

**CARIBBEAN TRANSNATIONAL CONFERENCE  
(CARIBTRAN)**

**The CARICOM Single Market and Economy (CSME):  
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Bay, Jamaica.**

**“The Movement of Goods: Issues and Challenges  
for the CSME”**

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Thank you Chairman. It is a pleasure and an honour to be here in Montego Bay this week. This part of Jamaica remains one of the region’s prime get away spots and while we are all here to work, I am sure that we will pause to soak in the wonderful atmosphere “Mo Bay” offers.

Mr Chairman,

When I received the invitation and agreed to be here today, I immediately gave thought to the variables that impinge on the trade in the CSME today, to those that will affect it in the post 2005 hemispheric Free Trade Area of the Americas (FTAA) and to those in the post 2008 world of reciprocal trade with the European Union through the Economic Partnership Agreements or EPAs. I must say that in dwelling on these and other things that effect us now and that may be coming down the pipeline, I became very worried indeed.

I became worried, for in fast forwarding into the future and examining the landscape that may be in place at that point, I saw a world in which major trading blocs would have become the norm. and one in which vast economies of scale would be reaped through combined productive processes and single currencies.

I also saw a world in which the importance of knowledge will be far greater than it ever was before. Indeed, it is it is said that the knowledge that will be gained in the next 20 years will surpass that gained in the last 2000 years. Are we ready? To what use will we in the CSME benefit from or contribute to this knowledge accumulation for example?

The mega-trading blocs that are being created would have a tremendous impact on us, for not only will we be competing against individual countries, we will be competing against groupings that will reap the rewards of combined comparative advantage. The proposed FTAA for example, will have a combined population of 757 million people and a Gross Domestic Product (GDP) of some US\$ 8–10 Trillion. The European Union has a population of approximately 372.7 million people and in 2000 its GDP was approximately US \$ 8.47 Trillion. **The EU contribution to global economic activity in that same year was 29%.** In Asia, the Association of Southeast Asian Nations has a population that is estimated currently at about 375 million. The aggregate GDP of its members was estimated in 2000 at US\$ 580 billion. This grouping may be next to tighten its integration arrangements as the EU has done.

When the foregoing is juxtaposed with CARICOM, with our combined population of approximately 6 million and GDP of US\$ 19 billion you see immediately where my trend of thought is going. Small countries like ours must come up with big ideas for we are but specks in the above-mentioned scenario. But what does this all mean for us?

Many of us gathered here have operated our businesses in a CARICOM trading environment that has evolved from CARIFTA to the current CSME. We, the businesspersons of the region, wish to operate in an economic space that facilitates growth and development, sets the stage for extra-regional market expansion and for the development of our respective countries. Do we fully appreciate, however, the level of change that will face us post 2008 in a world of reciprocal trade with Europe and one in which we will already be contending with a border-less Hemisphere?

Let me try to paint a picture. Imagine trying to produce sugar in the Caribbean in a world of non-preferences for this product. In Trinidad and Tobago, for example, our cost of production will drive a large wedge into our possibilities for export. Rum is already under a regime that is opening it up to low cost competitors and there is no need for me to remind you of the bananas story. Have we given consideration to a Caribbean that is open to the service providers of the developed world and the effect this would have on our indigenous companies and professionals? Insurance, banking, education, medicine will be conducted in a totally different scenario and our service providers

could face extinction if novel ways of surviving are not found.

In addition, are our Customs agencies being prepared for the interpretation of multiple rules of origin and other criteria thrown up by an increasingly rules based environment? We know what obtains now- in some case chaos. Is it too difficult to see what will obtain then?

The implementation of new rules in respect of the right of establishment and the removal of subsidies and other types of support will also have to be taken into consideration. Moreover, new levels of standards, sanitary and phytosanitary measures that will define trade in the new environment, could make current non-tariff barriers look like child's play. What are we doing to fast track our societies to be able to deal with these issues?

I do hope that we can come up with some interesting and workable solutions.

Ministers, **you** have the responsibility of formulating the policies that define the trading environment in which we operate. The business community's future is therefore in your hands, as well as our own. For the benefit of the region, it is time for us to get it right.

The CSME is supposed to be the vehicle for the transformation of the CARICOM business environment. Is the process working? Has our long journey to the Single Market and Economy allowed for the expected growth,

development and market expansion? The answer is simply–NO!

Ministers, you might disagree with this statement. But, from the point of view of practitioners like myself, this is the reality.

Why hasn't it worked? I can cite any number of reasons and they include:-

- Heavy bureaucratic procedures as evident in the “red tape” and the amount of documentation required to trade;
- Dissimilar customs regulations and differing stamp duty rates;
- The high incidence of Non-Tariff barriers;
- The non-uniformity of corporate laws and taxation regimes;
- The continuation of Foreign Exchange Controls in some countries;
- Transportation and communication problems that affect profit margins;
- The lack of a single currency;
- Differing sanitary and phyto-sanitary regulations; and
- A plethora of Licensing requirements and standards.

Instead of facilitating CARICOM business, the current system works in quite the opposite manner. We spend so much time, energy and resources to develop fine sounding structures and then show such a low level of conviction to

implementing them. The cost of doing business suffers. Profitability suffers. Our future prospects are placed in jeopardy.

While we have been fiddling, and our Rome burning the rest of the world's trading environment that is moving at the speed of light. Technically, a new Round at the WTO has been launched. In September we are to begin negotiating Economic Partnership Agreements with the European Union. The FTAA negotiations are moving apace toward their conclusion by 2005.

Apart from these negotiations, other regional integration movements are progressing. Mercosur continues to deepen its arrangement internally and with foreign partners such as the European Union. The Central Americans are moving to negotiate a Free Trade Agreement with the United States. The Andean Community is looking to extend its scope ahead of 2005. Costa Rica and Chile continue to forge ahead on their independent paths.

Does CARICOM have its own vision in this scenario? For our sake, I hope so. I have to say that I am not convinced that this is so. The relevance of the CARICOM agreements will certainly be called into question in a world in which boundaries are being removed with the lowering of tariffs and measures of similar effect.

Can we seriously talk of a world without borders when national barricades characterise the CARICOM environment?

We know that five (5) Member States of CARICOM have restrictions on goods of CSME origin. An Inter-American Development Bank (IDB) study is underway to identify CARICOM non-tariff barriers. I would not be surprised if other Member States are found to have similar restrictions when the exercise is completed.

If business is to prosper, Governments of the region must be serious about addressing these issues. It is time to: -

- (i) Remove all restrictions on goods of Community origin. I understand one state still maintains such restrictions ;
- (ii) Eliminate discriminatory taxes on goods;
- (iii) Address delays in implementation of measures due to changes in Government;
- (iv) Complete the tariffication process within the OECS;
- (v) Eliminate revenue replacement taxes;
- (vi) Resolve the issue of the treatment to be afforded to goods produced or shipped from CARICOM Free Zones into the CSME.

We simply cannot afford the luxury of a long period of dialogue while we try to find our feet. We must act now. It is quite clear that the CARICOM Common Market had not worked in the way it was intended and it seems that the CSME is already destined to emulate the lack of success of the previous Common Market arrangements if we do not proceed in the correct manner.

Mr. Chairman,

In my opinion what is lacking in so many of our CARICOM endeavours is the will to change, politically and otherwise. When our technicians meet, it seems that it is easier for them to determine why something cannot be done. We often hear them say: -

- “This legislation cannot be eliminated”.
- “That tariff cannot be removed.”
- “That tax cannot be foregone.”

We need the politicians to step out of the realm of the impossible and provide leadership for the region. Success doesn't arrive on a promise, it travels on the vehicle of vision and hard work. The time for promises is long gone. The time for vision and hard work is upon us. It is Now.

It will be difficult to harmonize legislation. Efforts at harmonising legislation, regulations and related customs forms at national level within the CSME are ongoing but there is a great deal to be still done. This is one area where technical assistance may be required for solutions to be found.

For business to prosper, we need a single investment regime in the region. Instead, investors must traverse a series of different regulations in different countries. I know a process has begun but how long will that take.

And business itself has to shoulder its share of the blame also. How often does business prevail upon Governments in the region to act to impede the movement of goods from within the Community?

In one breath, we say we want liberalisation. In the other we urge caution and protection. We must realise that we cannot have it both ways. Business needs to stop asking their Governments for special protection from other Caribbean businesses operating more effectively. We have a responsibility to help ourselves in order for our Governments to help us. If we cannot compete against ourselves in the region without calling for protection, how can we hope to compete against the larger players in a wider hemispheric and international space that will soon be a reality.

We need to develop our skills and we must build the confidence that we can compete successfully with the large competitors. It is time for the private sector in the region to stop hiding behind the veil of smallness and insularity. The world has changed and will change even more in the next few years. Strategic alliances must be forged if success is to be grasped. These alliances must be made both within and without the region.

I understand clearly that Phase IV reductions of the CET have not been met in some cases because of the loss of revenue associated with such action. What will be position of these countries in 2006 and beyond when external competition will be more intense? It is not as though we are

going to have a choice. The prevailing paradigm calls for liberalisation and it really becomes a phenomenon of sink or swim.

We know that there are problems relating to the Rules of Origin. Indeed some states have entered reservations on aspects of the procedure for the verification of Certificates of Origin. This is such a basic element of a Single Market. Non-agreement on this issue casts doubt on the implementation of other more complex aspects of the arrangement.

The trade in goods is heavily dependent on the application of standards. There is often a danger in trade agreements that the application of standards can be used as a technical barrier to trade. The annals of the trade between developing and developed countries are replete with such examples. Are we now using these measures, which have hurt us in the past, against ourselves?

Care has to be taken therefore that standards, technical regulations and related procedures do not become a major debilitating factor in the movement of goods within CARICOM. They are meant to protect the consumer and facilitate trade efficiency and this must be their purpose. Issues such as the protection of the environment and quality control are also significant in this regard and it is imperative that we get them right.

For the Single Market to be effective we must synchronise the usage of the Harmonised Commodity Classification and

Coding System (HS) within the CSME. The 2002 Edition of the HS must quickly become the standard for intra and extra-regional trade. Should this not be done, there will be difficult moments in many a Customs administration in processing shipments both within and external to the CSME. It will also negatively affect our ability to engage in tariff reductions with extra-regional trading partners.

How can a CSME be implemented successfully given the current state of air and sea transportation within CARICOM? Several years of efforts to treat with this issue have largely been unsuccessful. There are simply not enough shipping lines servicing the region and air transportation is too problematic. Both these facts add to the cost of doing business and make deepening the economic integration process more difficult.

Several years ago a Head of Government called the move towards a Single Currency a pipe dream, or words to that effect. The feedback was immediate and largely negative. But what if he was correct? Nothing tangible seems to have been done to date.

I need to know why the Bundesbank in Germany, for years the most powerful Central Bank in the world, regulating Europe's strongest currency, could accept the move toward the Euro. Why can't our smaller, much smaller economies see the validity in moving swiftly toward a single regional currency? Insularity? Lack of vision?

The advances made in the European Union recently on the issue of a single currency offer some hope to CARICOM. In Europe a wide range of partners of non-equal economic strength can surrender some of their sovereignty in pursuit of greater economic benefit for all. There is a lesson here for the CSME.

The principle of the CSME holds open a world of opportunity for CARICOM business enterprises in the next five years if done right. What can we do? What direction should we take? I have a couple suggestions to put forward.

First, there must be greater consultation between Governments of the region and the manufacturing and exporting community in CARICOM as a whole. This could be accomplished by business involvement in COTED and other deliberations.

Second, to break down barriers between businesses we should consider a CARICOM Trade Fair and CARICOM Trade Missions.

Third, we need to consider privatising certain elements of the process, perhaps starting with Customs. I would wager that if a company were paid according to revenue collected, the overall income to Governments would increase.

Fourth, in all countries efforts must be made to have the private sector participate more actively in the trade negotiation process. Governments don't do business. We do business and therefore know more intimately the

problems that arise and can advise most accurately on the effects of particular negotiating positions.

Fifth, true Caribbean business organisations must emerge in both the goods and services sectors and they must complement each other.

Sixth, if we need technical assistance in the implementation of the Single Currency we should seek it. Recognise our deficiencies and out-source the expertise, if necessary, like smart business organisations do.

Seventh, a vibrant CARICOM Stock Exchange and Venture Capital Regime should be developed. Not only will this make more capital available but it will lead to the general development of entrepreneurial activity.

Eighth, there is a need for the immediate commencement of sensitisation programmes throughout the region on the effects of the forthcoming agreements on our economies. The reality has not hit home and it is due largely to a lack of information on what is coming at us.

And

Nine, we must commence, or where relevant enhance, the training of a cadre of professionals in our respective states whom will be schooled in the rudiments of international trade law etc. I see a world that will also involve moments of complex litigation among countries and between companies and countries. We must be prepared.

In closing let me reiterate that my reason for engaging in entrepreneurial activity is to prosper and indeed to see my country prosper. This is my purpose and it is the purpose, I am sure, of all gathered here today. As businesses prosper, employment increases, tax revenues increase etc., and that is the businessman's contribution to national development. The goal of the politician in this particular endeavour is to create the necessary enabling environment for us all to benefit.

While we cater to the present, we must take cognisance of the needs of future generations. We will be held responsible by our children and grandchildren if our actions lead not to the empowerment of our countries in the new global environment, but to their demise. As I said before, the choice is ours and the time for action is now.

I thank you.