

# ALBA and CARICOM Paradoxes and Problematique

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# Plan

1. ALBA vs. neoliberal integration
  1. CARICOM Single Market and Economy
  2. Economic Partnership Agreement
  3. What's different about ALBA?
2. Benefits of ALBA to CARICOM member states
3. ALBA and the CARICOM Single Market and Economy: Conflictive or Compatible?
4. ALBA and the CARIFORUM-EU EPA: Alternative Alignment or Alternative Logic?
5. Acceding to ALBA: Ideological Affinity or Opportunistic Adherence?
6. ALBA and the Treatment of Asymmetries
7. ALBA Solidarity: Asymmetrical or Non-reciprocal?
8. ALBA Sustainability
9. Conclusion

# Background to ALBA

- Reconfiguration—global and hemispheric--Rise of CRIBS, G20, disenchantment with neoliberal globalisation, rise of new social movements, failure of FTAA, emergence of UNASUR, emergence of Brazil and Venezuela.
- Cuban social cooperation and Venezuelan financial cooperation (Petrocaribe) as building blocks of ALBA—based on the solidarity principle
- Launched in 2004—now 8 countries, 70 M pop., \$ 636 Billion GDP
- 3 CARICOM states have acceded to ALBA—  
Dominica 2008, Antigua and Barbuda and St Vincent/Grenadines 2009. Ave. Pop. = 88,000

# Some distinguishing features of ALBA

- Guiding principles
  - i. Complementarity
  - ii. Solidarity
  - iii. Cooperation
  - iv. respect for sovereignty.
- Poverty reduction
- Financial cooperation
- People-to-people social cooperation

# ALBA TRADE AGREEMENTS

- Commercial exchange not major motive for or element in ALBA.
- Trade Agreement of the People—TCP—and bilateral agreements.
- Trade agreements are often packaged with financial or social cooperation
- Reciprocity of market access not obligatory
- Use of 'counter-trade' (barter) arrangements
- ALBA currency—*sucre*—to be used to value trade and settle balances (Use of *sucre* is optional)

# Other distinguishing features of ALBA

- Implemented through government-to-government agreements (not treaties). Hence 'negotiated flexibility' in terms of participation; programmatic responsiveness.
- 'A la carte' structure rather than 'Single Undertaking'
- Responsiveness: e.g. Food Security Initiative; Haiti Earthquake Relief Fund; Grandnational
- Declarative political positions on threats to member states: U.S. embargo on Cuba; coup in Honduras 2009; Colombia-U.S. bases agreement 2009; attempted coup in Ecuador 2010. Member countries may abstain/ reserve their position.

# ALBA - ANTIGUA & BARBUDA

- Grant of US\$7.5 Million in 2006 to refurbish the International Airport.
- Grant of US\$8 M in 2008 for major water infrastructure project.
- Soft loan of US\$50 M in 2009 to help meet the government's budget deficit

# PETROCARIBE – ANTIGUA & BARBUDA

- EC\$9 Million\* for Senior Citizens Utility Subsidy Programme-- pensioners receive EC\$100/month to assist with payment of utility bills.
- EC\$6 Million for infrastructural work on Cricket Stadium
- EC\$3.8 Million through the People's Benefit Programme--persons with disabilities and economically disadvantaged receive \$215/month to help purchase food and other personal items.
- EC\$1.8 Million for new public library
- EC\$1 Million in relief supplies following hurricane
- EC\$1 Million for repair of Barbuda airport
- EC\$300,000 to rehabilitate the King George V Grounds
- EC\$50,000 for solar dryer for agro processing
- EC\$25,000 to transport cooking gas to Barbuda, to help to offset the price differential for consumers in Barbuda compared to Antigua.

\* EC\$2.70 = US\$1.00

# ST VINCENT/GRENADINES

- US\$50 M ALBA Bank loan approved
  - \$20 M for new international airport construction
  - US\$30 M for budget support
- Petrocaribe credits EC \$29.7 M to November 2010
  - EC\$28.0 M loan to state-owned International Airport Development Company (IADC) for new international airport construction.
  - Repayments by the IADC to the ALBA Board will be recycled into financing for social projects.

# ST VINCENT/GRENADINES

Additional funding from Government of Venezuela:-

- Grant of US\$10.275 M for low-/no-income housing.
- Grant of EC\$1.85 M for rural development in eco-tourism, sport facilities, fishing.
- Grant of EC\$27,000 for Community-based anti-crime initiative ("Pan against crime")
- Grant of EC\$16,000 for Carnival Development Corporation
- Loan of EC\$400,000 for the Bridges Roads and General Services Authority (BRAGSA)
- Loan of EC\$222,000 for National Security

# ALBA and the CSME: Conflictive or Compatible?

- ‘Negotiated flexibility’ and ‘a la carte’ participation have permitted the three CARICOM states to accede to ALBA without prejudice to their CARICOM/CSME Treaty obligations
- The two ‘conditionalities’ of ALBA membership are (i) support for general principles (ii) ALBA projects are for government and state enterprises.
- (i) is non-controversial; and (ii) applies only to ALBA projects--countries are not required to commit to a ‘statist’ or ‘socialist’ path

# Examples

- No obligation to grant duty-free treatment to imports from other ALBA members, to grant Most Favoured Nation status or to treat them on the same basis as CSME imports
- No obligation to give ALBA –based firms same treatment as local or CARICOM firms ('national treatment'); or to open economies to investment from ALBA-based firms
- No obligation for free movement of capital with ALBA
- No obligation for 'Most Favoured Nation' treatment
- No obligation to conform to decisions by ALBA organs
- The three CARICOM states in ALBA have not, generally, participated in foreign policy declarations of ALBA, except where CARICOM has already taken a position that is in line with the ALBA position
- They are not participating in the *sucre* currency due to their membership of the East Caribbean common currency
- ALBA financing has probably increased bargaining power vis-a-vis the traditional sources; St Vincent Airport, Antigua budget

# The Economic Partnership Agreement between the Caribbean & Europe – 2008

*‘Asymmetrical neoliberal integration’*

- 14 CARICOM states together with the Dominican Republic
- Over 80 percent of imports from the EU will eventually be made duty-free
- Liberalisation of most services and investment
- No restrictions on current and capital movements
- Obligation to treat EU firms and suppliers same as local firms
- Stronger Intellectual property protection than in WTO
- Government procurement obligations included
- EU can demand same trade concessions given to other large developed and developing countries in the future.
- Major restrictions on the ability of CARICOM governments to pursue development policies that favour local industries and local enterprises and to develop South-South cooperation.
- Relative to CARIFORUM, the EU’s population is 20 times greater; its economy is 88 times larger and its average per capita income is 4.5 times higher.

# ALBA vs. EPA: Alternative Alignment? (i)

## Trade

- OECS exports to the EU fell by one-third over 2004-2008 (WTO banana rulings effect). By 2008 Dominica's X to the EU were just 13.7% percent of total X, for St VG 11.8%, Antigua & Barbuda negligible. 85% of OECS XGS comes from services, mainly tourism
- But X their X to Venezuela are even less : Venezuela imported just US\$0.6 M from them in 2009; while exporting US\$444 M to them (mainly oil). Two countries report difficulties in identifying exportable goods/services to Venezuela
- The scope for OECS-Venezuela trade expansion lies in expanding services exports, particularly tourism, to Venezuela and other ALBA countries.
- Intra-ALBA tourism needs to develop in order to balance the heavy concentration of merchandise trade in Venezuelan petroleum products.

## (ii) Finance

|                   | <b>EU Aid, 2008-2013*</b> | <b>ALBA/Petrocaribe Aid to 2010<sub>+</sub></b> |
|-------------------|---------------------------|---|
| Antigua & Barbuda | 4.7                       | 74.0  |
| Dominica          | 9.7                       | n.a.  |
| St. Vincent/Gren. | 12.6                      | 71.0  |
| <b>Total</b>      | <b>27.0</b>               | <b>145.0</b>                                    |

# Conclusion

- ALBA/Petrocaribe has become an alternative alignment in terms of development finance; but not in trade.
- Orientation of OECS economies to XGS to U.S./ Canada/ E.U constrains ALBA's ability to become a more complete alternative to traditional ties.
- CARICOM/OECS need strategic diversification policies in tourism/services/merchandise trade.

# Joining ALBA: Ideology or Opportunism?

- Mixture of ideology and economic self-interest present in all countries
- Small vulnerable economies highly driven by external pressures--embrace of the Washington Consensus as much due to unavailability of alternatives as ideological conviction.
- Neoliberal globalisation has impacted SVEs--preference erosion, decline in aid flows, attacks on their international financial services--but has delivered little economic benefits such as diversification and FDI
- CARICOM political elites feel betrayed by traditional economic partners—WTO banana rulings; Antigua internet gambling dispute with the US; St Vincent airport financing problems
- Condemning neoliberal globalisation in ALBA statements of accession are not just ideological but based on bitter experience
- ALBA's features have much in common with the New International Economic Order demanded by developing countries in the 1970s.

# Treatment of Asymmetries

- The WTO Agreement 1994 substantially diluted Special and Differential Treatment, which had featured prominently in the GATT Agreement
- ALBA handles SDT under the rubric of 'Treatment of Asymmetries' (TOA); key elements of this are
  - (a) case-by-case negotiation of trade agreements among the members, allowing treatment of market access issues to conform to the particular circumstances of each member or set of members;
  - (b) absence of a reciprocity requirement;
  - (c) financial cooperation

# ALBA Solidarity: Asymmetrical or Non-reciprocal?

Solidarity—financial and social cooperation—provided by Venezuela and Cuba to the three countries is ‘one-way’.  
Raises some questions:

- Can one speak of ‘asymmetrical’ solidarity?
- Can one speak of ‘non-reciprocal’ or ‘non-reciprocated’ solidarity?
- Is there a risk of a ‘dependency’ or ‘mendicancy’ syndrome? ‘

- Asymmetrical solidarity is inherent in the treatment of asymmetries in size, circumstances and capacities among countries
- Solidarity is by definition disinterested. ‘Reciprocal solidarity’ may be an oxymoron!
- Solidarity creates goodwill for the giver; but if that is the dominant motive it ceases to be solidarity. (More like “Soft Power”)
- Dependency/mendicancy syndrome may arise if the beneficiary feels no moral obligation to reciprocate, or makes no effort to do so, even within their limited resources. This may be ‘*non-reciprocated*’ solidarity .
- At least one of the ALBA CARICOM states reports that it has offered scholarships in Hospitality Training to Venezuela, which have not yet been taken up. Another sent a shipload of supplies to Venezuela after the disastrous flooding of December 2010
- Solidarity is also political and psychological. CARICOM condemnation of the US embargo since 1973; condemnation of unconstitutional changes in government or attempted coups—Honduras 2009 , Ecuador 2010.
- But CARICOM needs to do much more, and systematically—e.g. set up A Caribbean Service Corps to provide voluntary service to other developing countries

# ALBA sustainability issues

- Political dependence on the Bolivarian project
- Financial dependence on Venezuelan surpluses
- Debt sustainability of Petrocaribe debtor countries
- Absence of development/diversification of production capacities in the small economies—outside of energy (refining) and tourism (airports)
- Grandnational Enterprises as main vehicle for institutionalising diversified production and trade relationships

# Conclusions

- ALBA's principles and their application through the practices of Treatment of Asymmetries, 'negotiated flexibility', 'a la carte' and 'case by case' terms of participation (i) have avoided conflict with CARICOM/CSME structure; and (ii) provide useful lessons in the design of alternatives to neoliberal integration
- ALBA is not (yet) a production and trading system that can serve as a complete alternative to neoliberal, asymmetrical North-South integration for the SVEs of the Caribbean
- ALBA's sustainability issues need to be addressed by strengthening its production/diversification content. This is also necessary for it to be a more viable 'alternative'.

# *Thank You!*



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