods and services worldwide. Simultaneously, the ongoing intrinsically uneven process of globalization[3] has been having a very profound and significant impact on the phenomena of regionalism in the Western Hemisphere. Although it has positively contributed to some reformed way of thinking in North America, Latin America, and the Caribbean Basin, a lot more needs to be done. To some scholars of inter-American relations, a new trade organization is a vital element of future US economic strength based on economic dominance in its own hemisphere, one that is a storehouse of natural resources and accessible open markets (Bailey *et al,* 1993). Like most major hemispheric initiatives before it, the proposed FTAA is the Western Hemisphere's reaction to new initiatives in regionalism worldwide. In addition to the traditional political-security reasons for US involvement in the hemisphere, there is a sound economic rationale for new organization. With an area stretching from Canada to Chile, a combined population of nearly 800 million (about 15% of the world's total population), and an overwhelming democratic and market-oriented Latin America and the Caribbean, the FTAA will become the world's largest trading zone when it is enacted on January 1, 2005. The potential of the hemisphere is, without doubt, among the largest globally; the region produced more than USD 11.4 trillion in goods/services with an additional USD 2.7 trillion in cross-border trade in 1999. Similar to its predecessors, the Enterprise for the Americas Initiative (EAI) and the North American Free Trade Agreement (NAFTA)[4], the signing of the FTAA will be the result of 'strategic-timing of position' by American policymakers. Developments worldwide have made the decision to include Mexico (with the possibility of other hemispheric states' inclusion as critical as the decision itself) a display of dynamic strategic position announcement based on similar signals of legislative politics in Europe and Asia. The emergence of the United European market area, the Single Asian and Pacific Rim common market, and other major trading blocs has provided the catalyst for renewed growth most of which is to be achieved through open regionalism.

In the final analysis, deepening and widening hemispheric integration will result in a rise in the percentage of the trade of the Americas in world trade. Simply put, the FTAA is A reactive strategy implemented to challenge emerging non-hemispheric economic giants and reflects a convergence of member states along the lines of macroeconomics, democracy, shared ideals, and common aspirations.

III. SOVEREIGNTY AND DEMOCRACY WITHIN REGIONAL INTEGRATION

In the sphere of international relations, some nations are stronger and more influential than others. When the differences in power between one and another reach massive dimensions, the term often used to describe their bilateral relationship is asymmetry and, like elsewhere, this situation has had special implications for the relationship between the states in the Western Hemisphere, as the quest for security by any state by necessity infringes on the security of others leaving them with a feeling of being vulnerable. The historical convergence of contradictory forces has generated a particular global condition – conflict among nations, which is understood in the light of one fact: 'national interest is the only constant factor in inter-state relations'. As a result, one of the central problems of world history has a lot to do with the relationship between great powers and their neighbors and clients. Indeed, struggle against dependency[5] is typical of relationships between the dominant powers and subordinate states; this is inherent in the exercise of self-determination and has been a prominent feature of contemporary international relations and will maintain its well-known position in the future. And because integration inevitably entails the loss of some measure of sovereignty that will begin moving us into the realms of what is known as 'supranationalism'[6] the FTAA should be geared toward national policy response and protest from mini-states.

The fact is that international agreements tend to restrict a nation's sovereignty in one form or another; often a state may stand to lose politically as it gains economically from free trade agreements with more powerful partners, leaving some degree of dissatisfaction. Notwithstanding this fact, a nation's perception is influential to regional integration, as a country perceives itself as belonging to a geographical entity, but not always for geographical reason. Due to their small magnitude and relatively recent status as independent nations, Caribbean Community and Common Market (CARICOM) societies are yet to free themselves of psychological dependence on, and fear of, the outside world. In the not so distant past, factors such as negative psychological mindset, ethno-cultural and linguistic barriers have led to "defensive nationalism" that subsequently created one of the major barriers to integration within the wider Caribbean area. If these adverse tendencies are allowed to flourish and mistakes of the past are repeated, policies established on nationalist sentiments would hamper the rate of development of the smaller states within the inter-American integration process.

There is also a sort of inferiority complex on the part of a significant amount of middle-class business people within the Basin who originally saw foreign businessmen as more efficient, competent, and resourceful than they. This awareness then led to drastic change, as their governments subsequently sought to protect them from competition by a torrent of repressive measures. But the outcome of this previous structure of political economy demonstrated that it could not be relied upon to sustain the aspirations to development and increased social welfare in the area. Though there has been some increase in the foreign share in the economic activity of Guyana, Jamaica, and Trinidad, negative psychology has made the CARICOM regime remain relatively very restrictive to both intra-regional and external foreign investment, especially from Latin America, as the perception of Caribbean-Latin American relations still seem to have much to do with "limited sovereignty". This inevitably places the group at a disadvantage in relation to the more dynamic organizations in the hemisphere (Page, 2000).

At the very center of the FTAA project is the aim to ensure 'sustained democracy' throughout the hemisphere. And for this reason, Cuba is the only state yet to be included. One of the extremely important properties of democracy is its ability to allow the citizens themselves to decide what development objectives they prefer in the integration process (Girvan, 1990). This could only be attained by strengthened public participation in democratic processes and institutions. Though the Commonwealth Caribbean is considered to be one of the most democratic places outside of Western Europe, the current process of hemispheric integration remains highly centralized and organized around state-led and intergovernmental organizations. In the Commonwealth Caribbean, important Heads of Government summits, though announced and advertised in the media, often fail to attract the same level of interest or attention from constituent groups in civil society as do NBA basket ball, cricket, football and track and field events. Put simply, the majority of the region's population is unaware of most hemispheric integration issues, and is thus unable to determine whether or not their countries should participate in the geopolitics of the FTAA. If lasting cooperation were to be achieved within the proposed framework, the most important needs of Caribbean people should be placed at the very center of regional discourse and the liberalization process. Hence, more efforts must be put into incorporating civil society into the process of integration.

IV. Territorial Integrity in Integration

Territorial integrity and political stability are very important prerequisites of a successfully integrated regional market. A very important area of inter-American security yet to be addressed by the FTAA concerns territorial disputes. There are numerous conflict situations throughout the hemisphere that are sure to exacerbate problems with the exploitation of border areas, a process necessary in regional economic development programs. Within the Basin, most important to this discussion are disputes between Latin American and CARICOM states, a legacy of abrupt British southwestern expansion into the region. Territorial disputes between Guatemala and Belize, Venezuela and Guyana, as well as maritime boundary delimitation issues between Venezuela and the Eastern Caribbean Islands are of immediate concern to CARICOM. Though these situations have been temporarily shelved by international arbitration, the Guyana-Venezuela border conflict could escalate at any moment. This conflict is a direct result of Venezuelan government policy that includes carrying on economic activity within Guyana's maritime zone while discouraging foreign investors to assist the Guyanese government in exploiting its natural resources in the county of dispute, Essequibo. And recently, there have been border issues within CARICOM, as one of the organizations' newest members, Suriname, has militarily driven foreign mining companies out of a disputed area with neighboring Guyana. Notwithstanding these facts, there has been an increase in so-called 'informal integration' (the sorts of economic and social interdependencies and interpenetrations that develop without the sanction of deliberate political decision of the nation state) between Latin American and English-speaking Caribbean states through the common physical borders of Belize, and Guyana with countries in Central and South America. This is a good sign, as 'formal integration' (consisting of those acts of institutional-building which emerge from the cooperative deliberations of national elites) may be a likely reaction to the aforementioned type of integration.

V. The Possible Role of Institutions

A possible solution to eventual territorial (and other) crises lies in institutional structures, since institutions play a major role in the contemporary international community in the sense that they reduce uncertainty through the establishment of a stable structure to the interaction of people and states. And one of the potential advantages of regional, as opposed to global, arrangements is that disputes can be resolved more expeditiously. It is obviously in place to encourage the creation and function of appropriate institutions to arbitrate in hemispheric disputes, and this is an issue to be settled prior to FTAA. But this poses another area of complication for policymakers in the region. Traditionally, the institutional explanation has had an ostensibly easy solution: just install "modern" institutions, perhaps with the help of foreign technicians, and the problem will be solved. Institutions established in the past have not always been able to assist in times of conflict. The lesson to be learnt is clear; mere creation of institutions modeled after those in highly industrialized countries does not necessarily ensure an effective policy and function. Failure of the Central American Parliament to assist in solving the crisis in the 1980s along with the failure of CARICOM to jointly assist in quelling civil unrest in member states is perhaps the best example. So is the prolonged process of CARICOM member-states in establishing a Caribbean Court of Justice (CCJ), which, when created, would act as a dispute settlement mechanism as regards trade disputes among CARICOM states.

A similar degree of inefficiency has also been displayed in the functioning of other major institutions in Latin America and the Caribbean, including that of most Central Banks. In the same perspective, the mere installation of the institutions of liberal democracy will not necessarily guarantee a democratic order, unless political-institutional democracy is accompanied by profound socioeconomic transformations to sustain it. It is in place to contend that the fundamental weakness of these institutions has to do with them not being deeply rooted in the politico-economic realities of the region.

In a paper presented to a Monetary Conference in Guyana in 1969, Clive Y. Thomas noted that such foreign-driven institutions are by their very constitutions not geared to operate effectively in the processes of social and economic development. Other scholars made similar assessments (DeLisle *et al*, 1989). Neither are they conducive to the structural integration of the Basin within the new arrangement. Quite surprisingly, there has been the Organization of American States (OAS), the central organ of the inter-American system. But the OAS has not handled the majority of major problems that have affected hemispheric relations, including border disputes. It is, therefore, imperative that appropriate institutional structures be established to objectively handle conflicts within the new configuration of the proposed FTAA arrangement.

VI. The Caribbean Community and Common Market within intra Hemispheric Trade

Contemporary history has shown that all successful democracies have been sustained by some kind of striving free market economy. The success story is so impressive that it could safely be proclaimed that humankind is unlikely to find a better way of organizing societies than democratic capitalism. Democratic interaction and intra-Caribbean investment, on the part of the USA and major Latin American states, has been a means of initiating vibrant economic activity in the smaller, less developed nations in the hemisphere.

Pragmatic free trade processes are important for most of CARICOM, as the region is still in a very early stage of industrialization. With the participation of more advanced economic policy actors, the Caribbean region could be transformed over the next three decades by a 'manufacturing renaissance' driven by the growth of new dynamic industries. Capital invested would stay at home and be directed toward the development of poor areas. So far, deepening and widening of commerce relations within the hemisphere has stimulated moves to increase the percentage of CARICOM's exports and imports. Interestingly, at least one member state has been giving the organization tremendous impetus for increased production and dynamic export representation while emerging as a "Caribbean Tiger" – Trinidad and Tobago. In fact, it could be said that this country has cemented the path for the region in its aspiration toward hemispheric integration.

The twin island nation's success is not only a result of its natural resource base and petroleum export capability, but is also due to its continuous trading surplus in manufacturing products. To begin with, Trinidad and Tobago has been running a huge trading surplus with the region as a whole and a significant surplus with every CARICOM member. For example, though no recent figures have been published yet, the percentage difference between exports and imports resulting from Trinidad's trading surplus with major CARICOM states in 1998 was as follows: Jamaica (35.0 percent); Barbados (16.7 percent); Guyana (11.9 percent; and Suriname (11.2 percent). In addition, Trinidad and Tobago's USD 793.6 million exports to the CARICOM region accounted for 28.7 percent of the USD 2,574.4 million intra-CARICOM exports. But the USD 107.0 million worth of imports accounted for only 5.2 percent of the US$D 2,065.4 million intra-CARICOM imports[7] Moreover, Trinidad's export program is by no means limited to the CARICOM market. Upon examining Western Hemisphere economic reports, including *Preliminary Overviews of the Latin American and Caribbean Economy*, published by the Economic Commission for Latin America and the Caribbean (ECLAC), for the second half of the 1990s, the capacity of this nation's economy is revealed. First of all, a tremendous trade surplus with the Dominican Republic with exports of USD 62.5 million and imports of USD 6.1 million in 1998. Secondly, USD 22.1 million in steel products exported to Mexico in 1998, a sum that accounted for approximately 52.3 percent of this nation's exports to Mexico that year. Finally, Trinidad also earned USD 1.1 million in steel exports to Costa Rica in 1998. This amount only represented 21.8 percent of Trinidad's exports to Costa Rica that year (Ibid). Although the overall economic effect of the region *per se* is modest, Trinidad's statistics is evidence of the ability of small economies to export manufactures on a competitive basis to international markets. Therefore, it might be beneficial for CARICOM to tighten strategic sub-regional industrial partnerships as a vital means of strengthening itself prior to the initiation of the FTAA. And the tagged "More Developed Countries (MDCs)" have the potential to facilitate such a joint venture toward diversifying the Community's commerce prospective. Though the location of the Bahamas and Jamaica in the north Caribbean is often of inconvenience to activities of the organization, Barbados, Guyana, Suriname, and Trinidad and Tobago enjoy relative proximity. They each possess natural resources necessary to effectively achieve such a combined enterprise. Trinidad and Tobago: huge energy reserves and relatively well-developed manufacturing capacity. Guyana and Suriname: relatively well-educated population, immense mineral and other resources, abundance of fertile land for agriculture ventures, and strategic geographic position; well situated in relation to FTAA members on the South American continent. And Barbados: highly qualified experts in modern technology and financial resources. MDC governments would do well by placing emphasis on the Internet economy as a means of accelerating economic growth (Mandel, 1999).

VII. The Gap in Potential of American States

The relative difference between the nations in the Caribbean Basin and their hemispheric partners in North and South America, is more than just the amounts often expressed in figures by economists. It has much more to do with economic reality (namely, economic growth rates and per capita levels of income). From the North (and even South) American commercial perspective, the small nations in the Caribbean Basin region still represent an insignificant trading partner. For example, the Commonwealth Caribbean countries received less than 5 percent of more than thirty eight billion dollars of overseas US private investment in the hemisphere in the 1980s (Knight, 1990). By the early 1990s, US exports to the area represented less than 2 percent of total American exports while regionally derived imports represented less than 1 percent of total American imports. On the other hand, the USA remains the overwhelming trade partner for the Caribbean Basin; the principal markets for selling the region's products as well as making its purchases. Trade with the USA remains the single most important sector, accounting for almost one-half of all foreign trade. In the mid-1990s, for instance, the US purchased approximately 47 percent of all the exports of the reporting members of the Caribbean Basin Initiative (CBI) that were eligible and accounted for more than 40 percent of their imports (Sullivan *et al*, 1993). Trade between the Caribbean island states and Latin America, on the other hand, remains minimal; a fundamental reason is product similarities and the resulting competition for developed-country markets in the region.

In addition to providing impetus for increased production, Trinidad's dynamic economic performance has helped pave the way for CARICOM in negotiations with other major trading blocs within and outside of the hemisphere. Simultaneously, the Community has been more aware of its relatively weak position within new global structures. When compared with other groups, it is obvious that CARICOM, with a population of only 5.5 million, will definitely have to expand its magnitude, both economically and numerically, if it were to successfully compete for investors in the international arena in this century.[8] At present, the organization is far from being able to negotiate "from a position of strength" with North and South American investors within the proposed FTAA arrangement. Successful international trade matters are always the consequence of delicate negotiations and the parties involved tend to have radically different positions on matters associated with performance and influence in inter-bloc trade. On the same note, institutional changes worldwide have created the need for the organization to modify its foreign policy in order to enhance its bargaining position, by first advancing the process of functional and economic cooperation with other countries in the hemisphere. However, the main objective should be to "create a broad negotiating mandate"[9] Indeed, small size can be compensated for by coordinating policies with each other and with the wide network of transnational agencies, which have taken on new importance. In this regard, the premise is profound: in order to be successfully integrated into the proposed system, CARICOM requires some modern organization of joint investment projects because trade follows investment, rather than the other way round.

Introducing reciprocity into trade relations is certainly going to have negative consequences for domestic CARICOM markets that stem from their disadvantage in cost of production in comparison to their North and South American counterparts. Revitalization of the integration process in the hemisphere has emphasized the liberalization of goods and services. We know that the only way in which national economies can become internationally competitive is for them to derive comparative advantage through exploiting lower labor costs. And informational flows are among the main drivers of economic development, an area in which CARICOM is trailing behind her hemispheric counterparts. Indeed, while most of the insular Caribbean possesses a relatively skilled work force, one of the major difficulties that smaller countries have encountered is the lack of systematic transfer of information. This is so because most countries rely totally on cable and wire links, and some being even unable to maintain an efficient telephone system. With the huge gap in systematic coordination of work programs and activities of formal electronic commerce institutions between the states in the Americas, it seems impossible for some of the smaller nations to catch up by the initiation of FTAA. And if they do not, it is unlikely that North American firms shun the more competitive sectors of South American political economies choosing instead to have all the nations of South American, Central America, and the West Indies compete on the basis of product quality rather than production costs. This is not a suggestion that there is a higher quality of commodity or service offered in any particular sub-region south of the Rio Grande River. But it is rather an observation that has resulted from my reflections on current economic realities, which provide immense evidence of rational cost/benefit choice[10] implementation within capitalist systems[11]. My contention is that a profound transformation in the technological and organizational aspects of production within CARICOM as well as within the Central American Common Market (CACM) is necessary prior to FTAA. Hence, the proposed framework might need to include provisions for the smaller members to be able to negotiate favorably to the conditions of their economies[12], as comparatively speaking, their labor costs and other factors of production will tend to be higher.

VIII. Liberalization and the Socioeconomic Scope of Small Basin States

Global integration of production is likely to have adverse consequences for poor underdeveloped economies. One of the most distinguishing features of globalization is the rapid increase in international production. This has been primarily in the area of production and sales of commodities of Transnational Corporations (TNCs), and international trade relative to global output, with TNC production often exceeding international trade. At the same time, tariff liberalization has been added to the regional integration equation. As a result, small economies worldwide have become more vulnerable to stipulations of contemporary market capitalism as well as recessions in North American and Europe. Such circumstances inevitably increase weaknesses in their fiscal position. An in-depth analysis of the harsh economic realities of regionalism and globalization reveals more than increased opportunities in trade for poor countries in the developing world. Notwithstanding the positive performance of Trinidad, the empirical analysis of the fiscal dependence of countries on revenues from international trade will reveal that there could be some negative consequences for the smaller states in the Caribbean from economic expansion in hemispheric integration that involves eliminating trade tariffs.

The contribution of import duty to government revenue for smaller members of CARICOM has increased steadily over the last two decades. Currently, most of the countries in the Basin area are highly dependent on trade tariffs as a source of government revenue. For instance, an economic study for the period 1980-1997 concludes that the ratio of duties from imports to Gross Domestic Product (GDP), or the total value of all goods and services produced by a country, of the following nations averaged: Antigua and Barbuda (32.1 percent), Dominica (15.2 percent), Grenada (12.5 percent), Saint Kitts (12.1 percent), Saint Lucia (12.6 percent), and Saint Vincent and the Grenadines (13.3 percent) (Nicholls *et al*, 1999). Therefore, states that are highly dependent on trade duties to generate government revenue are likely to be adversely affected by reductions in tariffs within the FTAA system. This suggests that there is need for pre-FTAA arrangements between the more prosperous economies in North and South America and the mini-states in the Basin aimed at creating some mechanism that would assist in alleviating the negative impact of a decline in government revenue.

It is also imperative that a thorough analysis be done on likely effects of the transfer of revenues between members of the FTAA following the abolition of tariffs (Bhagwati *et al*, 1996). An equally important problem for the region is its huge external debt that is likely to increase. Most of the states in the wider Basin, along with some of their Latin American neighbors, are classified as heavily indebted poor countries (HIPCs). This state of affairs has created chronic fiscal problems in which debt servicing has obstructed national economic growth. And because representatives of national governments are there to elaborate and defend their national interests, and to negotiate from the basis of such critical positions in a particular policy or issue area, common external policy on debt would obviously be an asset to the region within the FTAA.

Although it creates a common front, regional integration 'does not imply homogeneity of experience'. And as development is an ongoing process, the costs and benefits of economic restructuring are often not evenly distributed over time or across a nation's population or populations of an integrated region. Apart from the USA and Canada, the main beneficiaries of the FTAA will be the more economically advanced states in the hemisphere, namely, Argentina, Brazil, Chile, Mexico and Venezuela. Though a country is likely to pay less if it can purchase from a other sources that benefit consumers, smaller relatively less developed countries in the Basin area will have to pay higher per capita prices for imports, due to their limited financial reserves. It will be an inevitable pattern of economic benefits, including relatively high employment for the more developed and higher costs for the less developed countries, resulting in an increase in poverty and inequality. Yet, it is generally assumed that FTAA will be beneficial to all nations in the Western Hemisphere. The main premise is that it will provide consumers in the region, including those in the Caribbean Basin, with the advantage of being able to consume a higher quantity and quality of commodities and services at a much lower price, thus displacing imports from the rest of the world.

Regions are in a sense ‘natural’ trading areas: transportation costs are relatively low, language and cultural barriers may be relatively easy to overcome, and the political and legal framework may become fairly similar in future. But there is no guarantee that this will be accomplished by CARICOM in the short-term. In some areas, the opposite effect has already been noticed. In Jamaica, for example, the importation of US beef is undercutting the local industry. Furthermore, free trade liberalization has made manufacturing and food processing industries in small Caribbean countries uncompetitive. Even within the CARICOM where previous trade arrangements among member states had guaranteed access to markets in Trinidad and Barbados, such practices have given way to supplies from other sources. The jam and jelly companies of small economies in Guyana have lost out to producers from three of the largest exporters of fruit juices and pulp in the hemisphere: Brazil, Puerto Rico and Costa Rica.

The very nature of small markets and poor government agencies cannot support the kind of investment that would make local companies profitable on a large scale, as it takes huge amounts of capital to increase production to satisfy a larger portion of previously available international markets. Larger markets that are located further away pose an even greater challenge. Three of the main constraints are: low grades at conformity assessment, too high transportation costs, and the difficulty encountered in finding a distributing system to handle perishable products. And because small companies do not have access to cheap shipping and refrigerating facilities, they loose business opportunities since they are unable to supply in large quantities and higher quality. The issue at hand here probably has to do with the regional nature of hemispheric partners.

Are they ‘natural’ or ‘unnatural’ trading regions? As one international political economists puts it: “If trading arrangements follow the lines of natural trading regions, they will have a much better chance of improving welfare than trading arrangements between ‘unnatural partners’” (Krugman, 1991). This circumstance adds to the predicament of smaller Basin nations; while they struggle to reduce production costs, gain access and negotiate decent prices for their exports on markets of industrialized countries, they simultaneously encounter problems in trade among themselves due to the fact that they offer similar products.

Indeed, the reduced ability to export is of paramount importance as it defies the very basics of free trade. The economic significance of free trade to a country depends on the contribution of exports to the share of that country’s GDP that is obviously accounted for by trade; the greater will be the importance of open trading arrangements with leading export markets. Markets do not provide equity through promoting balanced development, nor are they concerned with reducing the level of poverty in a specific trading bloc. The primary function of markets is efficiency, narrowly measured as maximizing individual consumer satisfaction and individual company/enterprise profits. A free market economy is usually one of great uncertainty. In a free market economy, economic results depend on numerous factors, which include: consistent investment, increasing production, reliable distribution, up-to-date analysis of consumer decisions, and the ability of actors to make maximum use of E-commerce. In fact, all aspects of contemporary international relations (trade, investment, transport, technology and cultural transfers, communications and information) could adversely affect the Caribbean, as the region is way behind in the process of modern technological development.

Since 1997, several World Bank documents have warned that the Caribbean stands to lose about one-third of its USD 12.5 billion in annual exports if necessary steps were not taken to correct this situation. At the same time, policies of some hemispheric institutions can potentially harm the economies of smaller regional markets. Member states of the Organization of Eastern Caribbean States (OECS), for instance, cannot readily access funds from the Inter-American Development Bank (IDB) because they have higher GDP per capita[13]. This problem may be further intensified by the fact that funds available at the IDB for FTAA generated technical assistance projects cannot be easily accessed by most of the mini-states even though they actively take part in the current negotiating process of integrating markets in the Americas.

This brings us to another important issue. Even though economic affairs remain paramount and vital to the international political economy, they are seldom resolved within a political or cultural setting. Differences in cultural values and attitudes[14] between the sub-regions in the hemisphere will further complicate inter-hemispheric trade relations, due to varying perceptions of "work ethics". Superior business initiative and organization, along with lower wages and generous government subsidies, would inevitably enhance certain sub-regional and national industries posing a threat to those lacking appropriate approach and expertise. Globalization and unrestricted movement of capital might well favor the activities of global financial actors, especially through the unaccountability of multinational corporations (MNCs), at the expense of millions of ordinary workers through the likelihood of economic slumps that usually result in thousands of business failures and layoffs. Recent history has shown that despite their apparent non-political agendas, MNCs can greatly impact economic policy (Ohmae, 1995). So, in order to avoid CARICOM being marginalized from the opportunities of open regionalism and globalization (as presently defined by increased ease of shifting production abroad), the USA and the more developed nations in the Americas ought to concomitantly assist the mini-states prepare for the FTAA.

It is increasingly recognized today that high rates of economic growth do not by themselves ease urgent social and human problems. Rapid economic growth may not translate into overall economic development, unless steps are taken to improve the distribution of income and wealth. We have already seen that high growth rates in many poor Third World countries have been accompanied by increasing unemployment, rising disparities in income both between groups and between regions, along with the deterioration of social conditions. Modernization of Caribbean economies will inevitably lead to higher unemployment. Modernization puts a premium on new skills and technology against the background of shift from labor intensive to capital intensive production. We are already aware of the fact that, modern technology raises the quality and variety of output (goods and services) of a company or country, with no significant change in the level of the other productive factors.

Nonetheless, new technologies and the manner of their application will inevitably have adverse effect on low income groups in developing countries. This is so because new technologies alter existing human and capital relationships and the organization of other factors of production. For instance, the “labor-saving” nature of new technology leads to increasing unemployment. This feature is pertinent to agriculture where modernization has already led to huge reductions in the demand for manpower.

In Guyana, tractors and trailers replaced manual labor on the sugar estates in the 1990s leading to social unrest in agricultural communities. In today’s harsh economic context, even sugar production in the region is not efficient by world standards and thus a non-viable activity. Since 1997, the price of sugar has fallen significantly in both real and nominal terms severely affecting region al industry, as production had to be scaled down. For example, in the Dominican Republic alone more than five sugar mills have been closed since 1982, due to implementation of modern production techniques. Throughout the Basin area more than 400 000 agriculture related jobs were lost in the 1990s, mostly in poor rural areas. Likewise, an increase in the amount of certain commodities imported would undoubtedly stifle domestic production of these commodities and their substitutes adding to the present problem of Caribbean unemployment.

With a significant percentage of regional population in the productive age group, as “effectively non-productive members” of society, an emerging ‘culture of poverty seems to dominate all corners of the Basin area. The Latin American experience has already shown that social contradiction could worsen rather than improve during the development process; the very poor masses are further marginalized from the opportunities of globalization and are thus kept in a disenfranchised position by the system of negotiations. No doubt, democracy and integration of trade will be impossible until the vast populations in the hemisphere have access to the benefits of freedom and growth. One of the functions of a successful state is that it must strive to keep most of its people happy most of the time.

Traditionally, the concept of social exclusion has held an important position in the region, and this should provide motivation for politicians and academics to stress the need for adjustment. Socioeconomic reality reflects the fact that the majority of the area’s population has been invariably excluded from all of the majority-institutionalized processes of their respective nations, including the market, the state, the community, and even the household. Failure to offer some hope of basic socioeconomic improvement on a mass level could exacerbate crises of governability in the poorest nations in the Basin. Experience, in the integration processes of the European Union (EU), has shown that successful contemporary socioeconomic regions are mainly characterized by institutional reflexivity that is built on a learning propensity derived from the formal application of discursive intelligence to the socioeconomic problems of the day.

The Caribbean area consists of quite a few explosive trouble spots, some of which are within CARICOM. As the most populous CARICOM member, Jamaica also has the unenviable reputation of having the highest level of unemployment and murder rates. These characteristics are obviously the result of the two co-existing societies in one state: the few very rich living in their grandeur in near isolation, and the constantly expanding mass of very poor deprived and neglected living in depressed *shanty* towns. A high rate of criminal activity – a mixture of drug-trafficking and party politics – has always been detrimental to the national economy. In mid-2001, criminal and political violence claimed the lives of more than thirty people in just four days, as supporters of the governing People’s National Party (PNP) and those of the main Opposition Jamaican Labour Party (JLP) clashed. Such recurrences have had negative consequences for investment and economic development, resulting only in increased aggravation of living conditions.

The formidable challenge before many of the region's governments is to develop a consensus[15] and a *modus vivendi* that seeks to promote quality, efficiency, and flexibility in domestic manufacturing, in addition to social equity. Most appropriate might be an approach that defines "the public good" as the greatest benefit at the lowest cost for the majority of people in a given society. This could best be achieved by scientifically planned action, both on the part of government and private institutions (Bentham, 1970). Private sector decision makers' collaboration with both government and opposition on one side and organized labor on the other, would create one of the most effective and efficient forums within which the Caribbean region could come up with strategies to alleviate the social disparity and widening gaps in production, incomes, wealth, assets, consumption, technology, trade, and power. Western Hemisphere integration will inevitably need to bring huge positive change for most of its citizens. Therefore, it is necessary to place new emphasis on the attainment of social and cultural goals as part of the hemispheric development process.

IX. Conflict of Interest of Nation-States within the FTAA

Regional integration has always proven to result in a clash of national interests for the parties involved. And very often conflict of interest hits hardest on the smaller, less developed members of a scheme. With the endeavor to create the FTAA, not much consideration has been given to the likely impact on traditional ties and commerce agreements of the Commonwealth Caribbean with other regions, especially with the EU within the Lomé Conventions and the June 2000 Cotonou Partnership Agreement. Because of the varying market potential and propensity between the nations in the Americas, especially with regards to individual country "traditional ties" with countries outside of the region, the grouping together of the entire hemisphere into a single economic unit might prove troublesome to legal experts in key international organizations. For instance, if the FTAA were to give any preferential market access to CARICOM and CACM states on the basis of their smaller economies of scale in relation to their South American neighbors, this could be deemed incompatible with the rules of multilateral institutions such as the World Trade Organization (WTO) and the General Agreement on Trade and Tariffs (GATT).[16]

The diversity of national agendas and the relatively slow pace of development within the Basin area will make it difficult for smaller nations to promote their foreign policy goals within FTAA membership. CARICOM countries may do well by closely observing the tendencies of major players in their quest to identify and take advantage of business opportunities in the new global economy. Indeed, the establishment of NAFTA illustrates the significant risks, which the creation of an FTAA could entail if not preceded by free trade agreements between major trade blocs and strategic partners in the hemisphere. As a solid traditional supporter of the global trend towards open regionalism and the promotion of free trade areas (FTAs), the EU has recently been aggressively working towards establishing tightened bilateral trade and cooperation agreements with key hemispheric partners such as the Southern Cone Common Market (MERCOSUR), Mexico, Chile and the Andean Community (ANCOM). The objective most likely being to ensure that the benefits of regional free trade (in the FTAA) do not harm trade with the EU. CARICOM ought to do likewise and secure agreements that reaffirm their commerce relations with the EU.

Similarly, unification in the hemisphere could jeopardize extra-hemispheric trade relations of small nations as certain member states of the FTAA might be more willing to open their markets to the import of relatively cheap commodities from Asia, for example from Japan, and force legislation to permit reselling to smaller nations. Whereas others with threatened indigenous manufacturers may be more inclined to support measures to constrain such incoming trade that would leave weaker members caught up in unnecessary negotiations with reduced chances of development. Furthermore, the economic performance of Caribbean nations is largely influenced, as in colonial times, by extra-regional forces.

As a result, access to international markets, especially in Europe, for agricultural produce is a potential area for conflict between CARICOM, CACM and some South American countries. And the banana industry is at the forefront of this already brewing confrontation. The problem stems from the huge difference in the regional banana industry. While MNCs control the Central and Latin American banana industry, CARICOM banana industry is based primarily on numerous small peasant family-run plantations. Because of their small-scale operations, their production costs are much higher than mass produced bananas of South and Central America, whose prices benefit from economies of scale. Besides this, investment base in the region's banana industry is at the very core of conflict of interest between international actors. Most of the South and Central American banana industry has been dependent on heavy American finance. On the other hand, CARICOM's bananas have been traditionally dependent on huge EU support that includes preferential access to the EU market alongside similar agricultural products from the African, Caribbean, and Pacific (ACP) grouping.

At a time when increased cohesiveness of objectives and policy is almost a necessity for CARICOM to compete in the international market, trade protocols could create a split with Spanish-speaking neighbors and major buyers. The “banana war” of the late 1990s, between the USA, South American nations and the EU at the WTO is evidence of the possibility of recurrence. An area of conflict could also develop between CARICOM and Mexico, as the initiation of NAFTA has led to a drastic reduction in the volume of Caribbean textiles products exported to the USA, due to competition from cheaper textiles from Mexico. NAFTA has, in particular, been of much more benefit to Mexican small businesses and their advantages could increase *vis-à-vis* their Caribbean counterparts if President George W. Bush were to expand NAFTA by negotiating new bilateral, regional, and global trade pacts (McCoy, 2001). Therefore, harmonization of economic policies, the creation of a mechanism for settling trade disputes, and an in-depth revision of import-export rules are necessary both in the Americas and in Europe before the initiation of FTAA.

Though this essay is not concerned with analyzing the pros and cons of US trade initiatives for the Caribbean Basin, it is important to discuss one major aspect of such policy on the region’s socioeconomic transformation and development so far. Agriculture is an area of conflict that needs to be urgently addressed. The premise that the Basin’s economic development could be based on the export of agricultural ‘traditional products’ has not been given enough thought in Washington. It is a known fact that though relatively stable, the price of agricultural produce is quite low on world markets. At the same time, the cost of manufactured commodities, which are imported in large quantities by underdeveloped countries, often increases rapidly. And global recession nearly always leads to a fall in the demand of the products of the Caribbean region as well as a subsequently weakening of their prices. Thus, the market for agriculture produce is a potential area of conflict in which Caribbean farmers and their businesses will be hurt.

Agriculture remains one of America’s dominant businesses. As we know, in general, farmers’ income can fluctuate sharply form one year to the next, depending on the market (both domestic and international) and other factors such as weather. With vast very fertile farmland, US farmers have traditionally produced many more crops than could be sold in the domestic marketplace. But surpluses pose a serious problem: they keep market prices low because supply exceeds demand. Subsequently, US agriculture policy has been designed to control agriculture production. Control programs have included strategies that ranged from monetary compensation made by the US government to American dairy farmers encouraging them to destroy their herds to direct payments made to crop farmers on condition that they agreed to take some acreage of land out of production. Obviously, Caribbean Basin farmers cannot compete with American agricultural products. At present the US subsidies each American farmer to the tune of more than USD 30 000 annually making the USA able to flood world markets with cheap farm products and maintaining its position as the world's largest exporter of agricultural products. Fortunately, some Basin governments have begun to recognize that their heavy reliance on the production and export of 'traditional products', including coffee, bananas, sugar and beef, is in fact impeding real economic growth and development.[17] Perhaps even more significant is the fact that free trade agreements do not remove all barriers to trade (Aho, 1992).

As a result, nationalist groups and lobbies threaten progress within integration schemes. Farm lobby endeavors and tendencies of continued American protectionism are likely to create additional barriers to development in export sectors of smaller Caribbean economies within FTAA. The Caribbean ethyl alcohol[18] industry has been struck by such policies, as the Jamaican rum industry became one of the first victims of American protectionism. Although initially chosen as the 'showcase for CBI, US economic policy in reality has been short of Jamaican expectation. In the early 1980s, a foreign company, the Tropicana International, built a USD 10 million ethanol plant in Jamaica, expecting its exports to enter the US duty-free. Upon its opening in 1985, the enterprise was expected to yield an estimated USD 1.5 million monthly while simultaneously benefiting Jamaica's depressed sugar economy, which provided necessary feedstock. However, the Congress succumbed to pressure from American ethanol refiners and passed import restrictions forcing Tropicana to consider closing down its operations.

The US complex trade policy has elements of unilateralism, bilateralism, regionalism, and globalism. As a result, differences in America's trade relations with other countries in the hemisphere *vis-à-vis* the states in the Caribbean Basin area have, in the past, created perplexities for the smaller, less liberal, and less developed Basin nations. In fact, current efforts to transform the Community into a single more efficient economy are being overshadowed by the "USA-driven" FTAA. If this practice of US-centered policies is continued within the proposed FTAA the development of many CARICOM states could be hindered, as it is quite difficult for poor nations to make much progress in modern multilateral systems.[19] It is debatable whether the FTAA could eliminate the inequalities in opportunity. Let us again consider the largest American economic initiative for the region, the CBI. The positive impact of both CBI I and II has been dramatically reduced by other US initiatives for the hemisphere that came shortly after the announcement of the Caribbean Basin Economic Recovery Act (CBERA). These include the conclusion of the USA-Canada-Mexico NAFTA,[20] the FTA with Canada, and President George H. Bush's EAI. As in the case of NAFTA, the Mexican Free Trade Agreement (MAFTA) has also proven particularly harmful to CARICOM's agricultural export to the USA[21], as Mexico has similar and same products as those of the area. Since its initiation MAFTA has attracted increased new foreign investment to Mexico to the detriment of most Basin countries, as a result of both Mexico's proximity to the USA and its lower labor costs.

While these programs made only minor changes to the US-Canada FTA and economies, the loss of jobs in the Caribbean has been greatest for low-income workers. This situation could consequently affect sub-regional integration arrangements, as stronger economies in the Basin (Venezuela, Jamaica, and Trinidad and Tobago) might become dissatisfied with the lack of progress in restructuring within their groupings and request separate free trade negotiations with Washington.

An expansion of the Andean Trade Preferences Act (ATPA)[22] could also seriously affect the fragile economies in the region. Though the original ATPA excluded rum from duty-free benefits in the USA as a means of protecting the benefits enjoyed by Puerto Rico, the American Virgin Islands and other Caribbean states, a proposed agreement with to allow South American low-valued bulk rum to enter the US duty-free from 2003 would damage certain sectors in many Basin economies. Andean rum producers have significant natural resources and cost advantages over Caribbean producing nations, as well as large excess production capacity. For instance, government entities in Colombia, which have a legal monopoly, produce more than 2.3 million cases of rum annually. This stems from the fact that Colombian rum suppliers benefit tremendously from substantial surplus in sugar production, as molasses is readily available to rum producers at very low cost. Furthermore, Colombia's relatively large petroleum deposits provide an accessible source of cheap fuel. When lower labor and environmental costs are added to the list of advantages, Colombia and the Andean nations will inevitably deprive Caribbean rum-suppliers of many benefits they previously enjoyed on the American market. It is obvious that additional problems will arise when the FTAA is initiated region-wide, with the simultaneous operation of so many FTAs in the hemisphere.

American policymakers need to re-examine the imbalances in trade agreements and establish appropriate strategy to help Less Developed Countries (LDCs) competitively and efficiently adapt to the reality of the many different American trade policies in the new international order.

X. Concluding Remarks

The beginning of the twenty-first century is a critical turning point in history. Again, Western democracies have an *opportunity* to help shape the political nature of our world. But governments in the developing world should also shoulder this responsibility. Renewed moves towards regionalism and the tendency of globalization have produced a qualitative change in contemporary international political economy. The FTAA represents a potential clash of every conceivable kind of interest made more acute by the economic uncertainty of poor nations. Equity for the least endowed economies in regional integration is far from being a simple endeavor. The difficulties are significantly increased when integration involves entities of a wide disparity as that represented among states in the Americas.

Tightened collaboration among Caribbean and Latin American states has proven to be tough, but manageable. Adding the USA, Canada and Mexico to this equation has significantly increased the number of difficulties to be encountered, especially for the smaller, less developed nations of CARICOM and other mini-states within the Basin region. Notwithstanding this fact, the future of the FTAA project lies in a strategic partnership between all the nations in the region. Establishing an integrated regional market in the Western Hemisphere will inevitably entail a number of pros and cons for the mini-states within the Caribbean Basin.

The costs for the small countries in the region will include the following: (a) Loss of sovereignty, national independence and national and cultural identity. (b) A drastic reduction in the powers of national governments, and the creation of one large institution (government) most likely in Washington and another in Brasilia or Buenos Aires quite distanced from the grassroots conditions and concerns of the Caribbean people. (c) Increased competition, loss of jobs and other economic threats posed by the removal of market protection hemisphere-wide. (d) Increased concern about drug trafficking, and related crime (including terrorism) arising throughout the area from easier cross-border movement within the hemisphere. (e) Exacerbation of problems related to some of the more controversial aspects of integration, such as the trade of agricultural products and apparels. (f) The imposition of uniform laws that have, so far, taken no account of national social, economic, and cultural differences.

On the other hand, the benefits for the mini-States in the Basin area will entail the following: (a) The peace and security brought about by inter-governmental ties make it less likely that border disputes will escalate, especially those existing between Latin American and English-speaking Caribbean nations. (b) The Common Market for the Americas offers businesses in CARICOM a larger pool of consumers and allows the creation of better companies with the ability to effectively compete within and outside of the hemisphere. (c) CARICOM population will benefit from greater freedom of cross-border movement within the FTAA. (d) The resurgence of a Pan-American consciousness along with the pooling of economic and social resources of the hemisphere will increase the rate of development and strengthen democracy in the most vulnerable states in the Basin. (e) Political and economic pressures will encourage CARICOM and CACM member states to improve their standards to those maintained by more advanced and progressive nations on very important issues such as environmental protection and social welfare. (f) The smaller countries in the hemisphere can work with their North and South American counterparts towards transferring funds, and allocating investments and opportunities to the poorest sections of the hemisphere.

One of this article's aims is to initiate further research on this subject from a wider perspective. All situations highlighted reflect the vital importance of accurate data collection and research, whether basic or practical. It is appropriate time for political scientists, jurists and other competent authorities to engage themselves in extensive empirical studies of issues likely to affect Caribbean social conditions and politico-economical systems both at national and international levels. What is furthermore required is new thought and strategy on the meaning of regional integration within the context of this grand hemispheric integration program. Therefore, the implication of this essay is profound: as the nations in the Western Hemisphere enter the twenty-first century, an appropriate system of unity and equitable progress must be achieved.

Notes

1 The "Balassian" theory on taxonomy has provided the base for the development of European integration, the best example of regional integration worldwide. It distinctly contends the notion that institutions, and their coordinated activities, are very important in the achievement of the final stage of integration-the attainment of complete political and economical unification.

2 Regionalism is the tendency of geographically proximate territories or nation-states to engage in economic integration and to form free trade areas and (possibly) common markets.

3 The term 'Globalization' is used in this text to connote the concept of increasing international integration of economic activity. The ever-tightening, thickening web of complete interdependence draws all the great and small nations into a single planetary system. This is the central event of the current epoch of world social and economic development.

4 With a combined population of nearly 400 million and Gross National Production (GNP) of nearly US$8 trillion, the NAFTA vote was dubbed "the most important vote on Capitol Hill since the Berlin Wall came down", and it gave President Bill Clinton the most significant policy success of his terms in office.

5 Developed in the 1970s, the dependency theory, mainly Marxian in origin, primarily criticized the dominant developmentalism, as evident in most Western societies, for ignoring the significant role of factors such as domestic class and power politics in the international community, especially on world markets. In addition to being particularly critical of US foreign policy, it was directed against the activities of multinational corporations. Furthermore, this theory suggested that the development of the already industrialized nations and that of the developing ones would not go together; instead dependency theory argued that the development of the West had "come on the shoulders and at the cost of the non-West".

6 Supranationalism is simply defined as a process of cooperation that results in a shift of authority to a new level of organization that is autonomous, above the state and has powers of coercion that are independent of the state. Supranationalism can take at least three different forms: Confederalism, Consociationalism and Federalism.

7 Based on figures presented in Excerpts from *Caribbean Trade Investment Report 2000: Dynamic Interface of Regionalism and Globalism*, prepared by Caribbean Community Secretariat Economic Intelligence and Policy Unit, Georgetown, Guyana, South America.

8 By international standards, CARICOM is relatively small, even when compared to other developing country groupings such as the Central American Common Market (CACM) and the Andean Community (ANCOM) that have populations of 31 million and 107 million, respectively. With the inclusion of Haiti and Suriname, total population of the organization is approximately 13.7 million, based on 1997 data.

9 It is imperative to negotiate a framework (overall agreement) that would establish a common commitment to the gradual enhancement of Latin American and Caribbean economic partnership. This framework agreement would specify the ultimate objectives of economic partnership agreements (both hemispheric and external) as well as elaborate on common trade-related provisions. CARICOM has established a new structure for joint cohesive negotiation of external and trade relations. Under the Chairmanship of Sir Shridath Ramphal, the West Indian Commission has created the Caribbean Regional Negotiating Machinery (CRNM).

10 Rational-choice theory holds that, in making decisions, people weigh the gains to be made from a particular action against the costs incurred. Only when transnational

companies perceive the gains to outweigh the costs do they invest in a particular country or region.

11 All capitalist systems rest on three basic principles: private property, the profit motive, and free competition.

12 Within CARICOM, Article 56 of the Treaty of Chaguaramas allows Less Developed Countries (LDCs) to suspend common market treatment for imports from the More Developed Countries (MDCs) of the Community in order to protect existing industries or to encourage the development of specific “infant” industries. This article has been invoked by LDCs for particular products-rum, cigarettes and motor vehicles-which are currently subjected to import duties.

13 Case in point, per capita GNP in the OECS is high in comparison both with the rest of the Basin area and with other developing regions in the Third World. The per capita income in the grouping ranges from Saint Vincent and the Grenadines with the lowest of an approximate US$3,000 to the British Virgin Islands with a high of about US$34,394.

14 A reminder of de Tocqueville’s observation: “I am convinced that the most advantageous situation and best possible laws cannot maintain a constitution in spite of the customs of a country; while the latter may turn to some advantage the most unfavorable position, and the worst laws. The importance of customs is a common truth to which study and experience direct our attention”.

The theory: “culture is the principal determinant of development” is no longer as controversial as it used to be. Indeed, culture is the basis of the extent of a person’s identification with others; the rigor of the ethical system, and the attitudes to very important issues as work-all factors fundamental to how fast and equitably a society develops.

15 Developmental tendencies often produce a ‘new’ middle class, crucial to liberal notions of balance and democracy, which tends to change the structure of society producing a polarization tendency that is dangerous to stability and prosperity in societies of ethnic diversity. Such a development process might render Caribbean states no longer able to serve as the framework for the accomplishment of commonly accepted goals. The ongoing war in Colombia is perhaps the best example of what could happen if a significant section of society feels disenfranchised. This state of affairs has, in some cases, led to deep political divisions, which arise from divergent views among representatives of various ethnic groups and the political parties that represent them. Guyana’s economy has again suffered a huge setback. Its commercial center was set on fire by the predominantly Afro-Guyanese supporters of the main Opposition Party, the People’s National Congress (PNC), who claim to be recently disenfranchised in the political economy, after the predominantly Asian supported People’s Progressive Party’s (PPP) candidate was re-elected in Presidential elections in early 2001. Similar tendencies exist in neighboring Suriname and Trinidad and Tobago.

16 In principle, new provisions of the WTO prohibit members from discriminating among themselves or from treating one member less favorable than another. Likewise, the GATT system is in principle non-discriminatory, as inscribed in Articles I and XXIV.

17 Costa Rica appears to be the first Basin country to realize that economic growth depends upon developing production capabilities in new, non-traditional sectors. The risk and

potentially disastrous effects on relying heavily on any one industry was illustrated by the 1985 withdrawal of a US corporation from banana production in Costa Rica. This occurred when an American company, United Brands, closed a major banana production facility, leaving 3 500 Costa Ricans unemployed. Costa Rica's total work force at the time was estimated at 877 000. In giving priority to the export sector, the Costa Rican government has since diversified its economy and accelerated action to fortify its industrial base through speedy diversification of its economy and increased investment in the non-traditional sector. The OECS have also taken steps to decrease their reliance on agriculture. Thus, agriculture, which accounted for one-sixth of the OECS' GDP in the 1980s, had fallen to less than one-twelfth by the end of the 1990s.

18 Ethyl alcohol (ethanol) is a by-product from sugarcane used in the process of producing sugar.

19 Extraordinary complex trade arrangements exist and are under negotiation in the Western Hemisphere. A partial listing includes the Latin American Integration Association (ALADI), the Andean Common Market (ANCOM), the Southern Cone Common Market (MERCOSUR), the Central American Common Market (CACM), the Organization of Eastern Caribbean States (OECS), the Group of Three (G-3), and the Association of Caribbean States (ACS).

20 With a combined Gross National Product (GNP) of approximately USD 8 trillion and a population of nearly 400 million, NAFTA is nearly as wealthy as the EU, and trade within this arrangement will most likely be given highest priority within the FTAA.

21 The sale of Caribbean sugar to the USA best illustrates this lose. For example, in 1980 America imported USD 408 million in Caribbean sugar, but in 1987 that figure plummeted by 75% to USD 93 million. While the percentage of total US foreign stocks to NAFTA in 1990 and 1996 was 18.54% and 13.85% respectively, CARICOM received 1.25% and 0.71%. And though President Clinton embraced Bush's plan for a "free trade system that links all of the Americas as regional partners in a free trade zone" he refused CARICOM governments NAFTA-parity throughout both terms in office.

22 The ATPA provides duty-free entry to the US market for most exports from Bolivia, Colombia, Ecuador, and Peru.

References

Aho, Michael C. (1992), *Subcommittees on Western Hemisphere Affairs and International Economic Policy and Trade*. Testimony before US Congress, House, Committee on Foreign Affairs, 102d Congress 2d session. 12 May 1992, p.11.

Bailey, Norman A., and William Perry (1993), "The Strategic Impact of Hemispheric Free Trade". In Sidney Weintraub, *Free Trade in the Western Hemisphere*. *The Annals of the American Academy of Political and Social Science*, Vol.5 26.

Balassa, Bela (1961), *The Theory of Economic Integration*. Homewood, III: Irwim.

Bentham, Jeremy (1798/1970), *An Introduction to the Principals of Morals and Legislation*. London, England: Methuen.

Bhagwati J. and A. Panagariya (1996), "Preferential Trading Areas and Multilaterialism: Strangers, Friends or Foes". In Bhagwati J. and A. Panagariya (Eds) *The Economics of Preferential Trading agreements*. Washington D.C.: AEI Press.

DeLisle, Worrell and Compton Bourne (1989), *Economic Adjustment Policies for Small Nations: Theory and Experience in the English-speaking Caribbean*. New York: Praeger Publishers.

Deutsch, K.W, S.A Burrell, R.A. Kann, M. Lee, M. Lichterman, R.E. Lindgren, and F.L. Loewenheim (1957), *Political Community and the North Atlantic Area: International Organization in the Light of Historical Experience*. Princeton, NJ: Princeton University Press.

Girvan, N. (1990), *Reflections on Regional Integration and Disintegration* in J. Wedderburn (ed), *Integration and Participatory Development: Selected Papers and Proceedings on the Second Conference of Caribbean Economists*. Jamaica: Friedrich Ebert Stiftung.

Harrison, R.J. (1974), *Europe in Question: Theories of Regional Integration*. London: George Allen and Unwin.

Hass, E.B (1968), *The Uniting of Europe: Political, Social and Economic Forces 1950-1957* (2nd Edition). Stanford CA: Stanford University Press.

Hodges, M. (1972), *European Integration*. Harmondsworth: Penguin.

Knight, Franklin W. (1990), *The Caribbean: The Genesis of a Fragmented Nationalism* (2nd Edition). Oxford University Press, New York.

Krugman, P.R. (1991), "Is Bilateralism Bad". In E. Helpman and A. Razin (Eds.), *International Trade and Trade Policy*. Cambridge, MA: MIT Press.

Mandel, Michael J. (1999), "The Internet Economy: The World's Next Growth Engine". In *Business Week*. New York, USA. October 1999.

McCoy, Frank (2001), "NAFTA Expansion Hits Traffic Jam". In *Hispanic Business*. New Jersey, USA. September 2001.

Nicholls, Shelton, Janice Christopher-Nicholls, and Philip Colthrust (1999), *Evading the Fiscal Impact of a Regional Economic Partnership Agreement between the EU and the Small Island Economies of CARICOM*, Saint Augustine, Trinidad and Tobago, (Paper presented at the Research Review Seminar, Central Bank of Barbados, July 27-29, 1999, Bridgetown, Barbados).

Ohmae, Kenichi (1995), *The End of the Nation State: The Rise of Regional Economies*. New York, Free Press Paperbacks.

Page, Sheila (2000), *Regional Integration and the Investment Effect, Regional Integration in Latin American and the Caribbean: An Evaluation of the Political Economy of Open*

Regionalism. Institute of Latin American Studies London, (Paper delivered at the 50th International Congress of Americanists, Warsaw, Poland, 10-14 July 2000).

Sek, Lenore M. and Mark P. Sullivan (1993), *Caribbean Basin Countries: Implications of a North American Free Trade Agreement*. Washington D.C.: CRS.

Sullivan, Mark P. (1993), *Caribbean-US Relations: Issues for the Congress*. Congressional Research Service (CRS) Issue Brief. Washington D.C.

Wallace, W (1990), Introduction: *The Dynamics of European Integration*. London: Pinter/RIIA.