

THE CARIBBEAN BASIN AND THE FREE TRADE AREA OF THE AMERICAS: STRATEGIC REGIONALISM OR REACTIVE REGIONALISM?*

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I. INTRODUCTION

Latin American and Caribbean integration was conceived in the 1950s and 1960s as a regional strategy to promote industrialization and economic development. Under the influence of Prebisch's ideas about economic integration, the creation of a Latin American Common Market was essentially considered a project to further regional industrialization and economic and political autonomy of the region *vis-à-vis* the rest of the world (see ECLAC 1959; Prebisch 1949 [1996]). The control of both foreign investment and multinational corporations were also included in the integration initiatives but these were contributions of the so-called "dependency school". The United States was not considered a possible partner in this strategy. Conversely, the new wave of integration in Latin American and the Caribbean initiated in the late 1980s is progressing simultaneously with hemispheric integration, expression of which are the current negotiations to set up a Free Trade of the Americas (FTAA). This implies a remarkably transformation of the strategy of integration that Latin American and Caribbean countries encouraged in the 1960s and 1970s.

Both the United States and the Latin American and Caribbean countries are currently committed to promoting their mutual economic integration. This wave of hemispheric regionalism began in 1991 when the United States, Mexico and Canada launched negotiations to set up a North American Free Trade Agreement (NAFTA). The process continued in June 1991 with the Enterprise of the Americas Initiative (EAI), a comprehensive project to regulate factors such as trade, debt and investments. The EAI's aims were the creation of a Western Hemisphere Free Trade Area from "Alaska to Tierra del Fuego", to promote foreign investments and to reduce

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the public debt various Latin American countries owed to the US government. The following action in the process of hemispheric integration was the Summit of Miami (December 1994) where the leaders in Western Hemisphere decided to set up a FTAA by the year 2005 (see Feinberg 1997). Negotiations for the establishing of the FTAA were initiated in the Second Summit of the Americas held in Santiago, Chile, in April 1998.

This paper analyzes the impact of these proposals of hemispheric integration on the emergence of the new Caribbean Regionalism. Herein, it is argued that the new wave of integration in the Caribbean has been to a large extent a reactive response NAFTA and FTAA. Certainly, the new Caribbean regionalism is a complex process that can be explained by multiple factors such as the process of globalization, the re-negotiation of the Lomé Convention, the new economic strategy implemented in the region since the middle of the 1980s, the decreasing geopolitical importance of the Caribbean after the end of the Cold War, etc. However, this paper is only concerned with the Central American and CARICOM countries' approach to the new Caribbean regionalism, which is closely related to NAFTA and FTAA. The creation of NAFTA and the scenario of a possible FTAA could affect the commercial preferences these countries have received from the USA through the Caribbean Basin Initiative (CBI). This situation has led the CBI countries (Central America and CARICOM members) to promote a strategy of integration and cooperation in order to defend such preferences and to prepare their economies for an eventual FTAA. The "United States-Caribbean Basin Trade Partnership Act" passed by the US Congress in May 2000 was the first result of such a strategy. This legislation provides NAFTA parity to the production of textiles in the CBI countries – which constituted a regional claim from the time that the NAFTA came into force in 1994. However, the parity is granted until September 2008 or until the implementation of the FTAA. Hence, NAFTA and FTAA must be considered as variables to explain the emergence of the new Caribbean regionalism.

The evolution from the old to the new Caribbean regionalism is examined in the first section of the paper. The second section analyzes the reactive nature of the new regionalism and its relation to NAFTA and FTAA. Finally, the possibility of developing strategic policies beyond current reactive regionalism is evaluated in the last section of this essay.

II. THE OLD AND NEW REGIONALISM IN THE CARIBBEAN BASIN

The Caribbean Basin is quite a diverse region. The different processes of colonization of Caribbean territories have produced a cultural, political and ethnic heterogeneity. Hence the expression that there is the existence of

multiple Caribbean subregional traditions. From the economic point of view, the Caribbean Basin is a region closely linked to extra-regional markets like those of the United States and the European Union. This situation has impeded the development of economic interdependence among the countries located in the Basin. The result of this fragmentation is that most of the Caribbean countries have not developed political and economic relations beyond the sub-regional space to which they claimed to belong. For that reason, some scholars consider that the Caribbean countries have for decades behaved as indifferent neighbors (see Serbin and Bryan 1990).

Some political circles in many countries of the region even rejected the concept of a Caribbean Basin. In particular, the English-speaking islands defended a rather narrow conception of what should be considered as the "Caribbean". In this view, the Caribbean comprises only of those countries with an important African heritage, a historical experience linked to slavery and plantation and a heritage of British tradition of parliamentary democracy. These countries are described as the "Commonwealth Caribbean" or "The West Indies". Other territories such as Cuba, the Dominican Republic or Haiti, were considered as "another Caribbean" or "Antilles", a subregion culturally closer to Spanish or Creole cultures, with an ethnic configuration more diversified and with an authoritarian political tradition. The other countries located in the Caribbean Basin like those of Central America, Colombia, Venezuela, Surinam and Mexico were not considered "Caribbean". This latter was synonymous of West Indies or Antilles. When countries like Venezuela claimed to be Caribbean, the English-speaking islands reacted by describing such pretensions as a manifestation of sub-imperialism. Furthermore, despite their location in the Basin, the Central American countries, Mexico and Colombia have seldom described themselves as Caribbean.

This Caribbean diversity influenced the various initiatives of regional integration promoted since the 1960s. The Central America American Common Market (CACM), created in 1960, included only the five members of the nineteenth century United Provinces of Central America. The English speaking Caribbean furthered diverse projects such as the West Indian Federation (1958-1962), the Caribbean Free Trade Association (CARIFTA) (1965-1973) and the Caribbean Community (CARICOM) set up in 1973. Colombia, Mexico and Venezuela decided to join the Latin American Free Trade Association (LAFTA) (1960-1980) and the Latin American Integration Association (LAIA) created in 1980. Cuba entered into the former Council of Mutual Cooperation (COMECON). The rest of the Caribbean countries did not join any integration initiative.

The idea of promoting an integration scheme comprising all the Caribbean Basin countries was illusory. Caribbean regionalism was in fact

synonymous of English-speaking integration, the institutional expression of which was CARICOM. However, recent events in the Caribbean Basin are leading to supersede this old perception of Caribbean regionalism. Most of Caribbean Basin countries have decided to promote economic integration and political cooperation beyond their traditional subregional space. This process has gradually facilitated the emergence of a new Caribbean regionalism beyond the cultural and ethnic barriers that have traditionally separated the region. This assertion does not mean that such differences have disappeared or that regional sub groups are going to decline. The Caribbean Basin does remain as a diverse zone but this diversity is not going to further regional fragmentation (see Briceño Ruiz 1998). In other words, as Bryan and Bryan (1999:15) have asserted, "in the Caribbean context, the colonial past is no longer the emotional road map for the integration of the region. The new regionalism in the Caribbean is one that reflects a paradigm shift in integration theory and practice, from a vertical perspective (North America and Europe) toward a horizontal relationship between the countries of the Wider Caribbean and Latin America". One could add that Caribbean Basin countries have discovered that they belong to a same neighborhood. They are neighbors that are looking forward to knowing each other.

Colombia, Mexico and Venezuela are member-countries of the Group of Three (G-3). The CARICOM, the CACM and Cuba – most recently the Dominican Republic – are the principal promoters of this new Caribbean Regionalism. Colombia, Mexico and Venezuela, individually or as members of the G-3, have fostered political and economic cooperation with Central America and the CARICOM. As a result, Mexico has signed free trade agreements with Costa Rica (1994), Nicaragua (1996) and with El Salvador Guatemala and Honduras (2000). Similarly, Mexican and the Central American countries have fostered the so-called Tuxtla Process", the objective of which is to promote economic integration and political cooperation. Colombia and Venezuela have also signed a free trade treaty with Central America in 1993. By the same token, Venezuela has signed a non-reciprocal trade agreement with CARICOM in 1992, and Colombia has negotiated an analogous one in 1994. Mexico has also promoted cooperation with the English-speaking Caribbean. For example, a Mexico-CARICOM Commission was established in 1990 with the purpose of fostering trade and cooperation (see Briceño and Vielma 1998).

CARICOM's and Central America's Ministers of Foreign Affairs have held four important conferences to promote cooperation and free trade. The proposal of a Strategic Alliance between Central America, CARICOM and the Dominican Republic was discussed in the fourth meeting between both groups held in Georgetown, Guyana, in March 1999. Cuba and the Dominican Republic have also pushed forward integration and cooperation

with their Caribbean neighbors. Cuba has been admitted into the Caribbean Tourism Organization and a Cuba-CARICOM Cooperation Commission was set up during the 13th CARICOM Summit held in Trinidad and Tobago in 1992. The Commission's aim is to encourage Cuba-CARICOM relations in different areas such as trade, development programs and cultural exchange (Braveboy-Wagner 1994:82-92; Erisman 1994:45-66). Similarly, the Dominican Republic has also forged closer relations with CARICOM and Central America. The Dominican president has attended recent Summits of the Head of States of Central America and the CARICOM Summit of Head of Governments. The Dominican Republic has signed preferential trade agreements with Central America in early 1998 and with CARICOM in August 1998. In addition, it proposed in 1997 the establishment of Strategic Alliance between Central America, the CARICOM and the Dominican Republic. The objectives were to establish a free trade area, promote functional cooperation on issues such as transport and tourism, to cooperate in the negotiation of a NAFTA parity and the FTAA and relations with the European Union (EU).

III. THE FTAA AND THE REACTIVE NATURE OF THE NEW CARIBBEAN REGIONALISM

The signing of NAFTA has modified the traditional commercial relations between the US and the Caribbean Basin countries. NAFTA has affected the CBI's commercial preferences by granting free access of Mexican products into the US market. Mexico's low wage, proximity to the US market, and NAFTA's duty free treatment has provided Mexico with a competitive advantage over the Caribbean. According to Gruegel (1995:15), NAFTA has put some 60 percent of CBI exports at a disadvantage *vis-à-vis* Mexican exports. Pantoja and Dietz (1996:57) argue that NAFTA put at least 60 percent of 1990 US imports from the CBI beneficiaries at a competitive disadvantage, which represented about USD 4.5 billion of the total USD 7.6 billion in US imports from the CBI region. Valtonen (1998) has demonstrated that NAFTA has affected the CBI exports of Central American countries. The textile and apparel segment of the Central American export sector has been displaced from the US market due to the growing Mexican competitiveness following the signing of the NAFTA in 1994. The CBI countries' textile and apparel exports to the US grew by some 13 percent in 1994, whilst those from Mexico grew by 33 percent. Mexican textiles and apparel exports grew by 52%, whilst those from the CBI by just 21% in 1995. Despite the growth of the CBI exports in those years, a considerable trade diversion in textiles and apparels from the Caribbean Basin to Mexico has also taken place (Valtonen 1998:8).

According to Pantoja (SD:2), NAFTA has caused an exponential growth in Mexican textile and apparel exports, whilst the combined value of the four larger Caribbean exporters sagged. As a result, Mexican textile and apparel exports to the US grew by 123 percent from 1994 to 1996, whereas the combined exports of Dominican Republic, Jamaica, St. Lucia and Haiti grew by only 14 percent during the same period. Finally, a report of the Caribbean Textile and Apparel Institute, located in Kingston, Jamaica, shows the negative impact of NAFTA on the Caribbean rate of employment. Accordingly, around 123 000 jobs were lost between 1995 and 1996 as a direct result of trade and investment diversion to Mexico (see Rother 1997).

Both, Central American and CARICOM countries have demanded the NAFTA parity as the best mechanism to reduce NAFTA's negative impact on the CBI preferences. The legislative proposal H.R 1403 "Caribbean Free Trade Agreement Act", submitted by the Florida delegation at the US Congress in 1993, desired to extend NAFTA preferences to the CBI countries over a period of three years. The Caribbean Basin Trade Security Act H.R. 533 was promoted in March 1995. Two additional bills were submitted in 1997: the Caribbean Partnership Act that would have granted NAFTA parity to the Caribbean countries, and the US-Caribbean Trade Enhancement Act, which would have extended trade benefits to the Caribbean apparel and textiles industries. Both proposals were rejected because of the lobbying from local manufacturers who were not participating in Caribbean assembly operations. The Caribbean Basin Initiative Trade Enhancement (CBITE) of January 1999, has been the most recent proposal for NAFTA parity (Lewis 1994; Nogueira 1997; Tirado de Alonso 1998:4). The parity was eventually approved in May 2000. However, the new legislation is valid until 2008 or the implementation of the FTTA. In the meantime, the legislation proposes the beginning of negotiations of free trade agreements between the US and the CBI countries, in which trade preferences comparable to those of NAFTA could be included.

The fears of a continued undermining of CBI's preferences and the failure of the strategy to achieve the NAFTA parity explain the interest of the CBI countries in regional integration and cooperation in the 1990s. Certainly, other factors such as the failure of earlier integration strategy could help explaining the emergence of the new Caribbean regionalism. This notwithstanding, the shift from a regional industrialization strategy to an export promotion strategy does not in itself explain the new regionalism. For example, the change of the model of integration in CARICOM was decided in the Summit of Head of Governments held in Nassau, Bahamas, in 1987. CARICOM leaders decided to further a strategy based on trade liberalization and insertion in the world markets, but no proposal of widening Caribbean

integration was discussed in that meeting. The project of an integration scheme including all the countries of the Caribbean Basin was illusory and had no political support in CARICOM. Similarly, the rim land Central American countries who have seldom claimed to belong to a "Great Caribbean Family" are currently very active in promoting closer relations with the Caribbean islands, particularly with CARICOM and the Dominican Republic. Even a country like El Salvador, which does not have a Caribbean coast, is involved in this new regionalism. Herein, one can argue that the fears over NAFTA and FTAA undermining CBI's preferences have led Central America and CARICOM countries towards cooperation and integration.

The Central American and CARICOM's common action go beyond the defense of CBI's preferences. Both regions must prepare themselves to fit the conditions required by the US to enter into hemispheric integration. This implies, in what recent literature on the issue has called the readiness indications to become a member of the FTAA (Hufbauer & Schott 1994; CEPAL 1996). A study by Escaith (1997) demonstrates that the Central American countries do not fit the minimum readiness to join into the FTAA. Escaith's study considers four indicators: eligibility, economic policy fundamentals, and viability. The first and second indicators refer to the minimum conditions that countries must fulfill before being accepted in the FTAA. These conditions have not been clearly determined but in general terms they are the same policy orientations recommended by the Washington Consensus, the objective of which are the improvement of governmental capacity to control economic variables such as inflation, fiscal deficit and exchange rate (Escaith 1997:45). The third indicator (the fundamentals) refers to the possible gains a country could obtain from accessing to the FTAA, whilst the fourth one (viability) concerns the social and economic costs a country must pay to participate in the hemispheric free trade (Escaith 1997:45-46). Escaith's analysis demonstrates that Central American countries are not prepared to enter into FTAA. On a scale of 0-5, Central America as a region graded with 2.2, whilst Panama and the Dominican Republic scored 3.4. These results show that Central American countries must continue neoliberal economic reforms to achieve their readiness required for entering the FTAA. Arguably, the CARICOM situation is not very different from that of Central American countries. The Caribbean Basin countries are still not prepared for the hemispheric integration but the reality is that FTAA negotiations have already been initiated. Consequently, Caribbean countries are compelled to improve their readiness if they do not want to be excluded from the hemispheric process. In this context, the creation of a free trade area of the Association of Caribbean States could be used not to promote regional interdependence but only as a mechanism to

deepen economic adjustment and to establish measures to improve the readiness to FTAA.

Then, the new Caribbean regionalism, at least from CARICOM and Central American point of view, is a mechanism to deal with the erosion of the CBI preferences and to prepare for the FTAA by deepening the neoliberal economic reform. Nevertheless, the latter does not imply that CBI countries have changed their economic strategy based on low labor cost and commercial preferences. Certainly, CBI countries are urged to sustain their competitiveness in the context of increasing competition and reciprocity created by NAFTA and FTAA. Caribbean Governments have assumed that by promoting free trade and deepening structural reforms they shall improve their competitiveness. The problem is that economic development strategy in the Caribbean is based on low cost labor-intensive production and an export assembly strategy furthered by the CBI. This strategy cannot be carried on without a continued reduction in labor cost. It is legitimate to argue that the defense of the comparative advantage in international competition for labor-intensive assembly production supposes a socioeconomic disadvantage. Consequently, if Caribbean Basin countries want to continue the traditional export assembly, they will also promote "a further lowering of living standards in the Caribbean along the lines of what happened since the 1980s when 'wage repression' helped to maintain 'competitiveness' " (Pantoja-García & Dietz 1996:60).

Ceara Hatton's (1998) approach to the issue is very different. According to him, Caribbean economies are fundamentally oriented to services and empirical evidences do not demonstrate that structural reforms, as required by the FTAA, are prerequisites to develop services sectors such as tourism. Moreover, if FTAA does not recognize the different levels of economic development existing in the Western Hemisphere, the benefits for the Caribbean countries could be quite limited. Notwithstanding this, the cost of non-participation could be also very high. Therefore, the dilemma is not that of participating or not participating in the FTAA, but how to participate, how to recognize the multiple difficulties of the process and how to be able to identify the opportunities (Hatton 1998:238). What is clear is that a reactive regionalism does not contribute to resolve the bottleneck of Caribbean country development strategy. Hence, the new regionalism should be considered as a framework to promote strategic policies in order to adapt to the changing international economic system.

IV. THE CARIBBEAN TRADE PREFERENCE AND THE SEARCH FOR AN ALTERNATIVE STRATEGY?

The strategy leading to create a great Caribbean Basin is still pertinent

but this project should not be only a reactive response to NAFTA and FTAA but a strategic alliance to promote political and functional cooperation, and economic development of the whole Caribbean region. Political cooperation should include the fostering of common positions concerning issues such as trade negotiations, the protection of Caribbean Sea, the coordination of foreign policies, etc. Functional cooperation must strengthen regional interdependence and promote a better understanding among peoples traditionally separated by their different cultural traditions. Similarly, economic integration cannot become an auxiliary tool to deepen structural adjustment but a key factor of a development strategy. The proposal of a "Strategic Alliance" proposed by the Dominican Republic is also interesting because its agenda goes beyond the reactive regionalism. However, it seems irrational to create of a new institutional framework of cooperation without having made use of the all the ACS' potential to improve regional interdependence.

Concerning the economic dimension of this strategic alliance, some Caribbean countries decided to further free trade in 1996. Discussions started in the first meeting of the Special Committee on Trade and Development and External Economics Relations of the ACS, held in Caracas in November 1996. However, once negotiations started two approaches arose. A group of countries proposed that economic interdependence could be more properly fostered by bilateral free trade agreements between ACS countries. Arguably, as all countries would negotiate the FTAA, a multilateral negotiation in the ACS had no sense (Hatton 1999:1). Conversely, other ACS members considered that economic integration must be first promoted in a Caribbean multilateral framework. This was the approach defended by the Latin American Economic System (SELA). Accordingly, the creation of free trade area in the ACS would help consolidating the economic reforms that many countries had unilaterally undertaken. Furthermore, a preferential trade arrangement would push forward countries to develop their competitive advantages and to stimulate exports in new markets for some traditional and new products. Finally, "a wider ACS free trade area would spark increased interest in the Caribbean among international investors. An area for the free movement of goods and services among 60-200 million people would seem to present certain economies that would encourage the establishment in the zone of production and distribution activities" (SELA 1999:3).

This Caribbean multilateral strategy was finally predominant and the ACS countries began negotiations in 1998 concerning a gradual and progressive liberalization of trade. Caribbean countries decided to negotiate a Caribbean Trade Preference (CTP) that would allow countries establishing a space for convergence and a common minimum denominator to negotiate

the FTAA (Hatton 1999:2). However, the process has not been easy to carry out. Optimism dominated at the beginning of the CTP negotiations. This later was considered as the first step for strengthening trade relations among ACS states and a complementary instrument to free trade initiatives promoted at sub regional level by many Caribbean countries. Accordingly, the CTP would not have in principle a greater impact on the CACM, CARICOM and G-3 countries, but its impact on the volume of trade between countries like Cuba, Haiti, Panama and the Dominican Republic could be considerable (ACS 1998).

This optimist approach dominated the IV Meeting of ACS Special Committee on Trade, Development and External Economic Relations held in 1998. The consensus on the convenience of implementing the CTP was almost general. Negotiators even presented a first draft of the CTP. It later included different margins of preferences according the categories of countries as follows:

Mexico: 20 percent for Colombia and Venezuela and 40 percent for the CACM, CARICOM, Cuba, Haiti, Panama and the Dominican Republic.

Venezuela and Colombia: 10 percent for Mexico and 30 percent for the CACM, CARICOM, Cuba, Haiti, Panama and the Dominican Republic.

CACM, CARICOM, Cuba, Haiti, Panama and the Dominican Republic: 10 percent for Mexico, Colombia and Venezuela and 205 among themselves.

Furthermore, the CTP treatment shall be at the level of six digits for the universal tariff of the Harmonized System, with a limited number of exceptions that should not surpass 10 percent of the items in the case of Mexico, 15 percent in the case of the Andean Community and 20 percent in the case of the other ACS countries. The negotiators also decided to establish a 50 percent regional value added as rule of origin to become a beneficiary of the CTP. Finally, ACS countries also agreed to set up a dispute settlement system at bilateral level or through the good offices of the ACS General Secretary (ACS IV 1998).

However, the original optimism disappeared considerably in the V Meeting of the Special Committee, held in Port of Spain in 1999. Some ACS countries expressed their reluctance to the way CTP negotiations were being carried on. Cuba, Colombia, Venezuela, The Dominican Republic, Trinidad and Tobago, St. Lucia, Aruba, the Netherlands Antilles, France and Jamaica gave support to the CTP project. Conversely, countries like Mexico, Costa Rica, El Salvador, and Guatemala "stressed their support for the regional integration process, but insisted that, due to the many ongoing negotiating scenarios and the attention being given to those initiatives, they were not in position to support the proposal at this time" (ACS 1999). Countries like

Aruba, Jamaica, Trinidad and Tobago and St. Lucia asked for a period to carry on an evaluation about the CTP effects on their economies and its legal implications and compatibility with the World Trade Organization, FTAA and the Lomé Convention.

The original consensus on the need for a Caribbean CTP clearly disappeared at this meeting. Certainly, free trade negotiations are always very complicated, but this assertion is particularly valid by referring to a region extremely diverse as the Caribbean. The back-to-reality that took place in 1999 was a logical development of the process of negotiation. At that meeting, ACS countries realized that the cost of a CTP could be very high for some countries, which decided to adopt a strategy of "wait and see" the results of the early stage of FTAA negotiations. This situation has complicated the CTP discussions because ACS member states have become embroiled in FTAA negotiations and the intra-regional trade agenda of the ACS has become subordinated to the FTAA process (Bryan & Bryan 1999:11).

Another policy option for the Caribbean could be the promotion of closer trade links with the rest of Latin America, in particular with the Southern Common Market (MERCOSUR) and the Andean Community. In fact, CACM Secretariat and the Andean Community have prepared a draft agreement on trade and investment between both integration schemes. Similarly, the Andean Community and CARICOM have explored since 1997 the possibility of negotiating a free trade agreement (see General Secretariat of the Andean Community 1999). MERCOSUR and the CACM have also subscribed a Framework Agreement on Trade and Investments in April 1998 (Grandi & Schutt 1999:349). However free trade negotiations between the Caribbean Basin countries and the South American integration schemes are currently stagnated. The promotion of closer relations between both regions implies a political compromise to overcome obstacles such as the low level of trade exchange, the distance and transport deficiencies, the Caribbean dependence on the US market, and the lack of interest in the South American markets among the Caribbean Basin private sector.

The difficulties to negotiate the CTP and the stagnation of the negotiations with MERCOSUR and the Andean Community evidence the reactive bias of the new Caribbean regionalism. It is certainly astonishing to see how Caribbean leaders hesitate to give support to a very simple modality of integration like a zone of trade preferences. The modest progress of the negotiations with MERCOSUR and the Andean Community demonstrates that despite the rhetoric concerning the widening of integration, many ACS countries are still convinced that their commercial interests are not located in the Caribbean Basin or Latin America but in North America and Western Europe. Hence, the regional integration and cooperation is sustained as long

as it could be an instrument for defending access to the US market. But it is not considered a mechanism to further regional interdependence. This assertion is validated, for example, by the fact that the countries who have hesitated to give support the CTP are mostly the beneficiaries of the CBI.

V. CONCLUSION

The new wave of economic and political cooperation and integration is remaking the Caribbean Basin. The cultural and ethnic differences that have traditionally separated the Caribbean countries are today not considered an obstacle to promote cooperation among them. This process of construction of region in the Caribbean is the response to the global and hemispheric transformations that were accelerated in the last decade. However, the creation of NAFTA and the negotiations of FTAA have given to this new regionalism a bias excessively reactive. NAFTA and the FTAA are key factors to understand why CBI countries have decided to participate in this process. As it is argued in this paper, both NAFTA has implied enhancing of Mexican competitiveness in the US market and the consequent replacement of many Caribbean productions by those of Mexico. For these reasons, Central America, CARICOM and the Dominican Republic have decided to promote cooperation in order to defend their interests in the US market and to prepare these countries for a FTAA by deepening structural reform. However, Caribbean integration must not be a mere response to these challenges or a mechanism to deep neoliberal reforms but a strategy to further political and functional cooperation and economic interdependence. Current reactive bias of Caribbean regionalism must be substituted by a strategic policy leading to transform the Caribbean development strategy based on cheap labor cost and trade preferences. This certainly supposes the promotion of interdependence by free trade. However, trade should be only an element of this strategy in which aspects such as the promotion of policies leading to improve Caribbean competitive advantages, the corporate integration of national companies and the social dimension of integration (the protection of environment and right workers) should also be included. Furthermore, as Bryan and Bryan (1999:15) assert by referring to CARICOM, the Caribbean countries "must move from mere trade integration to production integration in order to rationalize the use of resources and unleash the development capacities of its members". This supposes a political consensus on the need for an alternative strategy. However, the stagnation of both the discussions of the CTP and the free trade negotiations with MERCOSUR and the Andean Community demonstrates the extent to which it is difficult for Caribbean countries to go beyond the reactive regionalism.

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