

Whither CSME? A Reply to The Golding Report

The Caribbean on The Edge: Rising Above the Orthodoxy of
Development Thinking

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The Argument

- **Jamaica's Ultimatum:** 5 yrs for a fully functional CSME or suffer the indignity of a **JamExit**.
- **A fundamental contradiction?**
 - TTO's pricing of oil is bad for Jam's business
 - But cheaper energy from extra-regional markets will not improve Jam's business
- **No analysis** of how Jam's participation in CARICOM affects its economic performance. Though part of its TOR.
- Implementation Deficit = f (**bureaucratic inertia ONLY**). Ignores **FOUNDATIONAL ASYMMETRIES**.
- The GR has not made the case for the CSME: in terms of its **Aggregate Gains** or **Distributive Bargain**.

Time for Action to Time for Decision

- **CARICOM specific constraints:**

- TTO's pricing of energy.
- Some CARICOM exporters price their products below those of non-CARICOM suppliers subject to the CET.
- Jamaican exports are held-up by NTBs.

- **Other constraints:**

- In large part, however, our economic misfortunes have been the result of our **own domestic policy choices**. (Golding et al., 2017, pp. 13).
- The bane of the issue, it is clear to us, lies in Jamaica's level of competitiveness rather than in its trade with CARICOM. (Golding et al., 2017, pp. 14).
- ... our weak level of competitiveness which **cannot be blamed on** our membership in CARICOM or, [...] the **non-implementation of critical CSME provisions**. It has much more to do with our [...] failure [...] to undertake the economic reforms and restructuring [. . .] (Golding et al., 2017, pp. 62).

Implementation Deficit I

- **Three fundamental causes:**

- The separation of responsibility and accountability for CARICOM's organs.
- Inadequate funding for CARICOM.
- Absence of key stakeholders: civil society and the private sector.

Implementation Deficit II

● Recommendations:

- Responsibility and accountability for CARICOM's organs:
 - CARICOM Auditor General, CARICOM Oversight Committee and sanctions for non-compliance.
 - Rationalization of CARICOM's organs.
 - Responsibilities of the secretariat should be expanded to include: monitoring of community organs and member states' compliance etc.
- Funding:
 - The use of sanctions for late and non-payments.
 - Member states' contribution is determined by debt-adjusted GDP, the report considers other criteria like per capita income and economic growth rate.
- Civil society and the private sector:
 - Removal of all restrictions to the free movement of people within the CSME.
 - Use of social media to engage the Caribbean youth and region wide recognition of CARICOM Day.

Five Year Timeline

- A timeline of five years is **unrealistic**. A de facto choice for JamExit?
 - Five years unlikely to facilitate a region wide democratic deliberation on the future of the CSME, much less address the **bulk of the implementation deficit**.
 - Proposed timeline likely to reinforce the elite-centric approach to Caribbean integration.
 - We cannot achieve in five years what previous generations should have accomplished decades prior.
- Five years to make the **CSME fully functional**:
 - But no est. of how a fully functional CSME affects Jamaica and/or member states.
 - No references to or the reproduction of results from previous studies.
 - The imperative of the Golding Report is to make the case for the CSME, given its urgent timeline of five years.

Distributive Bargain of the CSME

- Predictions are important, even the poorly implemented CSME has produced leader-follower countries.
- Will intra-regional polarization expand/narrow with a fully functional CSME? **Shall we integrate on a leap of faith?**
- **Demas?**
- Deeper integration likely to produce non-trivial unequal gains given pre-existing dissimilarities: goods vs. services and commodities vs. manufacturing-based economies.
 - Important because unequal gains engender political contestation.

Removing MDC and LDC Categories

- Article (1) defines disadvantaged countries as LDCs and (4) of the RTC define LDCs as: Antigua Barbuda, Belize, Dominica, Grenada, Montserrat, St. Kitts Nevis, St. Lucia and St. Vincent the Grenadines. These countries benefit from non-reciprocal trading arrangements and special and differential treatment within CARICOM.
- The GR: no need for this dichotomy given Article (158) of the RTC.
- Removing the MDCs and LDCs categories mean that some countries **may lose their special and differential treatment.**
- The RTC caters for disadvantaged countries, regions and sectors in Article 158. However, removing the category of LDCs means that disadvantaged countries are not pre-defined as per Articles 1 and 4.

Implementation Deficit: Beyond Bureaucratic Inertia I

- **Different production structures:**

- BJ's goods-only EPA.
- Goods vs. Services-based OECS economies as cause for breakdown in talks on a political union (Lewis 2003).
- Dissimilar economic structures lead to different economic circumstances and policy priorities; inadequate implementation is the result of differing views about the benefits of policy harmonization.

- **Significant Income Inequality within and between member states:**

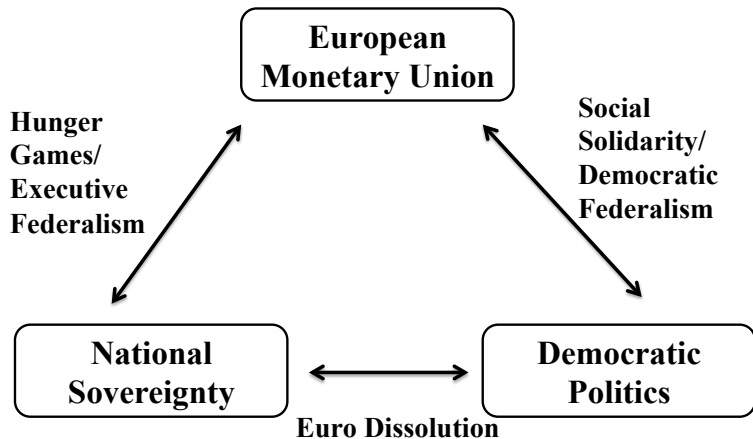
- Rising inequality within countries can lead to frustrations and xenophobia—undermining the free movement of labour.
- Extensive migration to well-off countries can pressure domestic social/welfare institutions—leading to backlashes and inadequate implementation.
- Internal integration (lower domestic inequality) may serve as a recipe for regional integration (Hinds 2006 and Constantine 2017).

Implementation Deficit: Beyond Bureaucratic Inertia II

- **Signing comprehensive FTAs:**
 - Implementation of FTAs takes precedence over CSME implementation.
 - FTAs pre-empt CSME regulatory regimes and limits its own policy space (Girvan 2009 and Bernal 2005).
- **Domestic mandate:**
 - Domestic politics as opportunity for inadequate implementation (Lewis 2005, Mandsfield 1993, Jacome 1998, Moore 1994).
 - Limited awareness of CSME among citizens—grass root support for implementation unlikely (Tindigarukayo 2006, Barrow-Giles 2003 and Duncan 2003).
- **The obligation of the Golding Report is to undertake a comprehensive analysis of the implementation deficit rather than simply focus on a singular explanation without an extensive audit.**

Lessons from Europe: Political Trilemma

Figure 1: The Political Trilemma of the Eurozone



Lessons from Europe: Financial Integration I

- Predictions:
 - convergence of interest rates to the lower bound
 - better risk sharing
 - efficient allocation of capital
 - economic convergence via catching-up
- Outcomes:
 - capital miss-allocated towards NTs and low tech in periphery
 - facilitated de-industrialization in Southern Eurozone
 - encouraged a housing bubble in peripheral countries
 - financial integration deepened European division, particularly in production capabilities

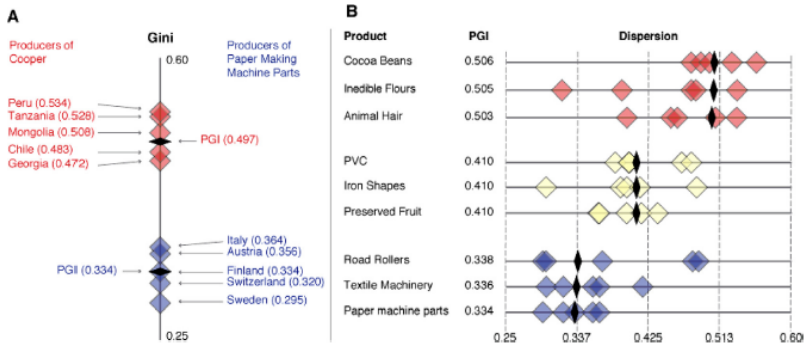
Lessons from Europe: Financial Integration II

Figure 2: Value added share (relative to Germany) in percentage differences

	Manufacturing in:					
	High & medium-high technology		Medium-technology		Medium-low & low technology	
	1999	2007	1999	2007	1999	2007
France	-3.5	-9.6	-0.5	0.4	1.2	1.3
Greece	-12.9	-14.9	-8.6	-8.3	3.5	3.6
Italy	-4.0	-7.8	-2.2	-1.8	4.0	4.3
Portugal	-7.1	-11.2	-2.1	-0.7	5.9	6.7
Spain	-5.4	-11.4	-4.9	-3.4	2.4	0.9
<i>Memo:</i>						
Germany	24.9	27.3	21.4	21.0	19.9	19.0

Production Structure & Distribution

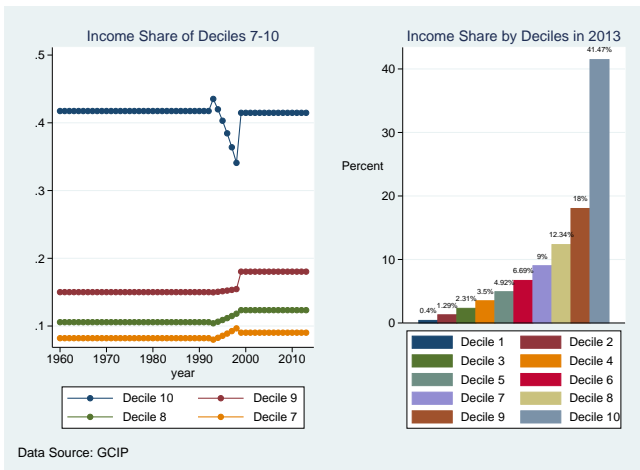
Figure 3: Product Gini Index: Hartmann et al 2017



The Product Gini Index is a weighted average of the Gini coefficients of the countries that export a given product.

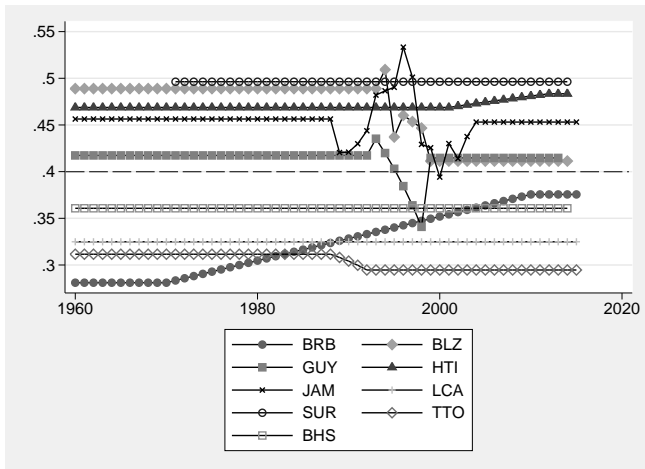
Income Share by Decile

Figure 4: Income Share by Deciles in US\$2005 PPP



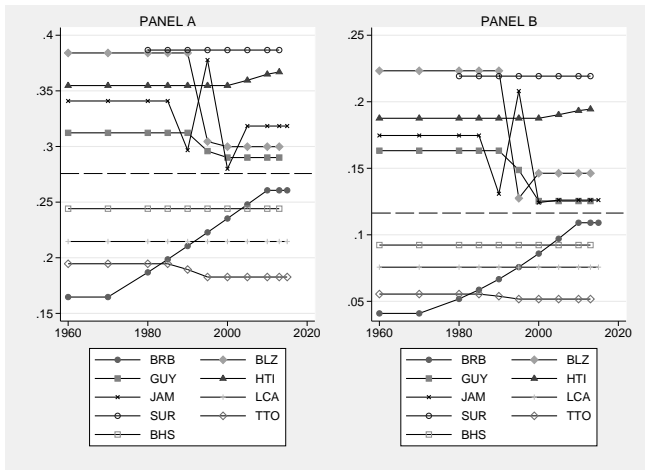
Inequality Between Countries: Top 10%

Figure 5: Top 10% Income Shares in CARICOM Member States



Inequality Between Countries: Top 1% and 5% Income Shares

Figure 6: Top 1% and 5% Income Shares in CARICOM Member States



Conclusion

- The Golding Report:
 - Failed to undertake a rigorous analysis of the implementation deficit.
 - It provided no estimates of the costs and benefits of Jamaica's continued participation in the CSME.
 - Failed to outline the distributive implications of a fully functional CSME.
 - Its recommended timeline of five years is unrealistic.
- Less emphasis on European integration in the Caribbean and a bit more Caribbean integration. Experiment with...
- History and recent evidence show that sustainable integration projects require social solidarity mechanisms to mitigate intra-regional distributional conflict. This requires some level of political unity/integration.