A New Frontier for Caribbean Convergence: Integration without Borders

Presented at the Headquarters of the United Nations Economic Commission for Latin America and the Caribbean (UN ECLAC) during the official visit of the Honourable Winston Dookeran, Minister of Foreign Affairs of the Republic Of Trinidad And Tobago, to the Republic Of Chile

Santiago, Chile 9/4/2013
“A New Frontier for Caribbean Convergence: Integration without Borders”

a) Trends in International Political Economy

1. Emerging Trade & Economic Architecture
2. Global Financial Architecture
3. Public Private Paradigm in Development
4. From Multilateralism to Multi-Track Diplomacy

b) Strategy for Convergence

1. Understanding Convergence
2. A Partnership Approach
   a. Public Private Partnership & Risk Sharing
3. Performance Pillars
   a. Inclusive and equitable development
   b. Transformative & Endogenous Growth
   c. Innovative & Entrepreneurial Competitiveness
   d. Adaptive & Re-aligned Institutions
4. Critical Convergence Strategies
   a) Finance Strategy
   b) Resource Clustering Strategy
   c) Infrastructure Strategy
   d) Industry and Performance

c) Drilling Down for Development

1. Institutional Convergence Drivers
2. Twelve point action plan
   a. Expanding the Political and Economic Space
   b. Developing an Integrated Transport System
   c. Executing a Capital Mobility Policy
   d. Developing CSC Energy & Food Security Policies
   e. Implementing a CSC Finance Policy
3. Trinidad & Tobago’s Role in Economic Convergence
4. A Synergy of Economic & Political Logic
5. Closing the Expectation Performance Gap

---

1 Chapter 14 of Winston Dookeran’s forthcoming book “CRISIS AND PROMISE: Politics, Development and Convergence – Trinidad & Tobago and the Caribbean”
CHAPTER FOURTEEN

A NEW FRONTIER FOR CARIBBEAN CONVERGENCE:
INTEGRATION WITHOUT BORDERS

Chapter Objectives:

In this chapter, we try to provide a roadmap towards the new trajectory of Caribbean convergence. A new trajectory should be sensitive to current and emerging regional and global trends, and, out of necessity, we begin by identifying the emerging international political and economic trends in Section 2 that provide a backdrop against which the discussion on Caribbean convergence is squarely placed. Against this backdrop, Section 3 discusses the need for a new strategy of convergence. Sections 4 and 5 provide the conceptual framework of Caribbean convergence. Sections 6 through 8 spell out the pillars, strategies and delivery mechanisms of Caribbean convergence. Section 9 highlights the role of Trinidad and Tobago in this process. Section 10 concludes by pointing out the urgent need for a regional synergy of economic logic and political logic.

CARIBBEAN INTEGRATION HAS REACHED ITS LIMIT

In the forty years since its birth, the Caribbean integration movement has today reached its limits. Consequently, there is an urgent need to respond to the current realities and the emerging global trends which require greater engagement from the public, students, academics and policy-makers in moving CARICOM towards a new trajectory of Caribbean convergence. The immediate concern is to devise ways to improve the convergence process among the Latin American and Caribbean countries. This convergence process will also have to be sensitive to the current and emerging global dynamics.

---

2 Paper conceptualized by Winston Dookeran and Akhil Malaki and presented at the Retreat for Foreign Ministers on “Caribbean Convergence” at Monos Island, Chaguaramas, Trinidad and Tobago on May 14th 2013.

3 The CARICOM region recently celebrated 40 years of the signing of the Treaty of Chaguaramas on the 4th of July 2013.
(a) TRENDS IN INTERNATIONAL POLITICAL ECONOMY

(1) Emerging Trade and Economic architecture

The future of the international political economy is definitely going to be different – both in its dynamics and the architecture. For example, the articulations of global groups like the BRICS, and regional convergence as in the case of ASEAN countries, are some indications of alternative ways of dealing with global development. More importantly, the expansion of the G7 to now G20 is concrete evidence of what to expect.

Emerging markets have become the economic power houses in current global economy and key contributors to global economic growth – even after the global financial crisis. They have become the major consumers with increase in national savings and growth in their capital markets. These emerging markets have recorded a 48% growth in their exports and have become central to global production networks with increasing specialization.

What is interesting is that the south-south and north-south trade is overtaking the traditional north-north trade architecture. This emerging trade architecture is buttressed by a growth and expansion of multinationals from the emerging markets. The growing human resources, technological capabilities and government policies have contributed to a shift in the global comparative advantage away from the developed countries. In addition, emerging market economies hold almost three-fourths of sovereign wealth funds.4

Global Financial Architecture

The global financial architecture in the twenty first century has also undergone dramatic changes. The emerging financial architecture is multipolar with the renminbi asserting its role in addition to the dollar and the euro. Sovereign wealth funds from emerging markets are fuelling outward foreign direct investments and growth in bilateral investment treaties. Furthermore, there have been significant changes in the governance structure of the global financial system of the Basel III where a number of rulemaking institutions have extended membership to BRICS.

Brazil, India and China were accepted as members by the IOSCO in 2009. Argentina, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Spain and Turkey were accepted as new members of the FCB. The BCBS expanded its membership to include Brazil, China, India, South Korea, Mexico, Australia and Russia. In 2009 Argentina, Indonesia, Saudi Arabia, South Africa, Turkey, Hong Kong and Singapore were included. In this way all g20 countries were included as members in the Basel committee and Goldman Sachs’ *Dreaming with BRICS: The Path To 2050* predicts that BRICS “could be larger than the G6 by 2039”.

---


John G. Ruggie rightly observes that there is a historic development of newly emerging ‘global public domain’ or ‘global civil society’ constituted by interactions among non-state actors as well as states. This has in many ways altered the traditional public-private relationship that one needs to understand in a wider context. The emerging public domain ‘permits the direct expression and pursuit of a variety of human interests, not merely those mediated – filtered, interpreted, promoted – by states’. This new global domain of civil society organizations (CSOs) does not seek to replace the state but seeks ‘to embed systems of governance in broader global frameworks of social capacity and agency that did not previously exist’.

Public-private partnerships are emerging to provide information sharing, reciprocity, building and diffusion of norms and supply of public goods in an era of governance failures. The new rights advocacy, for example, is advancing economic and social human rights as well as civil and political, as essential to understanding rule-making in the global public domain. Social and economic policy decisions are increasingly being taken in a global public domain in which national/transnational boundaries are blurred, and the ‘public’ domain includes non-state actors.  

The on-going post-2015 MDG discussions acknowledge that weak governance is one of the factors why the benefits of development are neither equally shared nor sustainable over time. The emerging post-2015 consensus seems to recognize the common but differentiated responsibilities of government and non-government actors for progress

---

shared by all. The idea of ‘just governance’ of this framework is to ensure the inclusion and participation of most marginalized people and is very clear on the issue of ‘inclusiveness’.

There is now the recognition and empirical evidence that governance remains one of the foremost missing links (or deficit) in achieving the MDGs: lack of people’s voices in policy design, implementation and monitoring along the whole line of accountability from the global to the national to the local levels, coupled with poor coordination across sectors, within and between governments, has constrained progress.8

The recognition and upsurge of civil society actors has in fact created a fertile environment for a new type of governance based on public-private partnerships and networking. What is unique and new is that private civil society actors are serving or delivering essentially public goods that were hitherto under the scope of national governments. Even the very idea of public goods is now undergoing conceptual changes as it becomes ‘public in consumption’. The recent debate on global public goods (GPG) has now entered into the discourse on governance which clearly demonstrates the narrowing of the public-private divide, and is likely to be included in the post-2015 agenda of the UN millennium development goals.9

The emerging public-private paradigm also involves new forms of partnerships between the public and the private sector. The role of the private sector and private institutions in economic growth has become

---


critical to the idea of convergence. It calls for innovative forms of partnerships between states and the private sector, global and regional development finance institutions in integrated production. In short, the emerging public-private partnership demonstrates the trend towards a more inclusive political economy.

(4) From Multilateralism to Multi-Track Diplomacy

This changing architecture in international political economy discussed above has also induced changes in the way nation states are conducting their relations with one another and other non-state actors. In this changing environment, traditional diplomacy has its limitations. The problems confronting us today are far too complex and the various components of global political economy are intertwined (conflicts, trade, finance, governance etc). To a significant degree, the process of globalization that was seen as creating so many benefits and advantages for the world has created new risks and dangers for all members of the international community. President Obama’s recent visit to the Far East, short as it was, is symbolically very important for the change in the world order, as the United States begins to embrace a new strategic partnership with Asian countries which are well on the path towards economic convergence of some sort.

We need to move beyond traditional diplomacy to embrace ‘multi-track diplomacy’ that recognizes the need to adapt to the contemporary realities of globalization, in which the fundamental issues around burden-sharing calls for creative thinking and bold political judgment. It is in that context therefore that we cannot rely on the traditional methods of multilateralism to handle the world's diplomacy. The concept of multilateralism refers to the constitutive rules that order relations in given domains of international life; in other words their architectural dimension.
Multilateralism “coordinates relations among three or more states on the basis of generalized principles on conduct: that is, principles which specify appropriate conduct for a class of actions, without regard to the particularistic interests of the parties or the strategic exigencies that may exist in any specific occurrence.”\textsuperscript{10} It is a “belief or ideology rather than a straightforward state of affairs ... a deep organizing principle of international life”.\textsuperscript{11} Multilateralism is also understood as “three or more actors engaging in voluntary and (more or less) institutionalized cooperation governed by norms and principles, with rules that apply (more or less) equally to all”.\textsuperscript{12}

We are living in a different world today. The number of players has increased markedly, and similarly, the web of interests and influence has become significantly more complex and inter-related. In the midst of a tough global economy, already haemorrhaging jobs and with vital sectors facing collapse in some areas, the drive to liberalize trade might have been weakened by the widespread desire among key countries, not merely to reverse the loss of jobs but to keep the ones they already have. In Trinidad and Tobago, we have deliberately begun to search for a new method to reinforce multilateralism and we recognize that we must operate on a multi-track policy on diplomacy.

At this point in time, the choices are not clear. What is clear is that we must be engaged in the deliberations as these choices pursue their own paths. A multi-track diplomacy is really what we have been engaged in, whether it is at the United Nations, in our bilateral relationships with countries, in our relationship with the emerging order globally, but at all times the fundamental objective is to ensure that we now move into our diplomacy of engagement.


The Caribbean as a group, and Trinidad and Tobago in specific terms, has too often opted for the policy of abstention. Abstention viewed as a deliberate act is a good thing but abstention viewed as an opted out act is not a good thing. In today’s world we have to change that and we cannot go into the comfort of opting out by abstention. We need to be ‘in the trenches’ dealing with the complexities and devising constructive solutions.

At times, in our own policy of trying to pursue a position of neutrality, we may have to abstain as a deliberate act. Our role as a small economy in the global world environment is to have the power of convening other like-minded countries and at the same time having a moral influence on the issues before us, and that is the fundamental principle on which we hope to build our diplomacy for the future.

In the case of Latin America, we took the deliberate decision as a government to join in the Latin American process that is now gaining momentum and will mould the character of the integration processes in the region alongside the diplomatic possibilities that can emerge as the Caribbean and Latin America work together. These processes encompass not just governments, but also public-private partnerships across Latin America and the Caribbean.

Very specifically we have begun to open our doors to Latin American institutions. Trinidad and Tobago, apart from joining the Brazilian constituency some years ago in the IMF and the World Bank, have recently agreed to join the Andean Development Bank as a full member. For some time we were a member but not a full member. It is significant because we see now the integration of Latin America and the Caribbean being funded by sources and resources from Latin America and the Caribbean. The Andean Development Bank is a major departure from our reliance on the traditional multilateral institutions like the World Bank and the IDB.
In addition to that, we have agreed to be engaged at all levels whether at the meeting of ministers or any other level, to be engaged and to be involved in a new Latin American bonding. There is no doubt; Trinidad and Tobago is as Latin American in its geo-political position as it is North American in the politics in which it has been engaged. In that context, our role is not to try and create anything different, but to ensure that the opportunity before us for this due diplomacy is one in which we are engaged in a positive way.

Conversations have been initiated with some smaller economies of the world, not only at the united nations where we attended and participated in the forum on small states, but also in the world bank where for some time we shared the forum on small states. From our bilateral discussions, a common platform is emerging between countries that are relatively small, much larger than us in some cases, but equally exposed to the vulnerabilities of a changing architecture of the global political economy in which the future remains rather unclear.

All we can do at this stage is to pursue what we consider to be a constructive policy of neutrality, but at the same time, to ensure that with that policy of neutrality we are fully engaged so that at the appropriate time we can seek the support of the Caribbean, sister countries in the wider Caribbean, including the association of Caribbean states, in order to be able to make some impact in the global diplomacy that is ahead of us. It is in that context that we in Trinidad and Tobago, as a government, support the initiative that is being taken in the Latin American process.
(b) STRATEGY FOR CONVERGENCE

Against the backdrop of the preceding discussion on the nature of the emerging global political economy, we need to reconsider and review the Caribbean region’s strategy in adapting to new global realities. What should be CARICOM’s response to these global shifts? Is there any viable strategy to move forward? In the ensuing discussion, we provide a new strategy of ‘Caribbean Convergence’ as the region’s strategy for moving forward.\(^{13}\)

Although CARICOM was a political concept from its inception, it has become an economic project. The Caribbean institutions are ‘enslaved by the methods of the past’ and ‘paralysis in thinking’. It is no longer economically workable. The logic of economics that drove this project has been trade and markets.\(^{14}\) However, the convergence argument here is that trade and markets should be buttressed by production, distribution and competitiveness.

The former Prime Minister of Jamaica, P.J. Patterson, has commented that the Caribbean integration has had pitfalls and if it does not change, it will disappear.\(^{15}\) In the current context, the forces of integration elsewhere in the world are shaken by the roots because integration is multi-track in nature - they are local, regional and international all at the same time.\(^{16}\) Furthermore, the CARICOM as an economic project was mostly designed as integration of markets and

---

13 The strategy of Caribbean Convergence was jointly conceptualized by Akhil Malaki, Senior Lecturer, Department of Government, UWI Mona, Jamaica, and The Honourable Winston Dookeran, Minister of Foreign Affairs, Government of Trinidad and Tobago. This strategy was developed into a policy paper entitled “A New Frontier for Caribbean Convergence” that was presented at the Retreat for Foreign Ministers on “Caribbean Convergence” Monos Island, Chaguanas, Trinidad and Tobago, May 14, 2013. Much of the discussion here is drawn from that paper.


15 Patterson, P.J. in his keynote speech at the book launch of Sir Sridath Ramphal’s Caribbean Challenges on June 18, 2012, Jamaica.

expansion of trade with negligible attention to the most important economic and market actor, the private sector.

It is therefore not surprising that Norman Girvan has aptly stated that economic integration in the Caribbean is still a work in progress; and what has been accomplished so far has not impacted significantly on regional economic development.\textsuperscript{17} The nature of the exercise of sovereignty has posed a constant challenge and therefore the urgency to be innovative and flexible.\textsuperscript{18}

Sir Sridath Ramphal emphatically notes that the leadership in the region has ‘put the gears of CARICOM single market in neutral and the gears of CARICOM single economy into reverse’ resulting in the countries in the region steadily drawing away from each other.\textsuperscript{19} The real issue now is about fresh thinking and innovative ways of moving the process beyond CARICOM integration to Caribbean Sea Convergence. This convergence process, similar to the ASEAN model, offers greater flexibility, scope and benefits for the Caribbean Sea economies in responding to emerging global challenges to capture a new frontier space.

The agenda for a new political economy was identified in 2008 with a call for ‘fresh thinking’ in Caribbean development.\textsuperscript{20} Accordingly, we present this strategy framework that provides a new political and economic life in the process of Caribbean integration. The initiative is not to supplant the Caribbean integration movement, but to reinforce it with some innovative ways of moving the process forward that is understood as ‘Caribbean Convergence’ to create an ‘economy of the Caribbean sea’. However, before discussing Caribbean Sea Convergence

\textsuperscript{17} Girvan, Norman, ‘Caribbean Community: The Elusive Quest for Economic Integration’. CDB, 2010.
\textsuperscript{20} Dookeran, Winston & Malaki, Akhil, \textit{Leadership and Governance in Small States: Getting Development Right}. Verlag Dr. Muller, Saarbrucken, Germany, 2008, pp. 149-156.
(CSC) itself, we need to place it in its right context by providing a brief overview of the background against which this notion of convergence emerges.

The idea of Caribbean Convergence has already been put forth and discussed on various occasions over the last couple of years with positive feedbacks. These feedbacks have provided the inputs for the framework developed here which is an innovative approach to revive CARICOM in a different context to make it more relevant to capture on ‘a new frontier of Caribbean convergence’.

Some concerns were recently raised by ECLAC\(^\text{21}\) regarding the mechanisms of convergence and the modalities to engage the private sector in CARICOM. The framework addresses these concerns first through the partnership approach, and more specifically, through fostering public-private partnerships across the economy of the Caribbean Sea.

The Trinidad and Tobago chapter of the Caribbean Growth Forum identified the three themes (investment climate, logistics and connectivity skills and productivity) to be achieved through public-private partnerships.\(^\text{22}\) The policy paper prepared for the Monos Island meeting of Foreign Ministers to discuss Caribbean Convergence was already ahead in addressing the issues through its twelve-point action program (discussed further on).\(^\text{23}\) It is a matter of necessity and urgency that we push this process of Caribbean Sea Convergence ahead to make it happen.

\(^{21}\) Alleyne, Dillon, “Preliminary comments on the concept paper “Introducing the Convergence Model of Integrated Production”, Symposium to discuss the paper: “Introduction to the Convergence Model of Integrated Production”. ECLAC Subregional Headquarters for the Caribbean, Trinidad and Tobago, May 9, 2013.

\(^{22}\) Caribbean Growth Forum. Trinidad and Tobago Chapter. May 8, 2013.

Economic production capability and growth in the Caribbean needs stable, affordable and sustainable energy. High oil prices both, threaten and create, a new opportunity for Caribbean integration and economic growth. High and volatile oil prices create challenges for economic growth and integration based on productive economic activities. Climbing oil prices and its volatility also makes it evident that alternatives to liquid hydrocarbon – the main fuel in most of the Caribbean – must be found.

For the next several years, the alternative is natural gas. In the long term, the alternative must be renewable energy. For the Caribbean, solar and wind energy is quickly becoming a lower cost option with geothermal electricity having the ability to provide base load power in the eastern Caribbean. Unleashing the full potential of natural gas or of renewable energy is hampered by small and fragmented energy markets in the Caribbean interconnecting these markets through undersea power cables or gas pipelines or through “virtual” pipelines transporting LNG on small container ships appropriate for markets in the Caribbean.

These markets must also be integrated by implementing harmonized policies and predictable and consistent regulatory frameworks. This is the new “Caribbean Integration” paradigm where there is convergence of economies of scale with capital. There is no other choice for the energy future, and hence the economic growth, of the Caribbean.

As we search for more economic space, Caribbean Convergence is an issue that we need to look at in the context of an ever-changing global arena. Furthermore, this new economic convergence process will have to confront the political challenges and redesigning of the economic and financial architecture. It is a challenge to drill down for development: how we can move from the macroeconomic frameworks
into the “drilling down” frameworks; into the “making-it-happen’ framework; into the getting results framework.

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

(1) Understanding Convergence

“The time has come for us to develop
a new architecture for Caribbean integration”

We know that the nature and characteristics of small Caribbean economies make them extremely sensitive to global trends. The success of these economies is dependent on how flexible they are to adapt and adjust to the changing global conditions. We are getting some glimpses of the future in current discussions from ECLAC\textsuperscript{24} to the emerging post-2015 development framework.\textsuperscript{25} There will be a greater role for public-private partnerships driven by non-state entities.\textsuperscript{26} The concern over the effects of global financial rulemaking on small and medium economies has already been raised.\textsuperscript{27}

Furthermore, the global economic and financial architecture has changed from G7 to now G20, which has its own implications on our


\textsuperscript{27} ECALC, ‘The politics of global financial regulation rulemaking’
region.\textsuperscript{28} Even the ACP-EU relations will undergo fundamental changes in the future as the recent briefing paper notes that there is a tacit understanding among Europeans that the ball is in the ACP’s court in terms of defining and determining their own future as a group and its relationship vis-a-vis the EU as such.\textsuperscript{29}

There are definite gains in converging to respond to emerging global changes. Expanding the economic space provides the scope for leverage in production and competitiveness. The Caribbean Sea as a special space has already been recognized by the association of Caribbean states (ACS) which has even established a Caribbean Sea commission.\textsuperscript{30} The draft declaration of Haiti endorses the:

“initiative of the republic of Trinidad and Tobago to promote economic advancement in the region through the creation of a convergence process structured on the facilitation of capital movement, the integration of capital markets, the development of transportation infrastructure and the reorientation of the policies of the international financial institutions to better equip regional economies to withstand exogenous shocks”. \textsuperscript{31}

ECLAC clearly calls for broader regional forums to foster cooperation that can unlock the synergies of different sub regions and progress toward gradual convergence of regional economic space. \textsuperscript{32} Caribbean convergence is the strategy to move the Caribbean integration process into the direction of convergence. It is another, better, way of capturing the future through a new frontier for Caribbean convergence.

The rationale behind the new “Caribbean integration” strategy is striving toward a convergence of economies of scale with capital. The

\textsuperscript{28} Bissessar, Kamala Persad, PM of the Republic of Trinidad & Tobago, at the UN General Assembly Thematic Debate: “The UN and Global Economic Governance”, April 15, 2013.
\textsuperscript{30} ACS, Fifth Summit of Heads of State and /or Government of the Association of Caribbean States (ACS). Draft Plan of Action, April 17, 2013.
\textsuperscript{31} ACS, Draft Declaration of Haiti. Preparatory Meeting for the VI Extraordinary Meeting of the ACS Ministerial Council, Peton Ville, Haiti, 23-24 April, 2013.
\textsuperscript{32} ECLAC, \textit{Opportunities for Convergence and Regional Cooperation}. 
strategy draws upon the practical convergence, as opposed to integration, taking place in the world today. The focus is on converging economies regardless of structures, because structural integration is a problem everywhere – e.g. Latin America, Caribbean and Europe. Therefore convergence of ‘economic spaces’ is a response to the limitations of the CARICOM integration process and development challenges. Accordingly, convergence is a shift from a physically limited plane to an ‘open economic space’.\footnote{Dookeran, Winston, \textit{Power, Politics and Performance: A Partnership Approach to Development}. Ian Randle, 2012, Kingston.}

In the first instance, convergence is expanding the CARICOM to include the Dominican Republic, the Dutch and French islands and French Guyana. Convergence is not about creating something new nor is it opposed to CARICOM integration. Rather, it is about bringing new political and economic dynamics to the process of Caribbean integration by reworking the existing frameworks in ‘innovative’ and ‘flexible’ ways (logics of politics) to cope with changing global realities, and redefining the modalities of execution.

What is innovative in this convergence framework is a new form of public-private partnership within an ‘economy of the Caribbean sea’ with a focus on production integration, distribution and competitiveness (the logic of economics) as supporting trade and markets. Therefore, we need to understand convergence as moving from the limitations of Caribbean integration towards a new frontier for Caribbean convergence. Convergence is about adding future value to the workings of the integration process, and supporting the structures built over the last forty years. This is in line with the call for building regional capacity to address global challenges.\footnote{ECLAC, \textit{Opportunities for Convergence and Regional Cooperation}.}
(2) A Partnership Approach to Caribbean Convergence

Convergence strategies and partnership go together. The discussions on ‘Regional Economic Integration: Caribbean Convergence and Competitiveness’ in the Caribbean Growth Forum launch event (2012) in a way has set the tone for action and change. Two important issues were recognized: the ‘political imperative of convergence’ and the need for ‘appropriate correcting mechanisms’ that align the needs of the local with the regional. It was also noted that the problem with Caribbean integration is in its ‘failure of implementation’. The larger Caribbean space is heterogeneous with contrasting economic differences that are politically sensitive. The discussions concluded that the rationale for integration and/or convergence should be first political, meaning political collaboration (i.e. political logic).

The new perception of convergence needs to be understood as ‘a new economic space’ where there is partnership, not just across the Caribbean Sea space, but also between the public and the private sectors. It is the forging of a right partnership toward productive efficiency. Convergence therefore implies a partnership (inclusiveness and cooperation) among public and private actors in the economies of the Caribbean Sea emphasizing equality and equity as integral components.

The aim of such a partnership is to achieve the goals of production integration, competitiveness and distribution across this economic space (i.e. the economic logic), in addition to trade and markets. According to this economic logic, convergence in not just about enlargement of markets and trade, it is about making the region resilient and globally competitive to capture on the future.

---

35 Developed from Dookeran, Winston, Power, Politics and Performance.
The partnership approach is a stakeholder approach that provides us with a practical way forward in aligning the national with an economy of the Caribbean – i.e. harmonization of a Caribbean Sea agenda. Central to this regional space is aligning the logic of politics (inclusiveness, cooperation) with logic of economics (production integration, competitiveness and distribution).

Creating the Caribbean Sea economy is first a politics-driven process requiring a partnership approach. Therefore, the immediate policy requirement is to grant membership to Dominican Republic. The French and Dutch speaking islands have applied for associate membership and should be granted membership. Initiatives need to be taken to incorporate French Guyana into the CARICOM framework. These are issues to resolve but not issues to prohibit.

a) Public-Private Partnership & Risk Sharing

In the Public-Private Partnership (PPP) approach, risk sharing is an important concept; it requires us to identify what risks can be borne by different partners. The catalytic role of the state is important in funding risk which cannot be funded by the market itself. We need to look at state institutions to ascertain where the state can be the purchaser of public benefits to ensure better distribution of welfare. Another area of risk sharing is to leverage the strength of one sector and combine that with new strategic partnerships. At present we see the emergence of optimal transactional structures, as the world is not moved by targets as much as by transactions; therefore the transaction that has to take place will require a substantial amount of new modelling. The customer/client demands that the processes function in a here and now world.
(3) Performance Pillars

In order to be sustainable, the Caribbean Sea economy has to be built on the following four pillars:

a) Inclusive & Equitable Development

Inclusiveness also implies enlargement of the Caribbean to bring in the other islands and widening of trade arrangement to include the Caribbean Sea economies consisting of a market of 40 million (inclusive of Cuba). Therefore, the proposal is to include Dominican Republic as member of CARICOM and to incorporate the other French and Dutch islands and French Guiana into the CARICOM framework. Inclusive development also implies a new partnership approach to include in the process all actors and agency like the private sector and civil society to improve the quality of life for all stakeholders.

b) Transformative & Endogenous Growth

Endogenous growth must be based on regional space involving stakeholders at national and regional levels. The drivers of endogenous growth are growth in the capital sector, capacity to pool regional resources, and the restructuring of domestic and foreign investments/finance. This implies a transformative approach by

(1) Fostering a new public-private partnership – endogenous growth should be predominantly private sector-driven. A fast-track policy-making included in convergence will provide the stimulus for the private sector.

---

36 Drawn from “A New Frontier for Caribbean Convergence”.
37 James, Vanus, ‘Comments on the Convergence Model of Integrated Production’. Symposium to discuss the paper: “Introduction to the Convergence Model of Integrated Production”. ECLAC Subregional Headquarters for the Caribbean, Trinidad and Tobago, May 9, 2013.
(2) Transformative endogenous growth means redefining the role of development finance and equity in the Caribbean Sea space.

(3) Endogenous growth implies that production, distribution and competition should be addressed at the same time.

c) Innovative & Entrepreneurial Competitiveness

Building a competitive Caribbean Sea economic space is an absolute necessity for the new frontier of Caribbean convergence. In the current global context, ICTs are central to efficiency and competitiveness. Competitiveness is driven by innovation in the areas of science and technology as well as entrepreneurship.

Improving labor productivity and skills in the Caribbean Sea space is crucial. Access to finance, supporting environment to business and innovation, promotion of entrepreneurship and the private sector will enhance the region’s potential of capturing a new frontier for Caribbean convergence. Competitiveness is also enhanced by expanding trade and markets across the Caribbean Sea space.

d) Adaptive & Realigned Institutions

Institutions are key mechanisms for execution and sustainable convergence. If sustainability of actions is critical to convergence then the roles of adaptive institutions become central. It means realigning existing regional institutions to achieve Caribbean Sea convergence in a sustainable way. It also implies a re-orientation of policy imperative to align the regional institutions to the convergence outcome. There are a number of regional institutions that can become the modalities of execution.
A careful review of the various ideas and solutions put forth so far identify four broad convergence strategies to support the pillars of the Caribbean Sea economy: Finance, Clustering, Infrastructure and Production. These strategies are mutually interdependent and therefore need to be addressed together. The whole convergence process rests on executing these strategies. While these may appear as broad regional strategies, the specifics will be closely studied and spelled out by research and policy groups that are proposed in the policy imperatives.

a) Finance Strategy

The economic convergence process will have to confront political challenges and redesigning of the economic and financial architecture. Finance and liquidity are the lifeblood of any economic system (national, regional or global). The task is to shore up sufficient regional finance to ensure there is enough liquidity to support convergence. There are four ways to achieve this financial strategy: buffers, capital mobility, regional stock market and development finance.

The buffers we are alluding to are those that are internally generated and shored up as sovereign wealth funds and international reserves. The other form of buffer is that which is externally supportive of small states and exist in terms of international institutions. These forms of regional and national buffers provide the necessary flexibility to adjust to a new frontier of Caribbean convergence. The requirement of national buffers will also act as a disciplining the fiscal policy of respective economies of the Caribbean Sea. Furthermore, these

---

38 Drawn from “A New Frontier for Caribbean Convergence”.
economies will also need to look at engaging other Latin American countries and the emerging markets in finding new buffers.\textsuperscript{39}

Creation of a regional stock exchange is an added advantage in expanding regional production, trade and equity markets. There must be a fully integrated capital market, free flow of capital, open investment strategies, accompanied by a review of double taxation treaties.\textsuperscript{40} We will need to review and harmonize rules that facilitate movement of capital in the economy of the Caribbean Sea. The financial sector in the Caribbean has a size of 350\% of GDP and yet the region is in major deficit or public financing.\textsuperscript{41} Therefore, convergence will also require redefining the role of development finance institutions that must respond to the needs for a new convergence process.

\textbf{b) Resource Clustering Strategy}

Clustering is a regional grouping of firms and institutions. They include an array of collaborating and competing services and providers that create a specialized infrastructure supporting the industries and businesses. Typically, clustering draws upon shared talent pool of specialized skills and/or resources. Clustering represents a synergy and dynamic relationship between companies, stakeholders, institutions and economies in the region.\textsuperscript{42} They contribute to developing regional networking, and through public-private partnerships.


\textsuperscript{40} Dookeran, Winston, \textit{Introducing the Convergence Model of Integrated Production}. Concept Paper presented at the Meeting of Regional Integration Bodies in the Margins of the UNECLAC, 7-9 March 2013, Bogota, Colombia. Dookeran, Winston, Address at the Trinidad and Tobago Manufacturers’ Association 57\textsuperscript{th} Anniversary Celebrations. April 2013.


Regional clusters have the ability to offer local goods and services, knowledge and linkups that cannot be matched by outside rivals. In this way clustering can contribute to innovative competitiveness transformative endogenous growth. Clustering also relates to production integration that will enhance regional competitiveness and value-added manufacturing and services. It means the clustering of regional resources to consolidate growth, innovation and competitiveness. For instance, regional ‘branding’ of products and multi-destination tourism are ways of clustering.

Clustering would also mean a regional strategy for capital mobility, foreign direct investment (FDI), facilitate regional transfer of knowledge, skills and technology, regionally based and owned investments for promoting innovation, and a regional strategy for ICTs and information exchange. There are also synergies in clustering universities and technical institutions in the region – e.g. partnering for innovation and competitiveness. Clustering is about complementarities in convergence in the Caribbean Sea economic space. Pooling of resources could precipitate faster and more sustained growth which could then spill over to impact all other countries. It could also imply Caribbean convergence of capital with resource rich countries driving the process.

c) Infrastructure Strategy

The infrastructure for the new frontier of Caribbean convergence includes terrestrial transport linkages, aerial linkages and communications technology with cross-border capabilities, border management and security and regulation of movement of people. Improved and low cost regional transport (e.g. liberalize and encourage regionally-based/owned low cost carriers to compete) is absolutely critical to facilitate greater movement of goods and people within the region. Endogenous growth also needs to improve labor productivity, especially targeting youth and address equality and equity that benefit
all stakeholders. Improving infrastructure facilitates quicker and cheaper movement of goods, services and people.

Regionally-owned (private and/or public) low cost air carriers operating in the economy of the Caribbean Sea will boost trade, production, and multiple tourist destinations. This in itself will promote entrepreneurship and business opportunities across the economic space - a kind of spread effect that will lock in the private sector. There is tremendous scope for public-private partnerships in developing the region’s infrastructure (universities, R&D centres, hospitals, air and sea transportation networks, telecommunications network).

c)  Industry & Production Strategy

A strategy of production integration is central to all the pillars of the economy of the Caribbean Sea. The emphasis is on the private sector led production integration. The important issue here is to design appropriate modalities to stimulate private sector response. These modalities need to be incorporated in the partnership approach. Including the private sector as stakeholders in the new public-private partnership would invigorate the private sector.

The public-private partnership needs to be accompanied by a Caribbean investment program designed to foster production distribution and integration across the convergence space. This will stimulate subcontracting and outsourcing of manufacturing and services which will in turn reinforce entrepreneurship and competitiveness across the Caribbean Sea economic space.

Production integration buttressed by capital mobility and regional equity markets will unleash a whole new regional economic dynamism in creating a new frontier of Caribbean convergence. It has been noted

43 Dookeran, Winston, Introducing the Convergence Model of Integrated Production.
that encouraging regional value chains would link the internationalization decisions of the leading economic players with convergence process. The strategy should focus on reducing transaction costs and coordinating the supply of regional public goods and to generate regional value chains.

---

44 ECLAC, *Opportunities for Convergence and Regional Cooperation.*
(c) DRILLING DOWN FOR DEVELOPMENT

(1) Institutional Convergence Drivers

Our framework includes ‘adaptive institutions’ as a pillar of convergence. We will need to realign existing delivery instruments to adapt to the convergence process. Therefore we briefly examine existing institutions and organizations that can serve as modalities of execution towards a new frontier of Caribbean convergence.

- **CARICOM secretariat** - is the principle administrative organ of CARICOM. The new ambassador to CARICOM, Dr. Clarence Henry, has indicated that there is need for CARICOM through its secretariat to ‘devise a Marshall-like strategic development plan to propel economic recovery.

- **The revised Treaty of Chaguaramas (2001)** - has led to the creation of a regional fund (Caribbean development fund) to provide technical and financial assistance to address the issue of regional asymmetries among caricom members.

- **Latin American and Caribbean economic system (SELA)** - established in 1994 provides consultation and coordination for the adoption of common positions and strategies to foster cooperation and integration among countries in Latin America and the Caribbean.

- **Association of Caribbean states (ACS)** - is an organization established in 1994 to strengthen regional cooperation and integration process with a view of creating an enhanced economic space in the region.

- **Caribbean Sea commission** - was established in 2008 under the auspices of ACS. Its purpose is to share information, provide advice and build consensus among partners in the wider Caribbean region over ocean governance.
- **The Economic Commission for Latin America and the Caribbean (ECLAC)** – Caribbean was included in 1984. It is the central entity on issues of the region as a whole and for policy.

- **Council for Trade and Economic Development (COTED)** – under the auspices of CARICOM secretariat to promote issues of trade and economic development in the region.

- **Caribbean growth forum (CGF)** – launched in 2012 is an initiative to facilitate a platform for public-private dialogue around the growth challenge. It engages a broad group of stakeholders and critical players including the private sector and civil society.

(2) **Twelve-Point Action Proposal for Caribbean Convergence**

We acknowledge that it is now necessary to design and engineer catalytic drivers to propel the structural and institutional changes. Restructuring of the caricom secretariat alone is not enough as there is need for an additional catalyst on a more permanent basis that will keep driving the process/structure and by including the private sector. This is only the beginnings in a strategic direction as a starting point of a narrative for speeding up the process which involves inclusiveness, rationalization and improved management.

This framework of moving towards a new frontier of Caribbean convergence has generated some policy imperatives that require immediate attention and decision at this meeting. The caricom foreign ministers hereby recommend the adoption of the following twelve-point proposal for action, with immediate effect, to move the process in the direction of a ‘new frontier for Caribbean convergence’ to establish the ‘economy of the Caribbean sea’:

---

46 Drawn from "A New Frontier for Caribbean Convergence".
a)  *Expanding the Political and Economic Space*

Support and approve the expansion of caricom to the economy of the Caribbean Sea.

(1)  Recommend a fast-track decision to facilitate the entry of the Dominican Republic as a member of caricom.

(2)  Endorse the incorporation of the Dutch and French Caribbean islands and French Guyana into the caricom framework.

b)  *Developing a CSC Integrated Transport Logistics*

Reiterate that transport and logistics as critical to achieving transformative endogenous growth and competitiveness in the economy of the Caribbean Sea.

(1)  Propose a ministerial meeting to take place calling all airlines operating in the region to look at how the logistics of transport could be rationalized and improved to provide better interconnection and networking.

(2)  Propose this meeting to look at low cost air carriers involving the region’s private sector, and/or public-private partnership to this end.

(3)  Establish a regional research group to look at sea transportation and make recommendations for providing a system of sea transportation within the economy of the Caribbean Sea.
c) Establishing a CSC Capital Mobility Policy

Endorse that finance and capital mobility is the backbone for sustaining the pillars of convergence of the economy of the Caribbean Sea. Reiterate that there must be a fully integrated capital market and free flow of capital.

(1) Propose that a single capital market should be established. Therefore, all stock exchanges in the region are mandated to meet and work out the modalities in a time frame.

(2) Recommend all members of the economy of the Caribbean Sea to create national sovereign wealth funds and regional buffers as a measure to offset external shocks.

(3) Set up a regional committee to review and harmonize mechanisms to facilitate intra-regional investments. Organize a regional meeting of all private sector organizations to identify areas and strategies of production integration and public-private partnerships.

d) Developing CSC Energy & Food Security Policies

Reaffirm that energy and food security are essential for the convergence of the economy of the Caribbean Sea.

(1) Set up a policy group to look at developing a common energy security plan to clearly define the rules for complementarities in the use and clustering of regional energy and natural resources for a new frontier of Caribbean convergence. To ensure that regional resources will be utilized for strengthening production integration and competitiveness.
(2) Set up a policy group to examine a common policy on self-sufficiency in food.

e) Implementing a CSC Finance Policy

Agree that development finance institutions are isolated and compartmentalized into public sector and private sector in their modus operandi.

(1) Propose that all the development finance institutions in the region (CDB, IDB, TAFF, CAE and others) should meet to redesign their lending paradigm in the region to deal with the current problems and support the convergence process.

(2) To bring together development finance institutions to redefine the role of development finance that is sensitive and supportive to regional needs and the convergence process.
(3) Trinidad & Tobago’s Role in Caribbean Convergence

To support convergence, Trinidad and Tobago and the wider Caribbean region should be committed to the creation of an agile foreign service that showcases their unique location within the family of nations. New politics also requires a new approach to foreign relations, since an effective foreign policy is the pursuit of national objectives, policies and plans in the international arena. Trinidad and Tobago and the region must open up and maintain its own space in the 21st century information driven global environment. The aim and link or our foreign policy must be aligned with well-defined national priorities and its core objectives must be understood first and foremost as the pursuit of sustainable human development objectives through concerted action at the international level. The image of Trinidad and Tobago and the region is really our most valuable asset and must be protected at all costs.

The core objective of our new foreign policy must be that the national interests of our region become the drivers of our new national images. What actions must we take to restore and align our current and future national interests to build a sustainable national image? Foreign relations must be based on certain basic principles:

(1) Restore the moral voice of Trinidad and Tobago in the international community as a beacon of human rights and respect for the rule of law.

---

47 Based on a speech by Winston Dookeran entitled Caribbean Convergence: Revisiting Caribbean Integration
48 It assumes that TT is an integral part of the One World Information driven Environment, it requires an Interconnected TT – through a TT Connection to the world wide web of information technology platforms (ICT) Interrelated TT- through TT’s international relationships both formal and informal Interactive TT – through TT’s active participation in the global market, through trade and travel etc. integrated TT- by a clearly formulated TT foreign policy that has National Interest in its core. These four dimensions must be managed to shape and improve the IMAGE of the Country. The various interest groups and stakeholders must be included in building the New Image of TT as a genuine progressive country.
(2) Ensure that the stain of corruption which has tarnished our nation’s image internationally be tackled as a matter of urgency to ensure the restoration of confidence among the international investment community, IADB, world bank, IMF, OAS, European union and bilateral partners.

(3) Vigorously pursue the inclusion of drug trafficking as an element of crime against humanity in the statues of the international criminal court (ICC) as Trinidad & Tobago is a major player in the formation.

(4) The institute of international relations at U.W.I. is a major training ground for our Foreign Service personnel in all aspects of the craft and challenges of diplomacy in this verbalized world. The region should seek partnerships with some of the best institutes of diplomacy in the hemisphere.

We are blessed with an extraordinarily talented people who must be at the centre of our efforts to impact the world with our unique talents and skills. To fulfil this we must work closely with our Caribbean neighbours to build a stronger caricom unity for the common good of all Caribbean people a unity that must be strong enough so as to stifle the selfish aims of individual members. The future of our small Caribbean states depends, not so much on the proliferation of inter-regional and intra-regional organizations, at enormous costs and duplication of efforts, but rather a genuine effort to negotiate and find common ground. Most importantly, we have to come to terms with our severe limitations as small island states and complement each other’s strengths when we negotiate with the rest of the world.

At the international level, government must ensure that our diplomatic missions abroad are seen less as a place for retired politicians elevated to the post of ambassadors, sending the wrong message to those with
whom we hope to negotiate benefits for Trinidad and Tobago. Instead we must ensure that those who represent us as diplomats abroad are well trained, highly respected and are capable of using their diplomatic skills for the benefit of all sections of the population of Trinidad and Tobago i.e. the farmer, the fisherman, the dancer, the singer, the craftsman, the scholars and every other citizen, business establishment and organization who has something good to offer to the world.

The limits to Caribbean integration in its orthodox definition may have been reached. To broaden that economic space to our geographical position in Latin America as well as the changing dynamics of the world order may become an absolute requisite for us to enhance the development and integration prospects of the region.

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

No longer can we rely on what has to be done. We must now find the mechanics to make it happen and the Caribbean Sea convergence model seeks to do just that. This is a challenge facing the region and all the institutions that promote Caribbean integration within the region. The Caribbean Development Bank is one such institution that has this pivotal role, but it must at the same time ensure that it provides the leadership that is required for opening up wider economic space in the region as well as deepening the convergence process in our economic framework.

On this score, we cannot ignore the absolute necessity to deal with the very important issue of innovation. professor Michael Porter is quoted as saying that he “believe(s) our survival as individual nations and indeed as a region in a new age of innovation driven economy rest on exploring the interconnectivity of our economies on how best we can use it build a stronger competitive advantage” emphasizing that the
nation’s neighbours are our natural trading and investment partners and the natural part of internationalization of local firms in the neighbourhood.

(4) A Synergy of Economic logic & Political logic

A stronger competitive advantage is predicated on the issue of entrepreneurship. Unfortunately, the traditional private business sector tends to be risk adverse and has less interest to move into the development path with the choices before them. This new entrepreneurship calls upon the private sector to change its own perspective towards the country. No longer are we in the framework in which we can say to governments what “I” can get, but indeed what “I” can be. To some extent these are the deeper issues underlining the development strategy before us; but in the final analysis it is important for opportunities to be determined in order to create dialogue, conversation and action.

We often believe that development is a technical matter that we can find solutions that are based on professional and technical analysis but can only happen if there is a deep appreciation of the development politics that make things happen.

Sustainable development is indeed a process in which we must formulate a synergy between economic logic and political logic - measures which are needed to pursue economic efficiency in both the international and regional sphere alongside the political logic now required to make it happen. This will ensure that the adjustments in the politics are appropriate to the requirements of the economic logic.

(5) Closing the Expectation/Performance Gap

The growing gap in the Caribbean between expectations and performance, and the rising tension between intention and reality, has
widened the space between the art of politics and the discharge of
governance. Political rhetoric tends to base new promises on old
premises. In this politics of illusion, past hopes remain unfulfilled and
tentative new hopes have little expectations for action. Whatever
programmes we develop therefore, must ensure that we bring the
political and economic logic together.

Governments in both the developed and the developing world are
facing the increasingly difficult task of managing their national
economies in order to improve macro-economic performance, increase
public investments in job creation, education and health care, and,
develop policies and institutions to address the issues of poverty and
inequality.

In our own region we need to renew our strategies that will provide
buffers against external shocks and at the same time generate the
triggers for sustainable economic growth. In this respect, there is a
real need to understand the power culture that is holding back
growth and development in the region. It has been argued that the
anti-growth coalition\textsuperscript{49} is so deeply embedded in the socio-economic
and political culture of small states that any development strategy
must break that anti-growth coalition before any growth and
development can take place.

These are issues that will ensure that the political logic and the
economic logic work together as we embark on a programme to give
the Caribbean development bank and Caribbean integration efforts
a new quantum leap into challenging and confronting the future
insecurities that are before us. No doubt the agenda before us is
enormous, but we can neither succumb to the forces of history nor

\textsuperscript{49} Professor Avinash Persaud first coined the term anti-growth coalition and elaborated on it in \textit{Power
Politics and Performance} (Dookeran & Jantzen 2012).
surrender to the new vulnerabilities that will surface in the paths ahead.

We have tried to chart out a new strategy of Caribbean convergence that is cast against the backdrop of emerging global political economy. It is a regional strategy that aspires to capture on the future. We need to finally reiterate that while caricom may have reached its limits, there is another, better, way of moving the process forward through Caribbean convergence. The task ahead is not easy but can be accomplished if we find the synergy of economic logic and political logic.