The OECS
Deepening and Strengthening Integration Through an Economic Union

ECONOMIC UNION TREATY

Frequently Asked Questions (FAQs)

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INTRODUCTION

The intention of this publication is to provide answers in as simple and clear a manner as possible to questions which are commonly asked by OECS people about their Organisation e.g. what is it about? Why was it founded? How do OECS people benefit? What is the link between the OECS and CARICOM?

These are just some examples of the questions which are asked. The purpose of this publication (FAQs) is not only to provide information on the OECS but of equal importance to encourage support and a deepened commitment by all OECS citizens to OECS integration since at this time and well into the foreseeable future integration is the only tool which will effectively bring about the social and economic development of the people of the Member States of the OECS.

Questions (Q) and Answers (A)

Q. *What does the word integration mean*?

A. When we speak of integration we are speaking of parts combining into a whole. The coming together of parts as seen in the coming together of a number of islands in the Eastern Caribbean to establish the OECS. The OECS is one example of what is otherwise called regional integration (the uniting of a region).There are other examples e.g. CARICOM and the European Union.

Q. *When was the OECS established*?

A. The OECS was established on 18th June 1981 on the signing of the Treaty of Basseterre, in St. Kitts. Seven countries signed the treaty in 1981. They are: Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines.

The British Virgin Islands joined the OECS in 1984 and Anguilla in 1995 increasing the membership to nine countries. The OECS may be described as a community of nine countries located in the Eastern Caribbean

The headquarters of the OECS i.e. the Secretariat is located in St. Lucia but there are a number of other offices located outside of St. Lucia e.g. the Export Development Unit in Dominica ; the Eastern Caribbean Civil Aviation Authority

(ECCAA) in Antigua and overseas Missions in Ottawa, Brussels and Geneva. These offices are staffed by nationals of OECS Member States.

Q. *Why did these countries decide to integrate*?

A. The OECS was in part established to serve as an umbrella body for already existing institutions e.g. the Eastern Caribbean Currency Authority (1965) a child of the British Caribbean Currency Board (1950), later renamed the Eastern Caribbean Central Bank (1983); the Directorate of Civil Aviation (1957) now called the Eastern Caribbean Civil Aviation Authority; and the Eastern Caribbean Supreme Court (1967).

The OECS also provided the mechanism for the newly independent Member States to actively play a role on the international stage through the establishment of a number of joint Missions.

The Treaty also set the stage for later attempts to further deepen economic and political integration. For example there was an unsuccessful initiative to establish a political union of the Windward Islands in the late 80s/90s.

Part of the answer to the question is to be found also, in the reality that the small size and population (approximately 560,000 people) and **limited resources,** financial and natural, of this group of islands has meant that the cost for any one government of **going it alone** in the effort to meet the expense of administering the country, including the cost of providing important services (e.g. education, health, water, electricity, roads) to the people to facilitate national social and economic development is too high. The high cost of effectively governing these small countries, separately made it necessary for them to come together to provide a number of common services to their respective populations.

This was the reality notwithstanding the provision of aid by the United Kingdom, the then colonial power.

The increasing frequency and destructiveness of hurricanes and earthquakes has further made it more challenging to governments as they seek to improve the lives of the people of the OECS.

The decision to come together was also the result of the collapse of the ill-fated West Indies Federation (1958-1962) following the decision of Jamaica and later of Trinidad and Tobago to seek independence on their own. This decision was further cemented by the decision of Barbados to go it alone and not participate

with its Eastern Caribbean neighbours in the proposed 'Little Eight" grouping, following the collapse of the West Indies Federation.

An important reason also for OECS integration is found in the following shared features: a common history, people of similar racial backgrounds, the mixing of communities through e.g marriage and inter-island travel, and geographic location.

The conclusion was that development through collaboration and cooperation made more sense. Sharing of costs was the way to go to enjoy the benefits of integration.

Q. *Who pays*?

A. Each of the nine countries contributes to the annual budget of the OECS. The six independent countries each contribute 16 % and the non-independent countries contribute the remainder. The total annual contribution of Member States is approximately EC $ 11 million. Members of the donor community e.g. the European Union and the government of Canada through the Canadian International Development Agency (CIDA) provide significant financial assistance additionally for a number of important programmes and projects which bring benefits to OECS people in education, health, the environment, agriculture, tourism, external trade negotiations among other areas.

Q. *What is the present governing structure of the OECS as set out in the Treaty of Basseterre?*

A. The centre of power lies in the Authority (the Prime Ministers and Chief Ministers). There are also a number of Councils of Ministers e.g Economic Affairs, Foreign Affairs Defence and Security, Education, Health, Agriculture, Tourism, Civil Aviation, Telecommunications, Environment, Legal.

This ministerial structure of governance is supported by the OECS Secretariat (the administrative arm of the Organisation) headed by a Director General.

Q. *How have the people of the OECS benefited from integration?*

A. The examples are many. Some are listed below.

(While it lasted) the shipping to and marketing of Windward Islands bananas in the United Kingdom, under WIBDECO, a regionally-owned company which generated a significant amount of revenue for banana farmers and governments and contributed substantially to the social and economic development of the banana-producing islands and by extension the OECS region a s a whole.

A common currency (the EC dollar) and Eastern Caribbean Central Bank (ECCB) which helps to guarantee monetary and financial stability.

The Bank is one of only five monetary unions in the world. The other four common currencies are:

i. the euro (European Union)
ii. the CFA franc (Cameroon, Chad, Gabon, Republic of the Congo are among the members)
iii the CFA franc(Benin, Ivory Coast, Senegal and Togo are among the members)
iv. the CFP franc (French Polynesia and New Caledonia are among the members).

The ECCB is also responsible for the regulation of securities.

The Eastern Caribbean Supreme Court (ECSC) and Regional Security System (RSS) of which Barbados is a member.
A critically important part of the functioning of the ECSC system is law reform.

The Pharmaceutical Procurement System (PPS)

The PPS provides affordable drugs and medical equipment through bulk purchasing to ministries of health which results in significant cost savings.
Allied to this is a regional HIV/AIDS programme assisting Member States with the prevention, containment and treatment of persons with AIDS.

The Export Development Unit (EDU)

The Unit provides technical assistance to firms and industries to stimulate increases in manufactured exports from the region.

The Eastern Caribbean Aviation Authority (ECCAA)

policy framework for the best possible level of growth and development in the economic space.

Q. ***Where does the OECS fit among these four levels of economic integration and what is the link between the OECS and the CSME?***

A. (i) The OECS is a completed FTA. Goods and services of domestic origin can trade freely in the OECS **and** within the CSME.

(ii) Member states of the OECS given their participation in the CSME, (the BVI and Anguilla are not participants), are committed to a system of common tariffs within this grouping.

The tariff system is not yet harmonised but there is a commitment to harmonisation. OECS countries are at different phases of harmonisation.

(iii) Member states of the OECS through participation in the CSME are also part of a system of free movement of labour which at this time is limited to university graduates, musicians, artistes and sportsmen and women.

(iv) Member states of the OECS through participation in the CSME also enjoy rights of establishment (freedom to establish businesses in CSME member states).

(v) The OECS countries demonstrate features of a Free Trade Area, a Customs Union, a Common Market and lastly an Economic Union. **The latter is because of the single currency (EC dollar) and a common monetary policy.**

(vi) The OECS Economic Union and the CSME can exist side by side **without** an undesirable duplication of effort. The two systems are mutually reinforcing.

The OECS initiative is the **stronger** by reason of the common currency and monetary union.

In CARICOM/CSME there is no other example of a common currency (Jamaica, Guyana, Barbados dollar etc). This lack of a single currency creates problems for business.

The deepening of OECS integration will have a positive effect on the wider CARICOM arrangement.

Q. ***How will members of the OECS public be engaged in this bold new***

initiative to deepen and strengthen OECS integration?

A. Through an intense process of public consultation aimed at securing wide support for Economic Union.

This will involve people at all levels of society e.g. Parliamentarians, Opposition parties, labour unions, the private sector, the pubic sector, professional associations, the churches, and civil society in general with a special emphasis on youth.

Copies of the draft Treaty will be widely circulated to facilitate this process.
The views of the OECS public on the Draft Treaty will inform the final completion of this document.