



THE CARIBBEAN PAPERS

CARIBBEAN ECONOMIC GOVERNANCE PROJECT

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About the Caribbean Economic Governance Project

This project convened researchers and leaders within the private and public sectors to examine and provide substantive answers and policy prescriptions to current economic governance challenges facing the Caribbean region. The papers were initially presented at CIGI workshops, where the authors benefited from extensive comments and discussion on their work. This series presents and discusses policy issues pertaining to trade, investment, human capital, the fiscal outlook, public sector management practices and other issues relevant to the Caribbean region's economic future.



CIGI's Caribbean Economic Governance Project is directed by Daniel Schwanen.

The opinions expressed in this paper are those of the authors and do not necessarily reflect the views of The Centre for International Governance Innovation or its Board of Directors and/or Board of Governors.



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Forthcoming

The Caribbean Maritime Transportation Sector

Fritz H. Pinnock and Ibrahim A. Ajagunna

The tourism industry has been embraced as a development tool for many Caribbean countries as a result of the impending demise of the traditional banana and sugar industries. The fastest-growing segment in the industry is cruise tourism, with the Caribbean accounting for 50 percent of the global market by vessel calls and passenger count, but the region receives less than 5 percent of the total industry revenue globally.

In many territories, cruise vessels compete with cargo shipping for limited berthing space. There is an understanding throughout the region that cruise vessels get priority berthing over cargo vessels, which have to wait until cruise vessels sail before they can dock. This means cargo vessels carry out their load and discharge operations after normal working hours, which results in massive overtime costs and lengthy delays. These extra charges are then passed on to local consumers, contributing to the high cost of maritime transportation in the Caribbean. Barbados is an example of one island that is seriously affected by this dilemma.

The development approach to the maritime transportation industry in the Caribbean has been fragmented and may be unsustainable in its current form. The maritime transportation infrastructure throughout the region was designed to facilitate colonial and piracy trade. Today, advancements in technology and skills has placed the Caribbean in catch-up mode. Most reforms have only been cosmetic and have not addressed the real need to overhaul the entire infrastructure with a holistic approach to position the Caribbean within the global logistics and supply chain.

Social Partnerships and Development in the Caribbean

Indianna D. Minto-Coy

The current global financial and economic crisis has presented significant challenges to small developing states, aggravating many of the long-standing issues that these countries were already facing. Included in this group of countries are the islands of the Commonwealth Caribbean, which comprise the bulk of countries in the Caribbean Community (CARICOM). It is not clear to what

extent the financial crisis can be blamed for the recent downward trend in the Caribbean, but it is certain that the ongoing crisis has intensified the economic challenges that many CARICOM nations were already facing — declining investment, environmental and energy sustainability, the loss of preferential trade arrangements, rising crime rates, the decline in productivity levels and the inability of some governments to provide adequate employment opportunities for their educated citizens.

While the current crisis presents challenges for individual CARICOM governments, it also offers an opportunity for these countries to attempt innovative solutions that will contend with the short-term effects of the financial crisis as well as address long-standing problems. A solution that has proven successful in Botswana, Ireland and Barbados is the use of social partnerships as a specific governance model. Social partnerships in these three countries were undertaken during some of the most trying economic and social crises in the history of these countries, allowing them to achieve levels of development and stability yearned for by other states.

There has been very little examination of the concept of social partnership and its implications for stakeholders, with misconceptions surrounding the term “social partnership” itself; therefore, this paper will provide a definition of social partnerships. The paper aims to assess the value of social partnerships as a governance tool for the Commonwealth Caribbean by examining the positive social partnership experiences of Botswana, Ireland and Barbados, as well as the less-than-successful attempt to implement social partnership in Jamaica. These differing experiences offer fundamental lessons for future efforts to create social partnerships that can be implemented to deal with a crisis and establish a long-term economic strategy. The paper will draw on these lessons to provide a guide or list of recommendations that can be employed by individual Caribbean territories to develop their own social partnership arrangements.

Among the factors highlighted as being important to the formation of successful social partnerships are:

- The presence of internal and/or external threats which make such partnerships more attractive;
- The importance of leadership, particularly political leadership and commitment towards the principles of partnering;
- The need for clearly stated and tangible goals with their fulfilment being based within fixed time periods;
- The establishment of a specific body charged with the development and implementation of the partnership and related agreements;
- The need to emphasize partnership as a tool or means to an end and not the end in itself;
- The value of ensuring that “partnership planning” goes hand in hand with development planning and national budgeting exercises;
- Tangible and visible gains for labour in exchange for wage restraint; and
- Recognition that partnership building is both a practical and philosophical exercise, requiring attention to language and symbols, as much as to setting productivity levels and wage rates.

This paper will be published jointly with the Caribbean Policy Research Institute (CaPRI).

Previously Published

Repositioning the Caribbean within Globalisation

Anthony Payne and Paul Sutton
Caribbean Paper #1

In the last 20 years, the Commonwealth Caribbean has moved toward a new technocratic model of development which has sought to reposition the region within the global economy. This paper examines three key policy agendas that have emerged to drive, guide and inform this process: competitiveness, diplomacy and governance. In each case, the paper first provides an overview of the main issues, setting the particular circumstances of the Commonwealth Caribbean within wider global developments. It then examines the current “state of play” in each area, highlighting progress made and problems encountered. The last part discusses policy issues in each area, identifying both key concerns in current policy and urgent policy questions that still remain to be resolved. The paper concludes that real progress can be made only if the Commonwealth Caribbean adopts the “functional equivalent” at the regional level of the kind of “development state” that was so successful in East Asia. This will involve restructuring CARICOM to become more innovative, proactive and directive than has been the case to date.

Brain Drain, Brain Circulation, Remittances and Development: Prospects for the Caribbean

Laura Ritchie Dawson
Caribbean Paper #2

The issue of brain drain as a result of south–north migration has been a preoccupation for developing countries around the world and the CARICOM states in particular. In recent years, the debate has moved beyond brain drain to speculate on the development prospects of brain circulation through return migration. Also on the current agenda are the prospects for economic development through remittances and the engagement of diaspora communities. This paper examines the evolution of the debate and key issues with particular attention to the implications for small, developing states within CARICOM. Of particular importance is the conclusion that remittances alone are not sufficient for economic development and are, in fact, a reverse subsidy to wealthier countries. However, through domestic reforms and international advocacy and cooperation it may be possible to improve the development returns of highly skilled emigration.

Beyond Tourism: The Future of the Services Industry in the Caribbean

Daniel P. Erikson and Joyce Lawrence
Caribbean Paper #3

The small economies of the Caribbean have entered a period of extraordinary economic uncertainty driven by the impact of new trade rules on the region’s agricultural sector, dramatic advances in technology that have lowered barriers to entry and fierce global competition from large, low-wage countries in Asia. Furthermore, the Caribbean nations’ ability to sustain a high level of social well-being is suffering due to the effects of broader economic change that has left the region in a reactive position. Against this backdrop, the services sector in the Caribbean may serve as an important source of economic growth, but only if the region begins to move beyond tourism to take advantage of emerging opportunities in the areas of banking and financial services, call centres and information and communication technology, off-shore education and health services, and transportation. This paper assesses the future prospects for the Caribbean to create a thriving, service-based economy and offers ideas to help the region to both build on and transcend its reliance on tourism to carve a more profitable and sustainable niche in the global economy.

This paper is published jointly with the Caribbean Policy Research Institute (CaPRI).

“Remote” in the Eastern Caribbean: The Antigua-US WTO Internet Gambling Case

Andrew F. Cooper
Caribbean Paper #4

The structure of the multilateral trading system is widely assumed to contain bias towards big actors, unevenly distributing access to the key processes of the system. Small countries, including Caribbean states, have long focused their attention on physical merchandise, while the US has taken on the role of disciplinarian, confronting countries that they perceive to be in violation of the General Agreement on Trade in Services (GATS).

Brought to the World Trade Organization (WTO) by Antigua, the Internet remote gambling case has challenged standard assumptions about the workings of the international trading system in the WTO context. A small country appearing to take the US on by itself, Antigua claimed the American government failed to live up to its commitment under GATS regarding “recreational services.” While Antigua argued for fairness in the WTO system, the US adopted a prohibitionist attitude to Internet remote gambling, citing domestic moral standards.

Underwritten by the highly globalized Internet remote gambling industry, this case exemplifies what a small state can do to respond to dynamic changes imposed by globalization, confirming that small countries can sometimes punch above their weight in international relations.

First, Do No Harm: The Role and Responsibility of Canada as a Destination Country in South–North Migration

Laura Ritchie Dawson
Caribbean Paper #5

Analyses of south–north migration usually focus on the consequences of migration for the sending countries and recommend measures to improve development outcomes.

This paper instead examines the role and responsibility of migrant-receiving states, and constructs a framework of intervention areas for Canada, from work conducted in other developed countries. One major concern is that wealthy, migrant-receiving countries are impeding their own overseas development efforts through migration related policies that are contradictory or incoherent across such policy areas as migration, labour, trade, development,

and international affairs. The paper concludes with a discussion of the reasons Canada should reverse this trend and embark on a new development partnership in its future relations with CARICOM states.

Public Sector Reform in the Commonwealth Caribbean

Paul Sutton

Caribbean Paper #6

The importance of an efficient and effective public service in the delivery of economic and social development is a long-standing theme of development policy. To this end, comprehensive public sector reform has become a major feature in many developing countries in recent years. This paper examines the recent experience of the Commonwealth Caribbean, with a particular focus on the successes and failures of New Public Management (NPM) as a strategy for reform. It begins by briefly examining the institutional environment that has shaped public administration and public management in the Commonwealth Caribbean and then examines some of the principal ideas behind NPM, distinguishing it from the previous dominant paradigm of development administration.

The paper then identifies three key issues that have emerged in the reform process: the political-administrative interface; the private sector as a model for the public sector; and the human resource dimension of managing change. In each case, the background to reform is given along with the NPM solution to the problem and a case study exemplifying how it has worked out in practice. The paper concludes by discussing two key dimensions of the NPM experience: its internationalization and the importance of politics in promoting and sustaining a successful public sector reform program. The final section examines some of the main lessons of reform and what direction it might take in the future.

Diasporas and Development: An Assessment of the Irish Experience for the Caribbean

Indianna D. Minto

Caribbean Paper #7

Dialogue on diasporas and their role in the development of the home country has grown in the last 20 years and Caribbean states have begun to identify ways they can engage their nationals residing abroad in this process. Those in the region looking to harness the power of the diaspora have turned their attention to the example of Ireland, a country with a large diaspora that has

contributed significantly to its national advancement. By highlighting the lessons of the Irish experience, this paper argues that while the Caribbean's diaspora has the desire to contribute and does help through remittances, there remain a number of challenges to this participation, including perceptions of security and stability, establishing the conditions necessary for attracting investment and a lack of confidence in government institutions in the region.

Caribbean Regional Governance and the Sovereignty/Statehood Problem

Matthew Louis Bishop and Anthony Payne

Caribbean Paper #8

It has long been argued that the English-speaking Caribbean states require the establishment of some kind of effective and binding regional system of governance. What is more, the many deficiencies of the current system are widely known and acknowledged. Why, then, have they not been seriously addressed over a period of more than 40 years? This paper argues that the key blockage is the continued adherence of Caribbean political leaders to a conception of sovereignty and statehood that is inappropriate and outdated. These are no more than constructed concepts that have been framed and deployed differently in other parts of the world, notably in Europe. The conventional Caribbean understanding of sovereignty and statehood needs urgently to be opened up, unpacked and discussed in a frank and open debate with the people of the region.

The paper sets out a series of steps by which the region's leaders can initiate and lead such a debate prior to designing a new set of governance arrangements for CARICOM that would permit the substantive strengthening of sovereignty via its creative pooling. Only when a more nuanced and sophisticated understanding of what sovereignty means in the contemporary world order is embedded into the Caribbean political culture will the leadership be able to build the effective institutions of regional governance that remain so badly needed.

The Communications Industry in the Caribbean: Opportunities and Challenges

Hopeton Dunn and Indianna D. Minto-Coy
Caribbean Paper #9

Information and communication technologies (ICTs) can be a powerful enabler of growth and development. For the countries of CARIFORUM, beset by small internal markets, loss of preferential trade advantages, a downturn in demand for their traditional products and vulnerability to global economic pressures, the transformation to a knowledge-based, ICT-intensive society could assist in propelling the region toward desired levels of growth and development. However, access and affordability, lack of infrastructure, fragmented policy and regulatory frameworks, and differential levels of educational attainment, among other issues, are hindering progress toward that goal. In examining instances of effective and exemplary ICT policy applications in selected countries, this paper distils the critical qualities and interventions required for the Caribbean to benefit from global innovations in ICTs. The following developments are needed:

- The political will among regional governments to lead by example in providing the policy, legal and regulatory environments suitable for the ICT industry's growth..
- The creation of an investment-friendly environment that would attract foreign direct investment in ICT-intensive industries, while also encouraging local ICT-related entrepreneurship.
- Public and private sector investment in communications and general infrastructure to enable all social groups to have effective access to ICTs.
- Investment in ICT education and information literacy at all levels of the education system.
- The financing and promotion of research and development at the tertiary level of the education system and among innovators in the private sector.

This includes creating and managing the knowledge required for economic transformation.

- A proactive and innovative private sector willing to lead in the use and exploration of ICT and to take advantage of favourable policy and investment opportunities, where these exist.
- More integrated efforts among government departments and agencies in planning and implementing ICT strategies.

The Economic Partnership Agreement (EPA): Towards a New Era for Caribbean Trade

John Rapley, Diana Thorburn, Damien King and Collette Campbell
Caribbean Paper #10

The Economic Partnership Agreement (EPA) signed in 2008 signalled a new era of trade relations between the European Union (EU) and the Caribbean Forum of African, Caribbean and Pacific States (CARIFORUM). Caribbean exporters previously had greater duty-free access to the EU market than European exporters enjoyed in the Caribbean, along with quotas that enabled them to avoid price competition with rivals from outside the Lomé ACP (Africa, Caribbean and Pacific) bloc.

With the advent of the WTO in 1995, the EU and the Caribbean were forced to negotiate new terms of engagement. The EPA represented a shift towards a more liberal trading regime in which greater reciprocity is the norm.

Critics of the EPA believe the new trade regime will inhibit the development of new (particularly manufacturing) industries in the region and worsen the fiscal accounts of Caribbean countries. This paper, however, concludes that the aggregate negative impact of the EPA on Caribbean states will be modest, although it will likely produce challenges for smaller Caribbean governments. In particular, this paper emphasizes that the EPA will not be effective without the successful implementation and operation of the Caribbean Single Market Economy, which requires Caribbean governments to plan and coordinate economic activities together. The EPA provides the opportunity for the region to build the framework that will allow it to compete in a liberalized global economy, where a competitive environment is necessary for survival.

This paper is published jointly with the Caribbean Policy Research Institute (CaPRI).

About CIGI

The Centre for International Governance Innovation is an independent, non-partisan think tank that addresses international governance challenges. Led by experienced practitioners and distinguished academics, CIGI supports research, forms networks, advances policy debate, builds capacity, and generates ideas for multilateral governance improvements. Conducting an active agenda of research, events, and publications, CIGI's interdisciplinary work includes collaboration with policy, business and academic communities around the world.

CIGI conducts in-depth research and engages experts and partners worldwide from its extensive networks to craft policy proposals and recommendations that promote change in international public policy. Current research interests focus on international economic and financial governance both for the long-term and in the wake of the 2008-2009 financial crisis; the role of the G20 and the newly emerging powers in the evolution of global diplomacy; Africa and climate change, and other issues related to food and human security.

CIGI was founded in 2001 by Jim Balsillie, co-CEO of RIM (Research in Motion) and collaborates with and gratefully acknowledges support from a number of strategic partners, in particular the Government of Canada and the Government of Ontario. CIGI gratefully acknowledges the contribution of the Government of Canada to its endowment fund.

Le CIGI a été fondé en 2001 par Jim Balsillie, co-chef de la direction de RIM (Research in Motion). Il collabore avec de nombreux partenaires stratégiques et exprime sa reconnaissance du soutien reçu de ceux-ci, notamment de l'appui reçu du gouvernement du Canada et de celui du gouvernement de l'Ontario. Le CIGI exprime sa reconnaissance envers le gouvernement du Canada pour sa contribution à son Fonds de dotation.





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