REGIONAL INTEGRATION

- Define the following terms and concepts related to regional integration:
  - Bilateral agreement, multilateral agreement, common market, single market, single economy, economic integration, independent state, underdeveloped country, developing country, developed country, trade liberalization, globalization, multinational corporation, regionalism, trading bloc, fiscal policy, monetary policy
- Major challenges facing the Caribbean Region
- Major stages in the integration movement
- Functions of the various organizations (OECS Secretariat, CARICOM Secretariat, Conference of Heads of Government)
- Objectives of the various organizations: OECS, CARICOM, CSME
- Factors that promote regional integration
- Factors that hinder regional integration
- Benefits of regional integration
- The role of individuals, businesses and government in the integration process
- The role of regional agencies in the integration process

Major challenges facing the Caribbean Region

1. Small size, small national markets
2. Lack of diversification
3. Unemployment and underemployment
4. Low levels of production and productivity
5. Differences in resource distribution
6. High levels of indebtedness (debt burden)

Major challenges facing the Caribbean Region

7. High level and cost of imports
8. Shortage of skilled workers
9. Inadequate technology
10. Low value of exports
11. Difficulties accessing markets of foreign countries
12. Shortage of capital
13. Vulnerability to natural disasters

Objectives of the Regional Development Fund

- CARICOM is divided with a group of smaller states belonging to the Organization of Easter Caribbean States. The OECS countries have called for the establishment of the Regional Development Fund to assist them to overcome any economic difficulties that their participation in the Caribbean Single Market and Economy may have on their individual economies.

Areas of regional cooperation

1. CARDI: Caribbean Research and Development Institute
2. UWI
3. UG: University of Guyana
4. CXC
5. CAREC: Caribbean Epidemiology Centre
6. RSS: Regional Security System
7. CEHI: Caribbean Environmental Health Institute
8. CDERA: Caribbean Disaster Emergency Response Agency
9. Sports:

- WICB
- OECS SPORTS DESK
- CONCACAF

OTHER FACETS OF INTEGRATION

- **WEST INDIES CRICKET BOARD (WICB)**
  - One of the oldest examples of regional cooperation
- **CARIBBEAN NEWS AGENCY (CANA)**
  - A regional agency that provides news on regional issues and events and buys foreign news from international sources like Reuters and Associated Press
  - News releases are distributed to members throughout the commonwealth Caribbean
    - Reduces cost of obtaining foreign news, promotes local Caribbean culture, keeps region informed on national and international events, enhances communication among Caribbean States, fosters regional unity
- **CARIBBEAN BROADCASTING UNION (CBU)**
  - A non-profit private regional organisation formed in 1970 to facilitate radio and TV broadcasts among its members


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HAITI 21 - 30 AOÛT 2015
Carifesta XII
NOS RACINES, NOTRE CULTURE, NOTRE AVENIR COMMUN


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CARIFESTA

The **Caribbean Festival of Creative Arts** (CARIFESTA) was conceived out of an appeal from a regional gathering of artists who were at the time participating in a Writers and Artists Convention in Georgetown, Guyana in 1970 and which coincided with Guyana's move to Republican Status.

The three main considerations with regard to the staging of CARIFESTA were:

- the Festival should be inspirational and should provide artists with the opportunity to discuss among themselves techniques and motivations
- it should be educational in that the people of the Caribbean would be exposed to the values emerging from the various art forms
- and it should relate to people and be entertaining on a scale and in a fashion that would commend itself to the Caribbean people

CARIFESTA

- The regional creative festival was first held in Georgetown, Guyana in 1972, attracting creative artistes from over 30 Caribbean and Latin American countries.
- It is a celebration of the ethnic and racial diversity which separately and collectively created cultural expressions that are wonderfully unique to the Caribbean.
- The cultural village life of CARIFESTA is intended to be a mixture of the States of the Caribbean Community (CARICOM); the wider Caribbean, Latin America; and a representation of Africa, Asia, Europe and North America.
- It is a vision of the peoples with roots deep in Asia, Europe and Africa, coming together to preform their art forms and embracing literature inspired by the Caribbean's own peculiar temperament; paintings drawn from the awe inspiring tropical ecology; and the visionary inheritance of our forefathers
- The symbol of the first CARIFESTA was a dark hand rising grasping the sun, depicting the skills and aspirations of the tropical man with talent untold.

CARIFESTA aims to:

- depict the life of the people of the Region, their heroes, morale, myth, traditions, beliefs, creativeness, and ways of expression
- show the similarities and differences of the people of the Caribbean generally
- create a climate in which art can flourish so that artists would be encouraged to return to their homeland; and
- awaken a regional identity in Literature

Benefits of regional integration

- Reduction in unemployment and underemployment
- Better response to globalization and trade liberalization
- Improvement in the quality of life
- Reduction in the inequality of wealth distribution
- Free movement of goods, labour and capital
- Increased market size
- Improved levels of international competitiveness
- Expansion of trade
- Increased cooperation among member states

Factors that promote regional integration

- Common history
  - Colonialism, slavery and indentureship
- Common cultural heritage
  - Language, dress, cuisine, music, general lifestyle
- Close proximity
- Common economic and social issues
- Effects of globalization, trade liberalization and trading blocs
- Vulnerability to economic shocks and natural disasters

GLOBALISATION

- Characterised by:
  - Trade links being established around the globe (comparative advantage-purchase from cheapest source)
  - Job creation by inflow of direct foreign investment
  - Technological development in production of goods and services demands a skilled labour force – C'bean lagging behind
  - Migration of skilled labour – brain drain from caribbean to developed countries
- AS A RESULT OF GLOBALIZATION, SMALL, DEVELOPING COUNTRIES MUST UNITE IN ORDER TO SURVIVE

- **Globalization: the greater movement of people, goods, capital and ideas due to increased economic integration.** This in turn is propelled by increased trade and investment. It is like moving towards living in a borderless world.
- There has always been a sharing of goods, services, knowledge and cultures between people and countries, but in recent years improved technologies and a reduction of barriers means the speed of exchange is much faster.

- Globalisation provides opportunities and challenges. Bigger markets can mean bigger profits which leads to greater wealth for investing in development and reducing poverty in many countries.
- Weak domestic policies, institutions and infrastructure and trade barriers can restrict a country's ability to take advantages of the changes. Each country makes decisions and policies that position them to maximise the benefits and minimise the challenges presented by globalisation.

FACTORS HINDERING REGIONAL INTEGRATION

1. **Geography of the region**
2. **Absence of a common strategy for development**
3. **Differences in stages of growth and development**
4. **Competition for location of industries**
5. **Absence of common currency**
6. **Unequal distribution of resources**
7. **Influence of MNCs / TNCs**
8. **Lack of diversification in production**
9. **Insularity**

Factors that hinder regional integration

- Different emphases on strategies for growth: one depends on petroleum, some on tourism, others on agriculture (common policies difficult to achieve)
- Territorial interests often supercede regional ones eg competition for location of the smelter plant
- TNCs still bargain with individual governments for tax-free holidays, duty free import of raw materials, repatriation of profits etc in contravention of CARICOM objectives
- Since member states produce similar products (sugarcane, bananas, cocoa, coffee, ground provisions) intra-regional trade is stifled

The role of individuals in the integration process

- Entrepreneurship
- Supporting regional producers
- Showing solidarity and mutual support towards regional fellow citizens
- Investing in local and regional businesses
- Being informed

The role of businesses in the integration process

- Improving competitiveness
- Increasing range and quality of goods and services
- Providing opportunities for investment and employment

The role of government in the integration process

- Enacting enabling legislation
- Harmonizing policies
- Honouring protocols
- Educating citizens about the objectives and benefits of integration

Definitions

- **Bi-lateral Agreement:** An agreement between two parties or states setting out the conditions under which trade between them will be conducted
- **Multi-lateral Agreement:** An agreement among more than two parties or nations setting out conditions under which they would cooperate with each other

- **Common market:** a type of trade bloc with free movement of goods, labour and capital between member states
- **Single market:** a more advanced form of *common market*. In comparison to a common market a single market envisions more efforts geared towards removing the physical (borders), technical (standards) and fiscal (taxes) barriers among the member states.

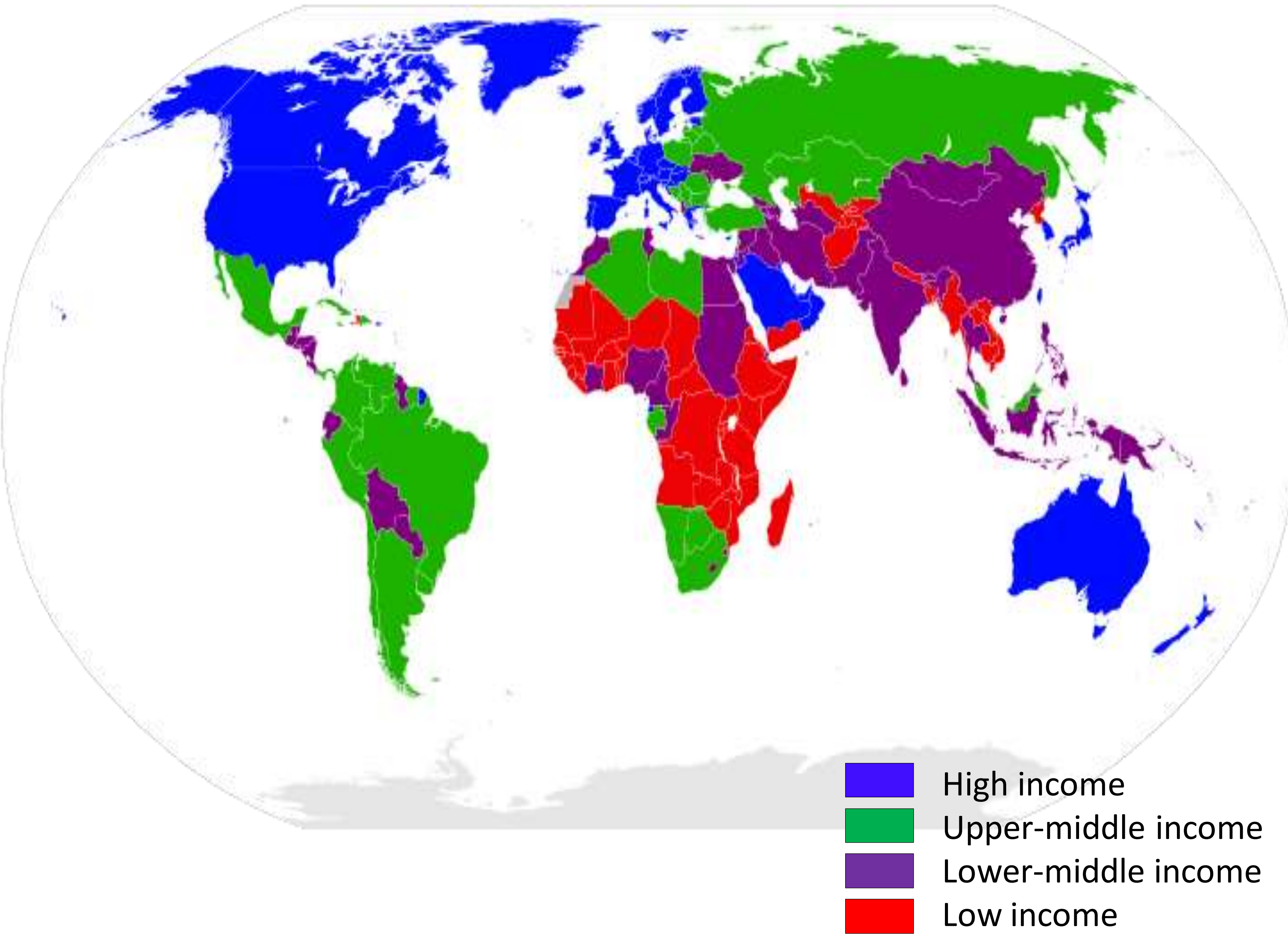
- **Economic integration** refers to trade unification between different states by the partial or full elimination of customs duties, tariffs, quotas, licenses and non-tariff barriers (anti-dumping measures and countervailing duties) on trade taking place between them.
- This is meant in turn to lead to lower prices for distributors and consumers (as no customs duties are paid within the integrated area) and the goal is to increase trade.

- **Independent state:**
  - A state which has achieved independence (self-government; exercising sovereignty)

- **Developed country:** a country with a relatively high per capita income, where most people have a higher standard of living with access to more goods and services than most people in developing countries.
  - **Highly industrialized nations** such as Australia, Austria, Canada, France, Germany, Italy, Japan, Russia, the UK, and the US.

- **Developing country**:
  - **A country whose resources and/or capital are insufficient to have sustained reasonable standards of living**
  - a country with a relatively low per capita income, where most people have a lower standard of living with access to fewer goods and services than most people in developed countries. Also known as a **third-world country.**

- **Underdeveloped country:** A nation which, comparative to others, lacks industrialization, infrastructure, developed agriculture, and developed natural resources, and suffers from a low per capita income as a result.


High income
Upper-middle income
Lower-middle income
Low income


Developing Country
Developed Country
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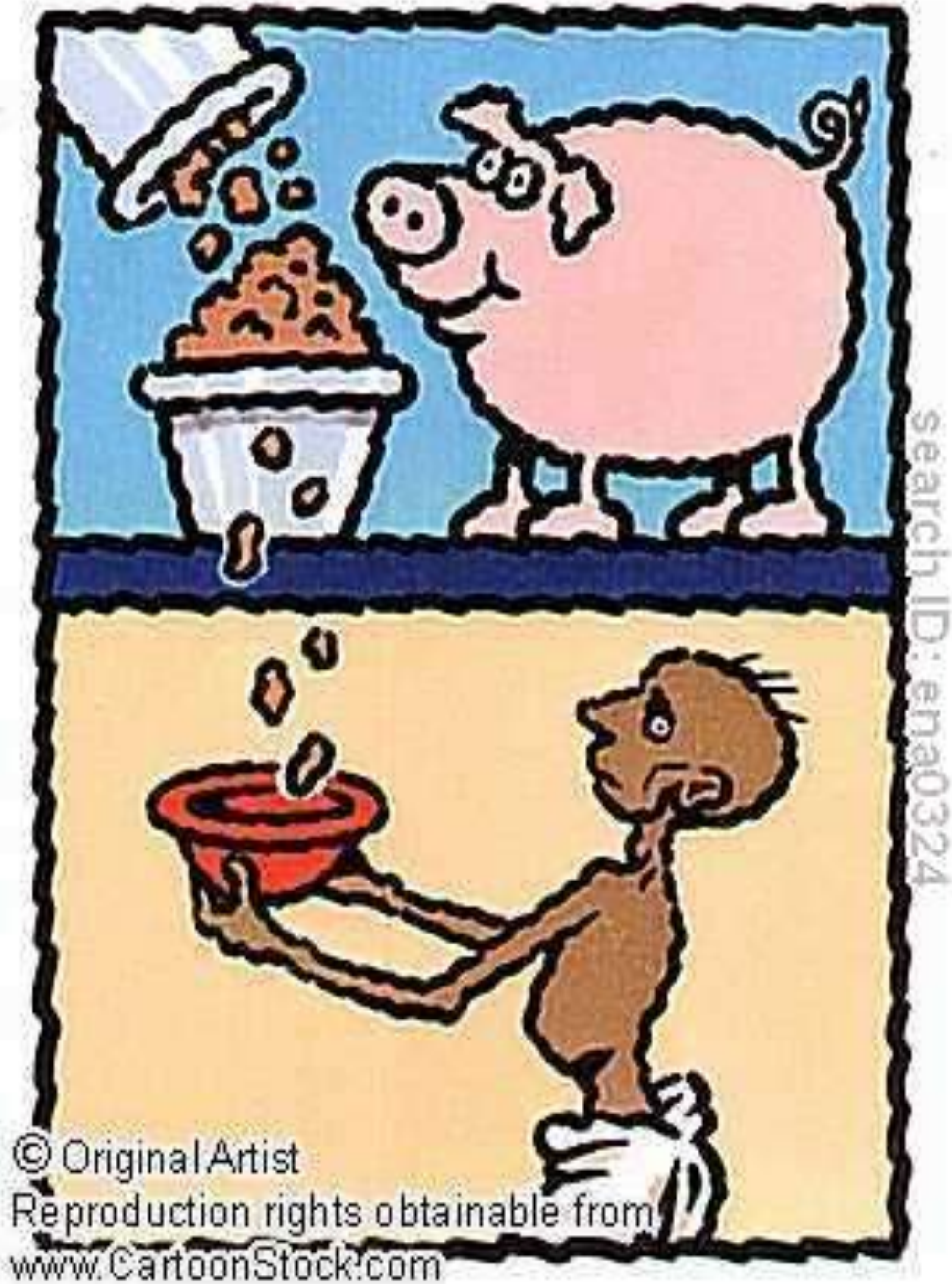


- **Trade liberalisation means reducing the limitations on trade that countries around the world have erected over a number of years (tariffs, duties, quotas, licenses).**
- **Protectionism** is a means of attempting to ensure that domestic industries are protected from competition from foreign producers through **tariffs**, which raise the price of goods coming into a country (imports), **quotas** - a physical limit on the number of goods that can be brought into a country, and other **non-tariff barriers** such as regulations and legislation that make it very hard for foreign competitors to sell goods into another country.

Globalization

- Globalization refers to a variety of developments which have reduced the world to a “global village.”
- It is largely the result of technological developments, greater access to information and faster communication (computer technology, satellite communications, development of the Internet, air travel)
- Small countries have always depended on international trade i.e. they have never been self-contained. But today, all countries are more interdependent than ever before.

Globalization

1. Airbus: Holding capacity and speed of airbuses allow people to travel across the globe in a relatively short space of time.
2. News Agencies: News is reported across the world via satellite, wire-photo, television, internet etc.
3. Internet: the internet is an intricate web which covers the entire globe. (provides information on any topic imaginable, facilitates distance education, trade etc)

Issues to consider

1. Communicable Diseases can easily become pandemics (spread throughout the world) – SARS, H1N1, Bird Flu
2. World climate: All countries are affected by global warming, ozone depletion, melting of the ice-caps, rising sea levels, deforestation and pollution. All are responsible for preservation of the environment.
3. Transnational Corporations: These operate throughout the globe exploiting host country resources and sending profits to their own home countries.

Issues to consider

4. People from many countries eat the same foods and watch the same TV programmes.
5. Tourism has grown into a globalised industry as a result of international travel (negative impact on environment and societal values etc)
6. Barriers to international trade are being removed: ↑ competition, ↑ unemployment
7. A war or disaster in one country may have worldwide impact (refugees, interruption of supply, disruption of air-travel etc)
8. Production is increasingly international (↑ unemployment in some countries, ↑ exploitation of workers in underdeveloped and developing countries where labour is cheaper)

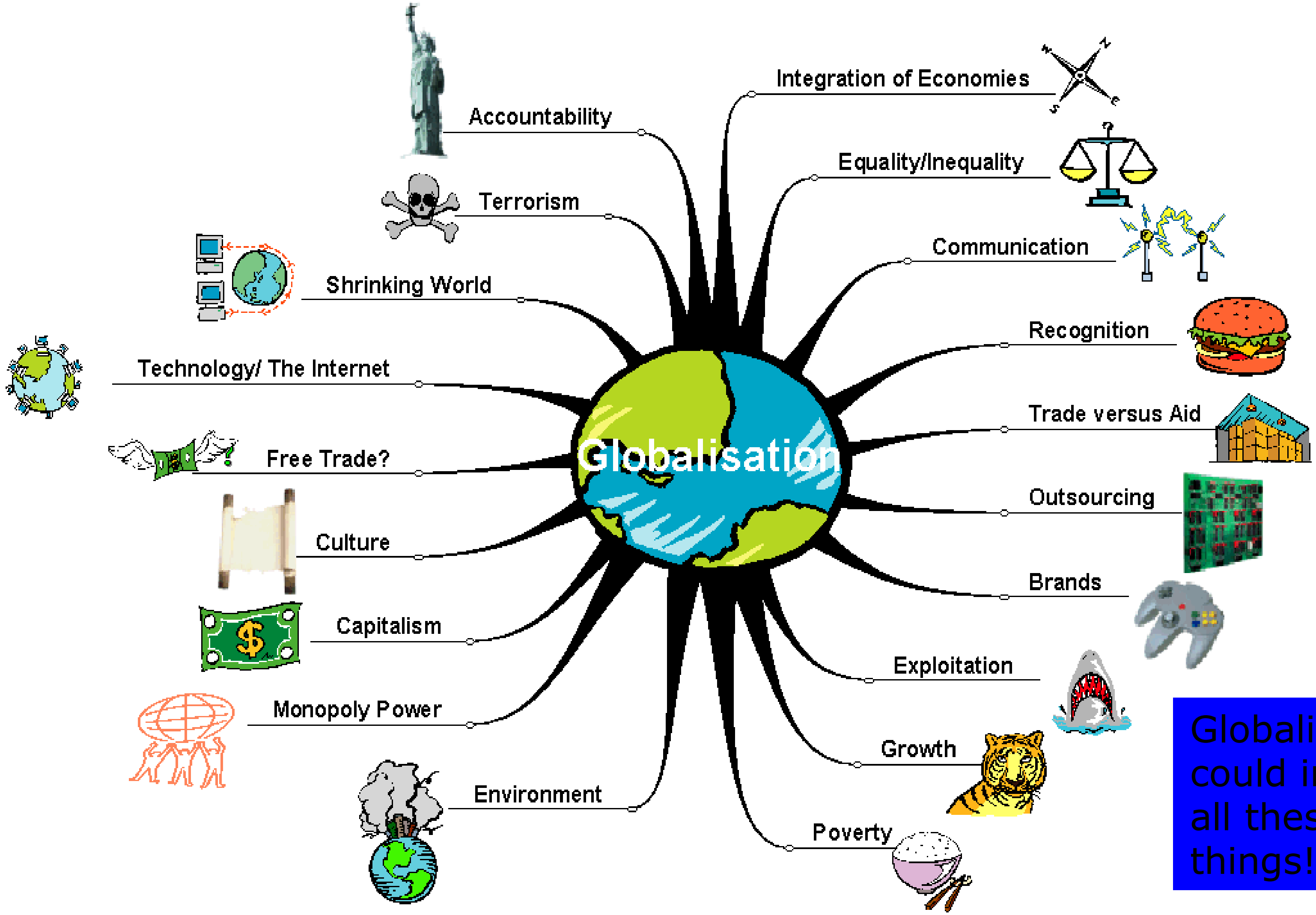
Challenges facing Caribbean countries

1. With the opening up of world markets and free trade, how can we be competitive and produce high quality goods at cheap prices?
2. Should we finance development projects by taking loans from international lending agencies or should we open our doors to foreign investors?
3. How can we improve productivity in the workplace with the existence of powerful trade unions which consistently seek higher wages for members?
4. What can be done to train our nationals for jobs in an environment which is highly technological?
5. What can be done by Caribbean countries to reduce the food import bill and to be self-sufficient in food production?
6. What can be done to combat the effects on consumer tastes and spending of television programmes and other media (internet, books, magazines, newspapers etc) with a heavy foreign content?

Globalisation

Globalisation

- **Definition:**
  - An economic phenomenon?
  - A social phenomenon?
  - A cultural phenomenon?
- The movement towards the expansion of economic and social ties between countries through the spread of corporate institutions and the capitalist philosophy that leads to the shrinking of the world in economic terms.



Globalisation could involve all these things!

Integration of Economies

Stock Markets are now accessible from anywhere in the world!

- The increasing reliance of economies on each other
- The opportunities to be able to buy and sell in any country in the world
- The opportunities for labour and capital to locate anywhere in the world
- The growth of global markets in finance

Integration of Economies

- **Made possible by:**
  – Technology
  – Communication networks
  – Internet access
  – Growth of economic cooperation – trading blocs (EU, NAFTA, etc.)
  – Collapse of ‘communism’
  – Movement to free trade

Trade versus Aid?

- Benefits of Trade:
  - Increased choice
  - Greater potential for growth
  - Increase international economies of scale
  - Greater employment opportunities

Trade has led to massive increases in wealth for many countries.

Trade versus Aid?

- Disadvantages of trade:
  - Increase in gap between the rich and the poor
  - Dominance of global trade by the rich, northern hemisphere countries
  - Lack of opportunities for the poor to be able to have access to markets
  - Exploitation of workers and growers

How far does trade help children like these?

Corporate Expansion

No matter where you go in the world, certain businesses will always have a presence.

- Multi-national or trans-national corporations (MNCs or TNCs) – businesses with a headquarters in one country but with business operations in a number of others.

Corporate Expansion

Controlling supplies may be one reason for global expansion.

- Characteristics:
  - Expanding revenue
  - Lowering costs
  - Sourcing raw materials
  - Controlling key supplies
  - Control of processing
  - Global economies of scale

Corporate Domination

- Key Issues:
  - Damage to the environment?
  - Exploitation of labour?
  - Monopoly power
  - Economic degradation
  - Non-renewable resources
  - Damage to cultures

Shell and Nike's activities have come under severe criticism in some quarters.

Other Issues:

There are plenty of people who believe that globalisation is a negative development, protests at the G8 summits, pollution, poverty and concern over GM crops are just some of the issues.

- Accountability of Global businesses?
- Increased gap between rich and poor fuels potential terrorist reaction
- Ethical responsibility of business?
- Efforts to remove trade barriers

- **Multinational Corporation - MNC**
  A corporation that has its facilities and other assets in at least one country other than its home country. Such companies have offices and/or factories in different countries and usually have a centralized head office where they co-ordinate global management. Very large multinationals have budgets that exceed those of many small countries. Sometimes referred to as a "transnational corporation".
- Nearly all major multinationals are either American, Japanese or Western European, such as **Nike, Coca-Cola, Wal-Mart, AOL, Toshiba, Honda and BMW.**
- Advocates of multinationals say they create jobs and wealth and improve technology in countries that are in need of such development. Critics say multinationals can have undue political influence over governments, can exploit developing nations as well as create job losses in their own home countries.

MNCs

- ADVOCATES:
  - Create employment and use local labour
  - Provide foreign training for local staff
  - Sometimes pay high salaries
  - Transfer technology to developing countries
- CRITICS:
  - Exert undue political influence over governments
  - exploit developing nations e.g. by paying minimum wages or utilizing child labour
  - create job losses in their own home countries

TRANSNATIONAL CORPORATIONS (TNCs)

Multinational Corporations (MNCs)

- **Transnational corporations, or multinational companies, are very large businesses that have offices and factories in several different countries.**

- The headquarters and main factory are usually located in **developed countries**, particularly the USA and Japan.

- Smaller offices and factories tend to be in the **developing countries** where **labour** is **cheap** and **production costs** are **low**.

- In the past 30 years, transnationals have **grown** in **size** and **influence**. Some of the largest ones make more money in a year than all of the African countries put together.

- The world’s 500 largest companies now **control** at least **70**% of **world trade** and produce more than half of the world’s **manufactured goods**.

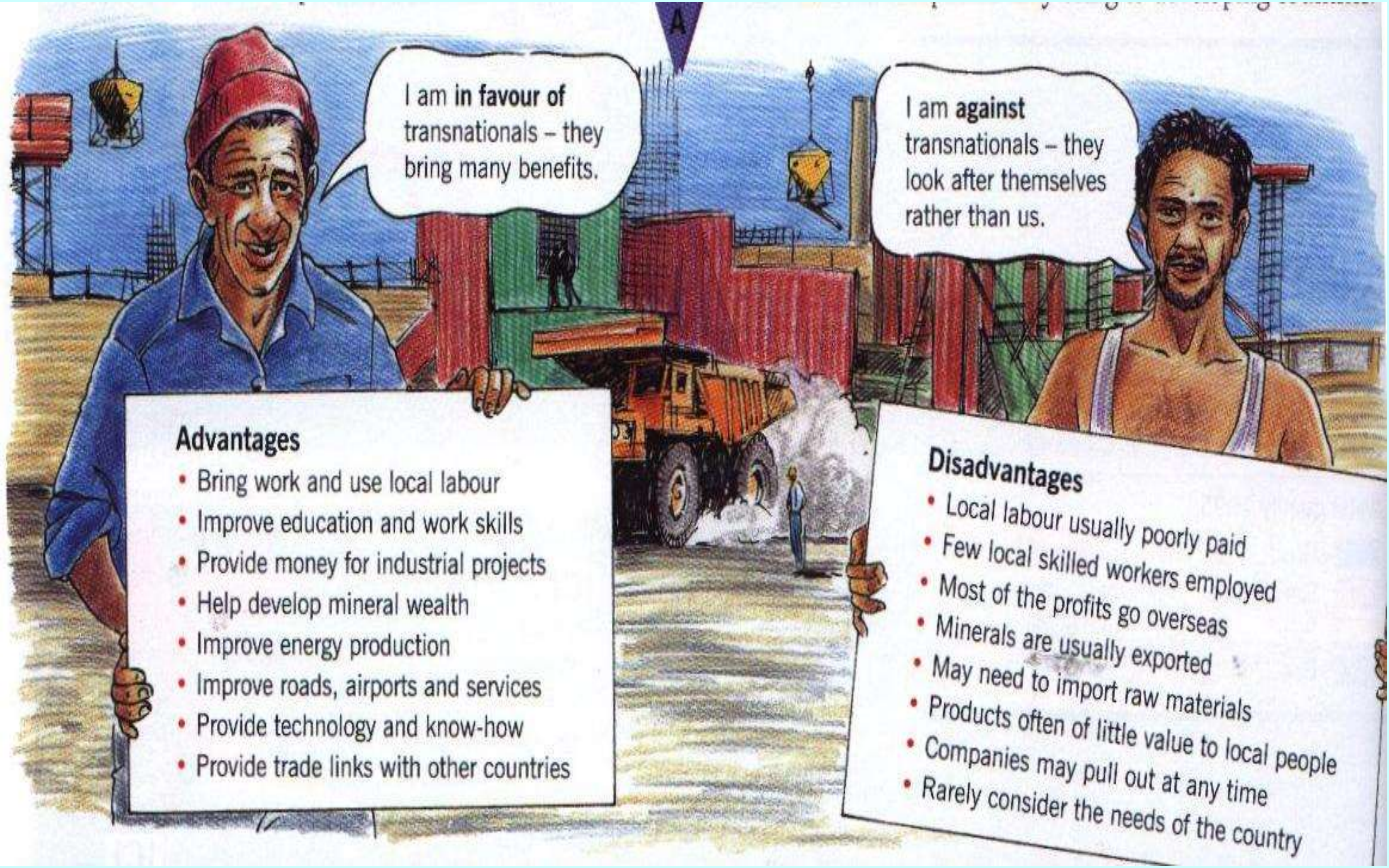
- Being so large, they also **influence consumer tastes** and **lifestyles** and are responsible for many of today’s **scientific** and **technological breakthroughs**.

- Many people are concerned about the **effects of transnationals**. They argue that they locate in poorer countries just to make a **profit**, and pay low wages, particularly to women and young children.

- Others say that without transnationals the poorer countries would simply not be able to **develop their own industries**. People would have no jobs and their **future** would be very **bleak**.

- The diagram on the next slide shows some of the advantages and disadvantages that transnational companies may bring to developing countries.

Advantages and Disadvantages of Transnationals



CASE STUDY:

A MULTI-NATIONAL COMPANY - NIKE

Nike

- Nike trainers are sold and worn throughout the world. Nike is a typical **transnational corporation (TNC)**. Its **headquarters** are in the USA, where all the major decisions and research take place, yet its sports shoes are **manufactured** in many countries around the world.

- Like many TNCs, Nike **subcontracts** or uses independently owned factories in different countries to produce its trainers. Often this takes place in less economically developed countries (LEDCs) where labour costs are low. Nike say they are in the business of "marketing" shoes, not making them. However, Nike dictates the terms to the contractor: the design, the materials, the price it will pay.

- Nike's main activities are in **South-East Asia**, and up until recently it manufactured many of its trainers in South Korea.

- In the late 1980s labour costs in South Korea rose, so Nike decided to move production to Indonesia where costs were lower.

- China boasts the largest number of Nike contract factories - 124 in total.

Problems Nike workers face:-

- Many of the workers in the Indonesian factories come from the surrounding **countryside** where they live in **poverty**. The conditions they move to are better, but not much. Some of the problems they face are:
  - **Low wages and long hours**
  - **Industrial accidents**
  - **No workers' rights – trade unions are illegal in Indonesia**

Problems Nike workers face:-

- Where workers do complain or protest they can lose their jobs. The **contractors** say they cannot afford to pay the workers more and Nike says that it is difficult to control what is happening in individual factories. This means that in a nation where unemployment is high and employees can be easily replaced, workers will continue to be open to **exploitation**.

- Human rights and aid groups have for years criticized Nike for not doing enough to tackle poor working conditions in its supply chain, particularly in developing countries.

- Chairman Phil Knight admitted that the company had been slow to respond to evidence of poor conditions in the past but said that the company was making progress in this area.

- About 620,000 people currently work in contract factories around the world producing Nike branded footwear, apparel and clothing, the majority of which are **women under the age of 25**. More than 75% of these work in Asia, predominantly in China, Thailand, Indonesia, Vietnam, Korea and Malaysia.

- Nike said it faced a number of "ongoing challenges" in its supply chain, including unsatisfactory levels of compliance in key areas such as **poor pay, long working hours, staff harassment and lack of trade union representation.** However, Nike said instances of the illegal use of child labour were extremely rare, with only five cases discovered in the past two years.

- Although 60% of factories monitored met the required standards, a quarter of factories were found to present more serious problems which ranged from a lack of basic terms of employment and excessive hours of work to unauthorised sub-contracting, confirmed physical or sexual abuse and the existence of conditions which could lead to death or serious injury.

- Workers at nine Nike plants in Indonesia (including Jakarta) have been found to suffer from **sexual and verbal abuse, lack of medical attention and compulsory overtime.**

- Female workers have been found to have gained jobs through sexual "favours".

- During the 1970's, most Nike shoes were made in South Korea and Taiwan but when wages began to rise, Nike looked for "greener pastures." It found them in Indonesia, China, and most recently Vietnam--countries where cheap labour is abundant. Also in China and Vietnam, the law prohibits workers from forming independent trade unions.

- If Nike doubled the salaries of its 30,000 employees in Indonesia the annual payroll would be roughly equivalent to what Michael Jordan is paid in one year to advertise the product.

- Nike said it would set up a taskforce to improve compliance with its code of conduct on working hours.

- **Regionalism:** e.g.The European Union
  - increased regional identity: as a region becomes more economically integrated, it will necessarily become politically integrated as well.

- **predatory pricing** is the practice of selling a product or service at a very low price, intending to drive competitors out of the market, or create barriers to entry for potential new competitors.

Trading bloc:

- **a group of countries with a common interest in improving trade relations with each other by closer cooperation and integration**
- Nations belonging to a mutual trade pact agreeing to give each other reduced trade tariffs and other accommodations while imposing trade barriers and restrictions to non-member nations. E.g. the European Economic Community (EEC) and NAFTA

- A **tariff** is a tax levied on imported or exported goods
- **Non-tariff barriers to trade** are trade barriers that restrict imports but are not in the usual form of a tariff. Some common examples are anti-dumping measures and countervailing duties
- "**dumping**" can refer to any kind of predatory pricing. It refers to the act of a manufacturer in one country exporting a product to another country at a price which is either below the price it charges in its home market or is below its costs of production.

- **Fiscal policy:** refers to the expenditure a government undertakes to provide goods and services and to the way in which the government finances these expenditures.

- There are two methods of financing: **taxation and borrowing.** Taxation takes many forms in the developed countries including taxation of personal and corporate income, so-called value added taxation and the collection of royalties or taxes on specific sets of goods.

- **FISCAL POLICY: Measures employed by governments to stabilize the economy, specifically by adjusting the levels and allocations of government borrowing, taxes and expenditures.**
- When the economy is sluggish, the government may cut taxes, leaving taxpayers with extra cash to spend and thereby increasing levels of consumption. An increase in public-works spending may likewise pump cash into the economy, having an expansionary effect.
- Conversely, a decrease in government spending or an increase in taxes tends to cause the economy to contract.

Taxation takes many forms in the developed countries including:

- personal income tax
- corporate tax
- value added tax (VAT)
- royalties or taxes on specific sets of goods