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## **Monitoring Regional Integration in the Caribbean and the Role of the EU<sup>1</sup>**

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# **Monitoring Regional Integration in the Caribbean and the Role of the EU**

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## **1. Introduction**

Regional integration processes are complex social processes; they are expressions of worldwide and long-term trends towards larger scales and higher levels of mobility in human activity, and – it is believed – they have the potential to generate higher levels of growth and welfare and thus to contribute to poverty reduction. Effective and sustainable regional integration supposes effective policies and, as in other policy areas, this can only be reached with sufficient levels of participation and systematic monitoring and evaluation of these policies.

The monitoring of regional integration processes is a relatively new phenomenon. For many years, most of the regional integration processes in the world, as they were driven by international treaties and diplomatic activity, took place without much political scrutiny and even less citizen participation. It does not come as a surprise then that many of these regional initiatives have been classified as (almost) ‘empty boxes’. This is gradually changing now. This is due to at least four reasons. First, the phenomenon of regional integration and the regional level of governance have objectively become more important over the last decade(s). Second, more and more actors are becoming aware of the need for a macro-regional level of policy-making and regulation in a globalising world. Third, regional integration has become more complex and multi-dimensional. Fourth, the complexity and/or multi-dimensionality of the phenomenon are now better understood. This is reflected in what is now known as the ‘new regionalism’ and the ‘new regionalism approach’ (Hettne, 1999; Breslin et al., 2002; De Lombaerde, 2003).

Monitoring of regional integration processes can increase democratic participation, improve the quality of policy making, and make the processes more sustainable. The monitoring activity has a number of aspects that should be considered: actors, power relationships, institutional aspects, technical aspects, and so on. As I will argue below, monitoring regional integration is therefore a more complex activity than is sometimes thought.

In this short contribution I will discuss a number of these aspects in the Caribbean context in order to shed some light on the potential and difficulties of implementing monitoring tools in this case. Particular attention will go to the role of the European Commission as an external actor and driving force for this process in the framework of the EU-ACP relations. The Cotonou Agreement, with its emphasis on regional integration, is indeed becoming an important “exogenous” factor to push forward and streamline monitoring efforts in different sub-regions of the ACP group.

In the next section, I will first present the institutional framework for EU monitoring of regional integration in the Caribbean. This is followed by a discussion of a number of methodological, technical and political issues that are –in our opinion- important to consider. Some of these are more general in nature, others are more specifically related to the Caribbean case.

## **2. The institutional framework for EU monitoring of Caribbean integration**

Although regional cooperation and integration already received importance in the IV Lomé Convention (art. 7)<sup>3</sup>, the particular emphasis on regional integration in the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, marks a clear difference with the previous Lomé Agreements. Not only is regional integration considered as a very important tool for development policy but the decentralised (“regionalised”) signing of EPAs is foreseen with the different ACP subgroups, including the Caribbean. In the Cotonou Agreement the references to regional integration are found in several articles: art. 22 (macroeconomic and structural reforms and policies), art. 28 (general approach), art. 29 (regional economic integration), art. 30 (regional cooperation). In Annex IV (implementation and management procedures) regional integration is referred to in art. 6 (participation), art. 7 (regional programmes), art. 8 (regional programming), art. 9 (resource allocation), art. 10 (regional indicative programme), art. 11 (review process), art. 12 (intra-ACP cooperation), art. 13 (requests for financing), art. 14 (procedures for implementation).

Cooperation between the Caribbean and the European Community for the period 2003-2007 is currently guided by the Regional Strategy Paper (RSP) and Regional Indicative Programme (RIP) (CARIFORUM-CE, 2003).

The Caribbean side is in the negotiations represented by the Caribbean Forum of ACP States (CARIFORUM), created in 1992 for the purpose of coordinating and monitoring European Development Fund (EDF) resources for the region.<sup>4</sup> CARIFORUM includes the Caribbean ACP countries (Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago) and Cuba, since 2001, although the latter is not benefiting from EDF support.

According to the Cotonou Agreement, a mid-term and end-of-term review is foreseen, in order to adapt the indicative programmes to evolving circumstances and to ensure correct implementation. It is here that the need for monitoring is made explicit. Importantly, a revision of the resource allocation may be the result of the review process.

The European Commission proposed initially a set of indicators “to measure regional integration and cooperation performance” and to support the RCRP. The areas considered are: (i) regional economic integration (trade liberalisation policy, other policy instruments), (ii) functional regional cooperation, (iii) governance and financial issues and functioning of institutions, and (iv) implementation of EDF projects and programmes. Since then, the European Commission has further developed the evaluation methodology and discussed it with the different actors involved. This also happened in a decentralised way with the counterparts in the six ACP sub-regions.

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<sup>3</sup> See e.g. CARIFORUM-EC (1997).

<sup>4</sup> See Annex 7 of CARIFORUM-EC (2003).

### **3. Monitoring Regional Integration: Discussion and research agenda**

In the following sections, a number of issues will be identified that are relevant for assessing the possibilities and difficulties related to monitoring regional integration in the Caribbean in the current EU-ACP context.

#### **3.1. Strategic and political-economy dimension**

The new orientations in the Cotonou Agreement are not only the outcome of the negotiation process leading to the Cotonou Agreement but also an expression of the transformations that EU foreign policy is undergoing. The systematic preference to deal with (sub-)regions rather than with individual countries (the so-called “inter-regionalism”) is a fundamental component of it (Hettne 2003; Farrell, 2004). The rationales for these reorientations and EU interregionalism still need more study and interpretation. They are probably the outcome of a combination of changes in development thinking, bureaucratic inertia (pro-integration mindset of European Commission bureaucrats), and geo-strategic considerations.

Although one could see that a move towards a multi-regional world order might be in the interest of the EU, it is not clear yet whether and how these strategic interests are translated into political activism, lobbying and concrete policies. In other words, it is not clear which are the driving forces behind EU’s interregionalism.

What seems to be the case is that, while the EU is strengthening the institutional and governance capacities of the regions with which it is dealing, it is at the same time strengthening its own actorship characteristics in the international arena. This is logical, knowing that one of the basic characteristics of a region is that its actorship (‘regionhood’) is achieved through a process of reciprocal achievement (mutual recognition) (Van Langenhove, 2003).

It should be noted, however, that the European Commission follows different approaches in its relations with different regions. This becomes clear when one compares, for example, ACP negotiations with the negotiations with Latin America (Chile, Mexico, Mercosur, Andean region, Central America), where the regional integration issue is played out in different ways.

#### **3.2. Overlapping memberships and the choice of EU’s counterpart**

The proliferation of regional integration schemes during the last decades and its acceleration in the 1990s (in combination with a new wave of bilateral agreements) has led to a complex situation with overlapping schemes and memberships. Although this probably reflects a move towards more flexible forms of multi-level government and governance, it is also true that in many cases an economic cost is likely to occur. The so-called spaghetti bowl effect refers to this (Bhagwati, 1995).

Especially within the context of ACP, multiple membership seems to be the rule rather than the exception. The situation in the Caribbean is shown in figure 1; membership is spread over different schemes. Because of the hierarchical structure (concentric circles), the situation is probably less complex than in Africa with its

partial overlap between COMESA and SADC, the (problematic) cases of Congo, Egypt, South Africa, etc., but it is in any case far more complex than the situation in the Pacific (and even West-Africa).

With its new strategy towards the ACP, the EU is pushing an interregional model, based on six sub-regions. This privileges (imposes?) certain schemes and scenarios of regionalisation. This is possible because of the obvious asymmetries between both sides, but it remains to be seen whether these scenarios are necessarily the relevant ones for the future and how flexible the EU is to adjust its model to changing realities. It is also not very clear whether these choices are driven by bureaucratic, technical, diplomatic or geo-political forces.

Considering figure 1, it is clear that the EU-ACP negotiation dynamics have objectively added an additional level of regional cooperation/integration (CARIFORUM) and made the picture more complex. In addition, the RSP and RIP indicate clearly the direction (widening + deepening) of regional integration in the region and presents a vision of the pattern of institution building at the regional level.

It might well be that the *ex post* evaluation of EU policies will be evaluated on balance as positive and having contributed to a greater and deeper integration of the region and to a more stable and prosperous region, but one should be aware of the factors that are currently at work and analyse whether these international commitments in the EU-ACP framework are compatible with internal dynamics and the international environment. One should also be aware of the fact that tensions may arise when the EU and US models are not compatible. This analysis should go beyond a comparison between the RSP/RIP, on the one hand, and the CARIFORUM Regional Integration and Development Strategy (RIDS), on the other.

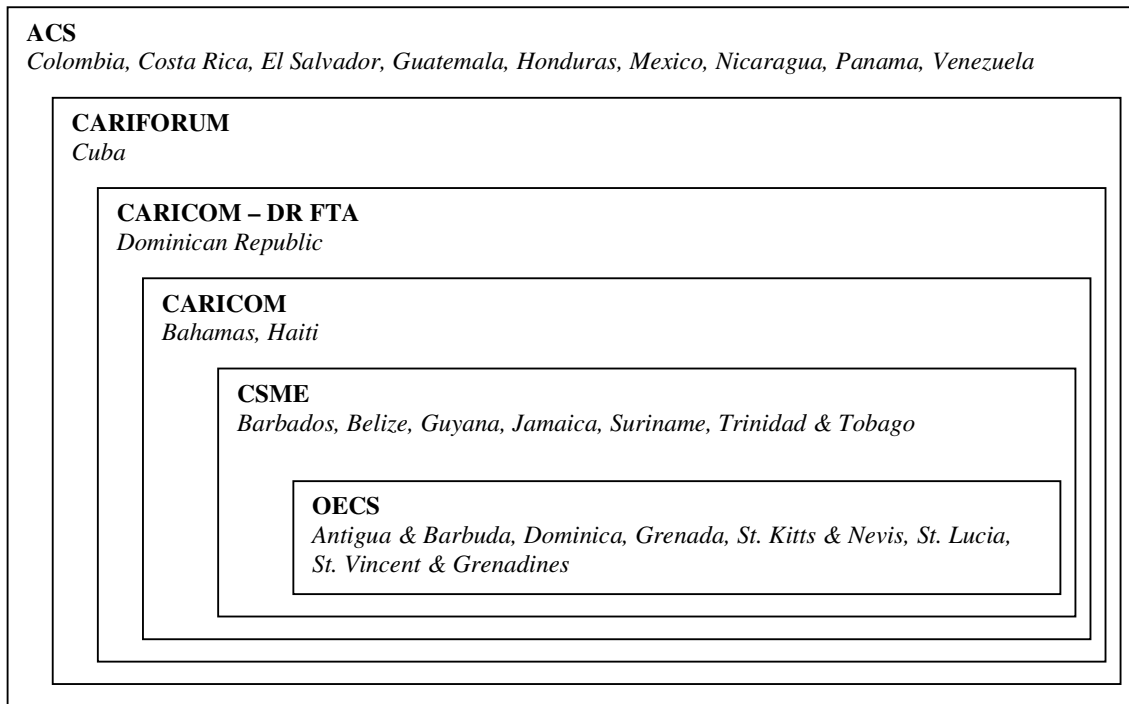
At the more operational level, it should be analysed in detail whether the different donor-funded programmes in support of regional (economic) integration are always complementary and/or compatible. Currently, in this policy area programmes are also in place or foreseen with funding from Canada (CIDA), CDB, USAID, UNDP, the Inter-American Development Bank, Japan, OAS, UK (DFID), the World Bank, and the WTO (CARIFORUM-EC, 2003).

A final consideration brings us back to the monitoring issue. Per definition, CARIFORUM appears as the level on which to organise the monitoring of the integration process. However, one should take into account existing initiatives at other levels, the other institutional structures (CARICOM, CSME<sup>5</sup>, OECS), and the perception of what is/are the relevant region(s) for the citizens and the political actors. Only when the region is perceived as a 'relevant space' by the stakeholders, they will become involved in the corresponding monitoring processes.

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<sup>5</sup> CARICOM Single Market and Economy

**Figure 1: Overlapping memberships of regional organisations in the Caribbean**



### **3.3. Ownership and public goods aspect of the monitoring process**

Any monitoring system is shaped by its users and producers. Possible stakeholders here include regional organisations, national public actors, academia, other NGOs operating on a regional and global level.

Since the process of monitoring regional integration is a direct implication of the contents of the Cotonou Agreement, it should be seen as a joint cooperative effort. However, the right balance of partner involvement has not been reached yet, the European Commission has taken the initiative and is steering the work on regional integration indicators. And there is of course the (structural) factor embedded in the Cotonou Agreement of linking “progress” in regional integration to resource allocation from the European side.

It should be placed high on the agenda how to involve other actors (academics, NGOs, private research and consultancy firms, ...) in order to make the monitoring activities more transparent and relevant.

Having said this, one should be aware of the fact that an effectively functioning monitoring instrument has characteristics of a public good. Free riding and undersupply are possible. In this respect, the role of an external actor, like the European Commission, can be determining in setting-up such a mechanism. This might well be the most important contribution of the European Commission to monitoring. In an ideal scenario, the mechanism will gradually be appropriated by the local and regional stakeholders.

### **3.4. Concepts of integration**

A core issue in the development of a monitoring tool is the underlying definition of integration that will be used and how it will be operationalised into dimensions and variables. It should be stressed that the delimitation of the concept of integration and the scope of the information system is not an exclusively academic exercise, it involves also political and practical considerations, since it links up with the ownership of the process.

The conceptual issues which have to be addressed include: regional integration as a state versus regional integration as a process, formal versus informal (real) regional integration, new versus old regionalism, direct versus indirect indicators, positive versus negative integration, micro- versus macro-regions, etc. One should carefully distinguish between structural characteristics of countries and regional groupings and *de facto* integration, on the one hand, and integration policies, on the other hand.

### **3.5. Theories of regional integration and the EU as a model for regional integration**

The construction of a monitoring system for regional integration needs a theoretical framework which allows to select, organise and interpret the variables, and to evaluate the evolution of the indicators. In integration theory, in general, and also for the design of integration policies and institutions in many parts of the world the European

case has served as a model.<sup>6</sup> Although the current RSP/RIP for the Caribbean emphasises the local (regional) intellectual ownership of the whole process, the European experience and model appear clearly as the reference framework for the formulation of new integration strategies and policies and for the evaluation/monitoring of the process within the context of EU-ACP cooperation.<sup>7</sup> The so-called ‘toolbox’ that was presented by the Commission illustrates this very well (EC, 2003).

The implications of this should be analysed; a flexible tool, able to monitor the variety of regional experiences from a multi-theoretical and inter-disciplinary perspective, should be preferred. It should be stressed further, that the qualification of variables as theoretically relevant, does not imply that the direction of their causal linkages with other variables can easily be established.

### **3.6. Methodological and organisational options related to the design of monitoring tools**

Next to preciseness in the concepts used and explicitness in the underlying theoretical adherences, one needs to make a number of methodological and organisational decisions in order to further design a monitoring tool for regional integration. This will include, choosing between specific or general tools and between the use of area versus country indicators.

There is also a political aspect to the question whether to consider country level or group level indicators. The evaluation of a regional arrangement, especially when it involves “rewards” or “sanctions” from the international community, like in the case of the RCRP, should be able to handle asymmetries within the groupings, passive or obstructive behaviour by one or a minority of members.

### **3.7. Dimensions and categories of variables**

Once the coverage and limits of the monitoring system have been established, the variables should be organized systematically. Regional integration being a multi-dimensional phenomenon, the variables could be organised, for example, according to disciplinary fields, policy areas (the traditional sectoral approach), or on a functional basis, like in the input-output approach.

Recent proposals for classifying variables in indicator systems include the proposals of the European Commission itself, UNECA (2001, 2002), COMESA, ECB (Dorucci et al., 2002) and De Lombaerde and Van Langenhove (2004).

The European Commission made the proposal to classify the indicators of the foreseen indicator system for monitoring economic integration in the ACP countries in the following broad categories: (i) regional economic cooperation, (ii) functional regional cooperation, (iii) governance, financial issues and functioning of institutions, (iv) implementation of EDF projects and programmes. As a response to DG Development’s proposal, the COMESA Secretariat launched a proposal for a system of indicators with an alternative design. The philosophy of the proposal is different in

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<sup>6</sup> For recent overviews of integration theory, see e.g. Groom (2000) and Breslin et al. (2002).

<sup>7</sup> For a critical view on the exportability of the European model of integration, see Bilal (2004).



the sense that inter-regional comparisons are not the main focus, but rather the monitoring of their own integration process. COMESA considers 12 categories of variables. DG Development's proposal has been incorporated in the RSP for the Caribbean in a slightly adjusted way, adding the trade agenda as an additional area (CARIFORUM-EC, 2003).

In an alternative approach, UNECA considers eight "clusters of activity" to classify the variables and indicators. These are: (i) trade and market integration, (ii) monetary, fiscal and financial integration, (iii) transport, (iv) communications, (v) industry, (vi) energy, (vii) food and agriculture, and (viii) human development and labour markets. ECB distinguishes between institutional and economic integration. The former is evaluated on the basis of the implementation of decisions in four dimensions, based on Balassa's stages approach to integration: (i) free trade area/customs union, (ii) common market, (iii) economic union, (iv) total economic integration. Within the latter category, seven subcategories (and 11 variables) are considered: (i) synchronisation of the business cycle, (ii) convergence of inflation rates, (iii) exchange rate variability, (iv) trade openness and integration, (v) financial market integration, (vi) convergence of interest rates, (vii) income convergence. De Lombaerde and van Langenhove consider the following categories: (i) regional interdependence ( $\approx$  "real" integration) (mobility of persons, economic interdependence, political interdependence), (ii) institutionalisation of RI, (iii) actors involved in RI, (iv) structural factors affecting RI, (v) implementation of RI policies, (vi) effects of RI.

Several conceptual frameworks that explicitly recognise the multi-dimensional and dynamic character of regional integration are thus theoretically and practically possible. It is not even impossible to reach an agreement in negotiations starting from different conceptual frameworks. However some minimal agreements on the distinction between different categories of variables will be useful, although in practise, this is often overlooked. Particular monitoring tools will have to opt for some combination of variables of these categories.

### **3.8. Pre-conditions for regional integration**

In the literature, several attempts can be found to measure the potential (feasibility and effects) of future integration agreements. In the economists' jargon they are referred to as *ex ante* studies. Of special interest here are those attempts that permit comparison and those that are also relevant for monitoring purposes. Well-known are the *ex ante* trade analyses that estimate the foreseeable effect of new regional trade agreements on trade flows and welfare. However, *ex ante* studies have not been limited to trade issues. Also the public-management capacities for regional integration have been assessed (Best, 1997).

Although, at first sight, these *ex ante* type evaluations are not relevant for monitoring purposes, since regional integration processes are typically characterised by stepwise progress and 'critical moments', it should be explored how the methodologies of these studies could be incorporated in workable monitoring systems.

### 3.9. Other technical and operational issues

Independently from the choice of overall objectives, dimensions and contents of the monitoring system, a whole range of problems are likely to occur at the moment of implementation. These problems range from the difficulty of measuring a specific variable and the quality of a particular data source to the problems related to managing and funding the system.

If the monitoring tool is also used for comparative research, a choice has to be made between (traditional) indicators that permit a direct comparison between regions on their score on a particular variable and indicators that compare the performance of each region with respect to its own objectives.<sup>8</sup> The World Bank, for example, favours relative comparisons. A concrete example of relative performance indicators is the one incorporated in the system of Indices of Economic Integration Effort in Africa. Two yardsticks are used: (i) the self-defined pre-determined targets for target-driven indicators (if they exist for particular integration groupings), or (ii) an average of the *n* best performers (UNECA, 2001, 2002).

A combination of both types of comparison is probably preferable in order to take policy preferences into account, on the one hand, but not to “sanction” the more ambitious regional organisations or country groupings, on the other.

## 4. Conclusions

In many regions of the world there are moves in the direction of monitoring regional integration processes. Different types of actors are involved or have expressed interest in this matter. This is also the case in the Caribbean. It should be explored how the different initiatives could be linked to other and foreseeable new initiatives in the region, both from governmental as from non-governmental (e.g. CRIES) sides, sharing a minimal methodological consensus, minimal quality standards, etc. Mutual scrutiny should be encouraged. That should not only improve the regional monitoring processes but should provide the regional communities with better policies and a better control over policy-making at the regional level.

The role which is played by the European Commission in setting-up a workable monitoring instrument is an opportunity for the regional stakeholders to make the regional integration process more transparent and increase the level of participation in it and, therefore, its sustainability. Monitoring tools and activities have (regional) public good properties; therefore, the potential positive role of an external actor should not be underestimated. However, the toolbox which is offered by the European Commission should be critically evaluated in the region.

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<sup>8</sup> One could label the first alternative as “direct comparisons”, and the second as “indirect” or “relative comparisons”.

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