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PATTERNS OF GROWTH AND SOCIAL DEVELOPMENT IN THE ANGLOPHONE CARIBBEAN[1]

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I. INTRODUCTION

In recent years a great deal of attention has come to focus on the issue of poverty and the sterility of certain kinds of public policy adopted in the post-war period as part of the strategy to transform underdevelopment and raise living standards. The concept of poverty itself has been expanded beyond low income and consumption, and now encompasses low achievement in education, health, nutrition, and other areas of human development. Powerlessness, voicelessness, vulnerability and fear have also been drawn into the concern, and it is now difficult to discuss poverty without reference to issues of national and global governance, state policy, and even human rights see World Bank (2001:v). With increasing inequities both at the national and world levels, policies which affect human development directly or indirectly, are now viewed in more critical terms. The assumptions of models and theories now comes under greater scrutiny.

A recent World Bank Report notes that at the start of the new century "poverty remains a global problem of huge proportions. Of the world's 6 billion people, 2.8 billion live on less than US$2 a day, and 1.2 billion on less than US$1 a day. Six infants in every 100 do not see their first birthday, and 8 do not survive to their fifth. Of those who do reach school age, 9 boys in 100, and 14 girls, do not go to primary school"(ibid. 41). Another World Bank study points to the persistence of poverty and notes that the number of people living on less than US$1 a day increased from 1,183.2 million in 1987 to 1,198.9 million in 1998. It also notes that in some regions the proportion of the population falling in this group hardly changed in the period. For example, in Sub-Sahara Africa, it fluctuated between 46 and 50%, while in Latin America and the Caribbean it averaged around 16%. In South Asia there was a slight decline, but the proportion

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was still high remaining at around 40% of the population (World Bank 2000:4). The United Nations Development Programme (UNDP) in trying to temper the optimism over the accomplishments of the post-war period, points out that poverty is everywhere. More than a quarter of the 4.5 billion people in developing countries still do not have some of life's most basic choices - survival beyond age 40, access to knowledge and minimum private and public services. Nearly 1.3 billion people do not have access to clean water. One in seven children of primary school age is out of school. And 840 million are malnourished (UNDP 1999:28).

On many fronts remarkable progress has been made. Between 1980 and 1999 the proportion of underweight children fell in developing countries from 37% to 27%. Between 1970 and 1999 in rural areas of the developing world the percentage of people with access to safe water increased more than fourfold – from 13% to 71%. In developing countries life expectancy increased from 55 years to 65 years between 1970 and 1998, while adult literacy increased from 48% to 72% and combined primary and secondary enrolment ratio increased from 50% to 72%. Some countries have actually succeeded in reducing poverty (UNDP 2000:3-4). Such progress, however, has to be seen in perspective. Some 90 million children are still out of school at the primary level. By the end of 1999 34 million people were infected with HIV (UNDP 2000 op cit 4). Inequality in many countries has also been rising, while the gap between rich and poor nations has been widening. The income gap between the fifth of the world's people living in the richest countries and the fifth in the poorest was 74 to 1 in 1997, up from 60 to 1 in 1990 and 30 to 1 in 1960 (UNDP 2000: 3, op cit).

The post-war development experience has challenged many ideas and theories which have influenced public policy over the years. Aggregate output can grow while the population at large becomes increasingly impoverished. The benefits of growth do not always trickle down. Growth does not always lead to job creation on the desired scale or translate into improved social services. Total output can also expand without diversification taking place, or without any improvement in resilience. The early obsession with growth grew out of a conviction that once total production is increasing other social and economic objectives would be achieved. The inability to significantly improve the standard of living and to construct stronger economies in many countries over the long term have challenged development thinking and policy in a very serious way. There is now a more careful discerning of what are ends and what are means. There is now also a greater recognition of the varied forces that affect development and explain poverty. It is increasingly being acknowledged that the economic, institutional, structural, socio-political and cultural factors cannot be treated lightly.

The rest of the paper is divided into five parts. The first reflects on development thinking in the region in the post-war period. The second discusses economic performance and structural change. The third offers some insights into the financing of development, while the fourth discusses social conditions in the post-independence period. In the final section we outline some of the challenges facing the Caribbean in the 21st century.

II. THEORY AND DEVELOPMENT POLICY

Writing in the 1950s, one scholar described Caribbean countries as underdeveloped with agricultural economies, low capital intensity, plentiful unskilled labour, low per capita real incomes and dependent on overseas skills and capital. In several of the units sugar was the main export crop and main source of income (O'Loughlin 1960:95). For the region as a whole, agriculture accounted for about 25% of GDP as compared to 13% for mining and 14% for processing and manufacturing. In the smaller islands agriculture's share amounted to more than 40%. Agricultural products (sugar and by-products, fruit, cocoa and coffee dominated the export trade of most territories. Bauxite in Guyana and Jamaica and oil in Trinidad were assuming an increasingly significant role. Data available for the mid-1940s show agriculture as the main provider of jobs for the gainfully-occupied population – 28% in Barbados, 42% in Guyana, 30% in Belize, 50% in the Leeward and Windward Islands, 25% in Trinidad and 46% in Jamaica (Cumper 1960:160). Unemployment ranged between 10 and 15%. An attempt to explain the relatively high unemployment rate among the young as a result of the absence of skills was rejected because "so many jobs require no qualifications beyond physical strength" (ibid. 175). At the end of the Second World War questions were already being raised about the potential of agriculture to accommodate the growing labour force. "From the early years of this century signs begin to appear that the capacity of agriculture to absorb more labour is approaching exhaustion, and the proportionate importance of agricultural occupations begins to diminish" (ibid. 127). Sugar had become the main crop in the 17th century, and the agricultural sector was largely organised into plantations to provide food and raw materials for Europe, while the latter supplied manufactured goods.

By the time the independence process began in the early 1960s there was already strong skepticism over agriculture's ability to meet the expectations of the local population. For example, in Jamaica's Five Year Independence Plan 1963-68 we read the following: "In spite of considerable efforts towards encouraging and assisting agriculture in the past 10 years, and the existence of favourable demand conditions both locally and in some respects abroad, agricultural output in general has failed to show the significant increases which were expected" (Government of Jamaica 1963:16). Agriculture, however, continued to be seen as a critical sector in the region's development. In Trinidad and Tobago where 25% of the population was dependent on the sector in the 1960s, the problem was seen to be one of low productivity, lack of diversification and out-dated techniques. To provide a higher standard of living a "transformation of this sector is required in order to strengthen and integrate the economy and in order to improve our foreign exchange position through the provision of a larger proportion of our requirements of food and raw materials from domestic sources and through the expansion of our export earnings from existing, and increasingly from new export crops" (Government of Trinidad & Tobago 1968:239). In Barbados, the sector was also encountering difficulties. "Attempts at the diversification of agricultural output and the improvement of the efficiency of the sector have encountered problems of a complex and protracted nature" (Government of Barbados undated:65). The Development Plan of 1969-72, however, saw "the development of a viable and efficient agriculture … as a crucial element in a development strategy for the economy" (ibid. 65), and was "no less important than that of manufacturing and tourism" (ibid. 49). The decline of agriculture and the increasing dependence on imported food constitutes one of the most damning aspects of the failure of planning and public policy in the region. Long term planning in the form of Development Plans has largely been abandoned.

Prior to independence in the 1960s, there was already the nucleus of a small manufacturing sector, but this was largely centred around the processing of agricultural products (sugar, rum, molasses) for export and the production of a range of simple consumer goods (cigars, cigarettes, non-alcoholic beverages, furniture and food products, etc.). Later, textiles, clothing, foot-wear, cement, paint, containers, etc. provided further diversification. In the 1950s incentive legislations were already being used to encourage industrialisation, and this was to intensify in the 1960s as import substitution became the major strategy in the development of the manufacturing sector. Though the shortcomings of the small local markets were not lost on governments, policies for transition from production for the local market to production for exports were apparently not thought necessary, since the immediate concerns were the diversification of the economy and the creation of jobs. Traditional exports provided the foreign exchange for the emerging manufacturing sector. Indirectly, if not directly exports could be used as the 'engine of growth.'

The inspiration for greater emphasis being placed on the industrial sector as a way out of 'backwardness' and 'underdevelopment' was coming from a body of thought emerging in the 1940s, and 1950s (See Hunt 1989)[2] which rejected the neo-classical paradigm and saw economic development as Schumpeter had done, "as a cumulative process which falls completely outside the purview of comparative static equilibrium analysis. Almost all were to question and most would reject, the static theory of comparative advantage as a basis for determining the appropriate pattern of imports and exports" (ibid. 48). Perpetual dependence on primary exports was seen as an impediment to development. In Latin America the structuralist school led by Raul Prebisch had attacked the assumptions of the theory which argued that "the income gap between the centre and periphery would diminish as perfect mobility of labour and capital, or products would equalise prices and distribute the benefits of technical progress more equally between trading countries" (Kay 1989:31). Not only were markets imperfect but the fruits of technological progress were being retained in the form of higher wages rather than being passed on in the form of lower prices. In the long term the secular terms of trade tended to turn against primary exporters in international trade exchanges. To develop balanced economies, market failure demanded an active role for the state in devising an appropriate trade policy and providing inducements to investors.

Sir Arthur Lewis saw the problem somewhat differently. He argued that the case for industrialization in the West Indies rested chiefly on over population, particularly in agriculture where labour was in surplus supply and unproductive (see Lewis 1950). There was a great deal of disguised unemployment in West Indian agriculture, and much of this could be removed without affecting production since the marginal productivity of labour was negligible, zero or even negative. Lewis argued that a modern industrial sector could be created with local capitalists (or even imported capital) and an abundant supply of cheap labour in the traditional sector where wages were at the subsistence level (see Lewis 1954)[3]. Reinvestment of profits (surplus) and increasing marginal productivity would expand the modern sector to the point where all the surplus labour was absorbed in the modern sector. To attract labour, capitalists would offer a real wage slightly above that prevailing in the subsistence sector and this wage would remain constant while there was surplus labour. It should be noted, however, that Lewis did not see industry as an alternative to agriculture which he thought had a large role to play in the Caribbean.

Lewis himself admitted that the key to the process was the use that was made of the capitalist surplus. Implicit in the model is the assumption that “the rate of labour transfer and employment creation is proportional to the rate of capital accumulation. The faster the rate of capital accumulation, the higher the growth rate of the modern sector and the faster the rate of new job creation" (Todaro 1977:216). In practice the use of labour-saving equipment and the transfer of profits abroad have vitiated this assumption. The assumption, too, that that the ‘surplus’ labour is in the rural sector and not in urban centres does not jell with reality in all situations. In the Caribbean with productivity and incomes remaining low in the agricultural sector, labour has tended to move away from the sector and governments themselves have helped this process with their ‘special works’ projects designed to mitigate the unemployment situation. The assumption is made too that the quality of labour needed is readily available at relatively low wages. The Caribbean experience has shown that real wages can rise even in the face of substantial unemployment.

The economic strategy in the early post-independence years revolved largely around the promotion of import substitution at the insular level and a high state presence in key sectors of the economy. Nationalisation in some countries was undertaken to bring ‘the commanding heights’ of the economy under national control as part of the drive to achieve economic independence. In response to various incentives and the adoption of protection devices (tariffs, quotas, licenses, negative lists, etc.), foreign suppliers entered into licensing arrangements with local groups to preserve their share of the market. Import substitution largely took the form of packaging or assembly of goods previously supplied in whole form. Local value-added was small as was employment creation. Monopoly situations emerged and became associated with high priced, poor quality goods that local producers found difficult to export. Within the region there was considerable duplication of facilities and in the context of prevailing nationalism, the regional market offered limited scope for competition and exports. The small local value-added in industry made it difficult to meet the criteria laid down in preferential markets in Europe and North America. With the exception of Trinidad and Tobago where there has been an expansion of activities using natural gas, the manufacturing sector in the Caribbean has not lived up to early expectations as a transformation strategy. It should be noted that Lewis saw exports as critical to the development of a manufacturing sector in the small Caribbean Islands (see Lewis 1951).

Caribbean economies have become associated with high levels of inefficiency in almost every sector. The neglect of agriculture has reduced its role in the economy and contributed to the high costs of production[4] Archaic production techniques, inadequate credit and marketing facilities, lack of rural roads, land tenure problems praedial larcency have plagued the sector for years. The export component has survived on the basis of government subsidies and special marketing arrangements in the developed countries, but these are now under threat. In the meantime, there is an increasing dependence on foreign sources for food, as more and more land is being diverted to non-agricultural uses and the productivity issues both in the domestic and export sectors remain largely unattended.

The decline of traditional exports, high levels of unemployment and public debt, balance of payments problems in some cases, the inability of government revenues to meet social services and external pressures are forcing a rethinking of development thinking and practice. The adoption of structural adjustment programs carries with it more responsible fiscal policy, a reduction of protectionist policies, more emphasis on export development and competition, a more open policy on foreign investment as well as a more circumscribed role for the state. In some states, the emergence of tourism has mitigated the difficulties arising from the decline of the colonial economy, but tourism is proving to be no less volatile or unpredictable than sugar or bananas. Changes in the price of fuel, movements in exchange rates, high costs, pollution and the emergence of new resorts remain constant challenges to the tourism industry.

III. REFLECTIONS ON ECONOMIC PERFORMANCE AND STRUCTURAL CHANGE

In any examination of Caribbean economies, certain features stand out and these are bound to influence policy and performance in some measure. Most are island states and both in terms of physical size and population they are generally very small and highly dependent on trade (See Table 1). Trade taxes also account for significant proportion of government revenue in most territories. Small size also implies small national markets and a narrow resource base, and production tends to be concentrated on a narrow range of activities. Trade can be also skewed both in terms of composition and markets (see Demas 1965) [5].

The implications of size for development and operating in the global economy have never been lost on Caribbean scholars and policy-makers, though adopted policies may say otherwise. Early in the 1960s, it was recognised small economies may grow, but may not achieve structural transformation in the sense associated with the large industrial countries. To deal with the size issue and costs, integration ideas encompassing much more than the freeing of trade and establishing a customs union were put

Table 1 - Size and Openness

Country	Physical Size		Population[1] '000'		Average Pop. Growth Rate %	Export Ratio[2]		Import Ratio[3]	
	Sq. km^2	1960	1999	1960-1980	1980-1999	1981	1998	1981	1998
OECS									
Antigua	442	57	71	1.0	0.1	69	68	95	89
Dominica	750	60	76	1.0	0.1	35	55	79	64
Grenada	345	89	100	0.0	0.6	49	45	98	71
Montserrat	103	12	5	0.0	-4.7	32[4]	40	77[4]	92
St. Kitts-Nevis	269	50	43	-1.5	0.0	60	51	90	74
St. Lucia	616	86	154	1.4	1.6	52	58	85	66
St. Vincent	388	80	112	1.0	0.7	59	47	91	72
OTHERS									
Bahamas	13,939	130	298	2.4	1.8	80	54[5]	58	58[5]
Belize	22,960	91	244	2.3	1.3	53	54	75	58[5]
Barbados	431	232	267	0.2	0.5	60	52	70	54
Guyana	214,970	560	781	1.5	0.1	61	80[6]	86	87[6]
Jamaica	11,424	1,610	2,581	1.4	1.0	47	43	57	56
Trinidad & Tobago	5,128	828	1,286	1.2	1.0	46	53	36	57

1. 1960 (Census data and 1999 mid-year estimates
2. Exports of Goods and Non-Factor Services as a % of GDP (at current market prices)
3. Imports of Goods and Non-Factor Services as a % of GDP (at current market prices)
4. 1986
5. 1995
6. 1997

Source: Computed from Official Publications.

forward in the 1960s, and some of these were to be formally adopted in the formation of the Caribbean Community (CARICOM) which has met very few of its original objectives. In small countries with high levels of unemployment, the assumption of full employment associated with neo-classical trade theory made the theory somewhat irrelevant as a policy tool, and more emphasis was placed on the pooling of national markets, natural, financial and human resources to create greater economic space for each member (see Demas 1976; Demas 1977) The question of size continues to receive attention in international forums given the large number of small states in the global economy and the recurring call for special treatment. It is estimated that there are some 49 independent states with populations of less than 1.5 million (World Bank 1999). Of these 42, 32 are islands and in some cases multi-island states, others are land-locked, and some are located far from major markets. There is a view that argues that there is "no significant difference in growth performance between large and small states" and the problem is that they are not fully exploring the potential to diversify their risks by opening up to capital movements (Easterly & Kraay 1999). On the other hand, there are strong arguments for a special category based on vulnerability. These include (see World Bank 1999).

- locations in regions highly susceptible to natural disasters (such as hurricanes, and volcanoes); lack of diversification stemming from small size and skewed resources;
- heavy dependence on foreign trade;
- volatile incomes;
- weak capacity reflecting indivisibilities in the provision of basic public services, and limited competition and economies of scales in the private sector.

What has been the experience in the Caribbean?

While in the post-war period real per capita incomes have increased in most cases, there has been wild fluctuation of incomes in some cases and generally little progress in terms of diversification and resilience. The economies have become increasingly service oriented, but those are related largely to tourism, construction, government spending and in some cases, financial activities.

Available data for some countries in the region show that in the 1950s there was a rapid growth of real GDP. In Jamaica the economy grew by over 8% per year between 1954 and 1960. The beginning of bauxite mining, the expansion of manufacturing and developments in both the services and agricultural sectors contributed to this performance. In Trinidad and Tobago, too, real GDP grew by an average of over 8% between 1952 and 1960. Growth continued into the 1960s, though at a reduced rate averaging between 4 to 5% per year. Import substitution in the early phases, stable commodity prices, capital inflows and a conducive international environment contributed to this performance. Given a population growth of around 2% per year, real per capita income would also have increased. The 1970s was a more difficult period for the region, and GDP grew less slowly. The dramatic increase in oil prices from less than US$2 per barrel in the early 1970s to almost US$30 at the end of the decade had a traumatic impact on the foreign exchange position of the oil importing countries. Trinidad and Tobago as an oil exporter experienced boom conditions growing at an average rate of over 5% per year in the decade and reducing unemployment to around 10%. The country's international reserves grew from US$46 million in 1973 to US3.3 billion in 1981. In Jamaica, however, real GDP in 1980 was 8% lower than that of 1970, and the economy was to stagnate further in the 1980s. The Guyanese economy, too, also declined in the 1980s, with the fall in bauxite production following nationalisation. The indications are that despite a falling population growth rate real per capita income declined in at least 6 countries in the 1980s (See Table 2). In the 1980s economic conditions worsened in the relatively more developed countries. In Trinidad and Tobago, the drop in oil prices had a severe impact on incomes, public revenue, foreign exchange and employment. The economy was being driven by public spending based on oil revenue, and in the post-boom depression even the foreign exchange savings of previous years were dissipated in consumption. International reserves fell from US$3.3 billion in 1981 to US$474 million in 1986 and to US$127 million in 1988. The unemployment rate almost doubled between 1980 and 1990. In Barbados the unemployment rate increased as the economy stagnated. Real GDP in 1991 was only 7% above that of 1981. In Guyana the downward slide continued from the 1978, as GDP fell by more than 25% between 1980 and 1990. Exports dropped sharply in the decade, while the public external debt more than doubled. The Jamaican economy continued to flounder in the 1980s with the persistent deficit in the current account of the balance of payments and a tenuous foreign exchange position. The outstanding external debt almost doubled between 1981 and 1991, and inflation increased sharply with the almost yearly devaluation of the Jamaican dollar. Real per capita GDP in 1989 was 7% below the level of 1978.

In the 1980s, the members of the OECS grew by around 5% per year. The growth of tourism, foreign investment flows and an expanding banana industry in a stable financial environment help explain their performance. The low inflation rate and a stable exchange rate reflect the tight control over Central Bank lending to governments and the growth of the money

Table 2 - Growth of Product and Income in US$ and Average Real Rates in %

Countries	GDP Growth Rate %				GNP Per Capita		
	1960-1970	1970-1980	1980-1990	1990-1998	1970-1980	1980-1990	1990-1998
OECS							
Antigua	..	..	5.8	3.1	-1.7	4.7	3.4
Dominica	..	..	4.4	2.4	-3.1	3.0	1.1
Grenada	..	..	4.9	3.0	-0.6	5.1	1.8
Montserrat	..	..	4.9	-10.6	..	..	4.8[1]
St. Kitts-Nevis	..	..	5.9	4.3	1.7	6.0	4.9
St. Lucia	..	..	7.0	2.1	3.0	4.2	1.3
St. Vincent		..	6.0	3.1	-1.0	5.7	2.4
OTHERS							
Bahamas	..	..	..	..	-2.9	1.7	-0.8
Belize	..	..	4.7	3.6	4.8[1]	2.5	-0.5
Barbados	6.6	4.0	0.9	1.0	3.2	1.4	1.0
Guyana	3.3	1.7	-2.8	6.0	1.1	-3.2	10.7
Jamaica	4.8	-0.8	1.4	0.1	-2.8	-0.4	0.7
Trinidad & Tobago	3.8	5.3	-2.3	2.3	3.9	-6.0	1.4

Explanations: **..** not available; **1** per capita GDP; **2** per capita GDP 1998; **3** Purchasing Power Parity; **4**. 1990.

Source: World Bank *Atlas*, various issues; CDB, *Annual Reports* and *Social and Economic Indicators*, various issues; UNDP, *Human Development Report*, various issues. (table continued)

(continued) **Table 2 Growth of Product and Income in US$ and average real rates in %**

Countries	Inflation$^{(i)}$		Per Capita GNP $^{(ii)}$		Per Capita Real GNP $^{(iii)}$		
	1981-1990	1990-1999	1979	1999	1975	1980	1998
OECS							
Antigua	3.7	2.5	1,150	8,990	..	4,057	8,559
Dominica	5.0	3.2	580	3,260	..	1,679	3,310
Grenada	5.8	2.6	650	3,440	..	1,709	3,347
Montserrat	5.5	4.7	1,310	9,920[2]	..	..	..
St. Kitts-Nevis	3.0	3.1	820	6,330	..	2,569	6,716
St. Lucia	2.8	2.7	840	3,820	..	2,076	3,907
St. Vincent	4.9	2.3	480	2,640	..	1,322	2,635
OTHERS							
Bahamas	6.8	2.6	2,770	15,560[3]	8,030	12,727	13,919[4]
Belize	4.8	2.9	980	2,730	1,624	2,036	2,725
Barbados	6.4	3.1	2,680	8,600	5,497	6,764	7,894
Guyana	29.5	14.3	630	760	873	819	825
Jamaica	17.3	27.6	1,110	2,430	1,819	1,458	1,559
Trinidad & Tobago	9.5	5.8	3,910	4,750	3,302	4,615	4,618

Explanations: .. not available; **1** per capita GDP; **2** per capita GDP 1998; **3** Purchasing Power Parity; **4** 1990.
$^{(i)}$ Average Annual Rates %; $^{(ii)}$ Current prices; $^{(iii)}$ constant 1995 prices

Source: World Bank *Atlas*, various Issues; CDB, *Annual Reports* and *Social and Economic Indicators*, various Issues; UNDP, *Human Development Report*, various Issues.

supply. Generally, inflation rates in the OECS tend to move in line with those of countries which provide the bulk of imports. It is estimated that in the 1980s real per capita income grew by more than 3% per year, while in Guyana, Barbados and Guyana it actually declined. By the early 1990s, Guyana was regarded as one of the poorest countries in the hemisphere with a per capita income on the level of Haiti's. The respective performance of the Bahamas and Belize fell somewhere between that of the OECS and the so-called relatively more developed countries.

In the 1980s the relatively more developed countries lost some of the gains made earlier, and increased borrowing both internally and externally compounded the problem. In Trinidad and Tobago with the collapse of oil prices, both the fiscal surplus and that of external current account disappeared. The external debt service ratio jumped from about 5% in 1984 to around 20% in the late 1980s. The government approached both the IMF and the World Bank for assistance and with it came proposals for significant policy reforms in critical areas of the economy. Among them were the dismantling of the protective structure, a reduced role for the state, and a more open policy on foreign investment. Debt rescheduling and fiscal reforms had a positive impact on the fiscal balance which returned to a surplus in the 1990s. Since 1995 the growth rate has averaged over 5% per year, while the unemployment rate dropped from 19.8% in 1993 to 12.8% in 2000. The net foreign reserve position increased from US$206 million at the end of 1993 to US$1.4 billion at the end of June 2000. The position has been helped by relatively stable oil prices and the increasing exports from the new gas-based industries.

Jamaica and Guyana have also shown improvement in the 1990s with both total and per capita incomes experiencing some growth. Both countries have been implementing structural reform programs with the assistance of the Washington based Financial Institutions aimed at removing distortions in the economy and increasing efficiency, while at the same time exercising restraints over public borrowing. In Guyana the fiscal balance of the public sector was generally positive on the current account, while the external deficits experienced a downward trend. Gross reserves in the latter part of the 1990s have been amounting to more than four months imports of goods and non-factor services. The scheduled external debt service ratio fell from 27% in 1995 to 16% in 1999, corresponding with a decline in the external debt position. In Jamaica, though the inflation rate came down considerably in the 1990s the economy continued to show weakness on several fronts. Production hardly grew, interest rates remained extremely high and the internal accounts tended to be in persistent deficit. Gross official reserves improved but generally amounted to less than three months imports of goods and services. In both Guyana and Jamaica the appreciation of the exchange rate led to a series of devaluations in the 1980s and 1990s. In Jamaica, the rate moved from JS$1.78 to US$1 in 1982 to J$7.18 in 1990 and to J$39.04 in 1999. The Guyanese dollar rate moved from G$3.0 to US$1 in 1982 to G$39.5 in 1990 and to G$178 in 1999. Barbados and the OECS have been able to hold their exchange rates, but in the case of the former this required a determined effort to restrain spending and wage increases in the economy.

In the two decades between 1980 and 2000, real per capita income grew in almost all Caribbean countries (See Table 2). In most OECS, per capita income almost doubled between 1980 and 1998. The relatively more developed countries, however, did not do as well. There were increases in Barbados and the Bahamas. In Guyana and Jamaica real per capita income in 1998 was less than it was in 1975, while in Trinidad and Tobago, it was almost the same as it was in 1980.

Even though per capita income has been growing over the long term, Caribbean states are conscious of their vulnerability, given the fluctuations in and high cost of production, the uncertainty of traditional marketing arrangements and their susceptibility to natural disasters. The production base is fragile, and affected by factors outside the control of national governments. Limited amounts of fertile lands and small land space affect the size of farms and impact on costs. New substitutes are emerging for some products, thus decreasing demand. New resorts provide increasing competition to tourism and an increase in fuel costs can have a devastating impact on the tourist industry. Production is highly specialized and it is not easy to shift resources from one line of production to another to meet changing external demand patterns.

As indicated earlier, agricultural production which once provided a livelihood to a significant proportion of the region's population has declined dramatically in the post-war period. In 1954, for example, agriculture contributed some 35% to GDP in Barbados, but that has now declined to less than 5% (See Table 3). In the same year this sector's contribution in the OECS was over 40% as compared to less than 10% in most of the states in this group in recent times. Despite efforts to encourage new industries the manufacturing sector has remained small, contributing less than 10% to GDP in most cases. Excluding the processing of natural resources, the sector for the most part centres around the manufacture of light consumer goods and the assembly of consumer durables for the local and regional markets. Import substitution as a basis for developing new exports has been a massive failure. Guyana, Jamaica and Trinidad and Tobago have significant mining sectors, but these have remained enclave operations generating little linkages in the domestic economy and have not assumed transformation potential beyond the foreign exchange earned to pay for other essential imports. In Guyana real value added plummetted in the sector by over 60% between 1976 (15.4% of GDP) and 1990 (8.9% of GDP). Gold production which increased from 4.6 thousand ounces in 1983 to 415 thousand ounces in 1999 has enhanced the sector in the 1990s, even though bauxite production in the latter half of the 1990s was around the same level as that of the first half of 1970s. In Jamaica where bauxite production began in the early 1950s, the mining sector grew to the point where its contribution to GDP amounted to around 15% of GDP in the late 1970s. Bauxite production has fallen dramatically since from an average of over 11,000,000 tonnes in the 1970s, to less than 4,000,000 tonnes in the 1990s, its contribution to GDP now amounting to around 5%. Alumina production in the 1990s, however, increased over production levels in the previous decade.

Between 1966 and 1993 the contribution of the petroleum industries to GDP averaged around 25%. With the increases in oil prices in the 1970s, however, the share increased dramatically averaging over 40% between 1974 and 1981. Its share has declined since, fluctuating between 20 and 30%. Crude oil production in the 1990s fell below the levels of the 1980s, but production of the gas-based industries increased significantly. Though movements in the price of oil still significantly affects the economy, the petro-chemicals sector is assuming increasingly greater importance.

Caribbean countries have become heavily dependent on services which in most cases now contribute over 75% to GDP. Tourism and financial activities are among the leading generators of the kind of services which now dominate Caribbean economies. Their impact is felt in several sectors including construction, the utilities, the wholesale and retail trade, hotels and restaurants, and transport and communication. Because of the thin linkage with domestic agriculture and the manufacturing sector, the import content of tourism tends to be high. In recent years, financial and business services have contributed over 25% to the GDP of the Bahamas as compared to around 17% for Barbados and around 15% in most of the OECS.

The sector is least significant in Guyana. The efforts by some states to imitate the Bahamas and the Cayman Islands by offering tax and other incentives to encourage the growth of offshore banking have met with little success, at least in terms of real benefit. This development, however, has provoked the OECD countries into demanding that measures be put in place to discourage money-laundering and achieve greater transparency.

Table 3 - Composition of GDP[1], 1978 and 1999 (%)

Countries	Agriculture		Mining		Manufacturing		Government Services		Construction		Other Services	
	1978	1998	1978	1998	1978	1998	1978	1998	1978	1998	1978	1998
OECS												
Antigua	10.6	4.0	-	-	5.2	2.3	14.5	17.8	6.8	11.8	62.9	64.5
Dominica	38.7	18.9	-	-	5.7	8.7	18.2	19.4	5.0	8.0	32.4	45.0
Grenada	31.1	7.9	-	-	2.9	7.0	25.0	17.1	2.3	9.0	38.7	59.0
Montserrat	4.7	1.2	-	-	6.8	0.6	9.7	31.2	9.4	23.6	69.4	43.4
St. Kitts-Nevis	16.0	4.2	-	-	17.3	9.9	21.0	18.7	7.2	12.3	38.5	54.9
St. Vincent	20.3	10.9	-	-	10.1	6.7	18.6	17.5	10.6	14.0	40.4	51.0
St. Lucia	17.6	7.4	-	-	8.9	5.7	15.5	14.8	9.0	8.7	49.0	63.4
Others												
Bahamas	2.3[2]	4.0[3]	3.2	1.0	2.1	3.2	5.0	17.6	11.5	2.8	75.9	71.4
Belize	26.0	20.1	-	0.6	14.0	13.1	10.8	12.6	7.1	5.6	42.1	48.0
Barbados	9.3	3.9	0.7	0.6	11.4	6.2	15.3	17.3	7.6	6.1	55.7	65.9
Guyana	22.6	40.4	15.7	16.0	12.1[4]	3.5[4]	20.2	14.1	6.6	5.4	22.8	20.6
Jamaica	8.0	7.8	13.7	4.7	17.0	15.0	13.6	13.0	6.7	11.0	41.0	48.5
Trinidad & Tobago	3.5	2.2	32.8	19.7	7.0	8.3	8.4	9.4	8.8	9.8	39.5	50.6

- nil or negligible; **1** at current factor cost; **2** 1989; **3** 1994; **4** includes, electricity, gas and water.

Sources: CDB, *Social and Economic Indicators*, various Issues.

With the changes in the economy and development philosophy, the employment structure has also changed. The efforts to streamline the state and reduce its role in the economy has led to a fall in public sector employment in some states. In Guyana, for example, the number of people employed in the public sector fell from 98,848 in 1980 to 36,000 in 1999. In some of the OECS where the public sector wage bill account for over 50% of current expenditure there are pressures for the state to reduce this expenditure in order to generate a greater level of public sector savings. At the end of the Second World War agriculture was the largest employer of labour accounting in most cases for over 40% of employment. In Barbados and Guyana, the proposition was around 25-30%. Today there are less than 5% of the employed labour force in agriculture as compared to 8% in manufacturing, and the rest in services. In Barbados the number of people employed in manufacturing has been falling since 1980. In Trinidad and Tobago agriculture employed around 17% of the employed labour force in the early 1970s but this has now fallen to around 6% as compared to 30% for community, social and personal services. Generally, the manufacturing sector has not been able to create a sufficient number of jobs to absorb the growing labour force which has filtered into service sectors. The growth of the informal sector in the Caribbean has provided opportunities for a significant number of people, particularly women who could not be absorbed in 'formal' activities.

The changing structure of production is reflected in the composition of exports of goods and services. In Trinidad and Tobago the share of petroleum and petroleum products in total domestic exports fell from 78% in 1969 to around 50% in the 1990s. In the same period, 1969 to 1999 bauxite's share in Guyana's exports declined from 43% to 15%, while gold's share has increased to about 20%. In the 1950s, sugar, molasses and rum accounted for about 90% of Barbados domestic exports, but this has now fallen to about 20%. In this tourism-oriented economy, tourist expenditure is about three times that of domestic exports. In the OECS, too, tourism has emerged as the main foreign exchange earner, as bananas and sugar have declined in the export trade as a result of external developments, high costs and low productivity. In St. Kitts-Nevis it costs EC$2,440 to produce a ton of sugar while the average selling price is EC$1,000.

IV. THE FINANCING OF DEVELOPMENT

There is general agreement in the literature about the critical role of saving in the development process. Essentially this means increasing the volume of real savings so that resources can be released for investment purposes. High growth rates require high investment rates which can be financed by both domestic savings and foreign savings. The actual level of savings can be below the potential saving rate, and the financial sector has a critical role to play in mobilising savings and making them available to investors. Financial development and real development often go hand in hand.

Caribbean economies have been built on both domestic and foreign savings. In the colonial days when foreign banks operated without any controls, local savings could easily be exported for use elsewhere while foreign investment was taking place at the same time. The localisation of the financial sector in some cases was aimed at retaining domestic savings for local use, but did little in changing the mix between consumption and investment lending. Restricted competition, too, has raised questions about the efficiency of the sector and its role in increasing development. In certain states fiscal and exchange rate policies have themselves created an environment which has shaken people's faith in the local currency and financial system, leading to dissaving and a flight of capital.

A glance at Table 4 shows that generally investment rates in the region have exceeded the savings rates which have been averaging around 20% of GDP. External capital has played an important part in domestic capital formation in both the public and private sectors. It is widely felt that Caribbean countries are capable of financing a greater share of investment from domestic sources if the appropriate policies are put in place. In some high growth countries like China, Thailand and Singapore, the domestic savings rate in 1998 exceeded 40%. In others like Chile and South Korea it was over 30%.

Governments in the Caribbean have found themselves borrowing both internally and externally to finance both consumption and investment. In a democratic setting it is difficult to resist populist pressures for wage increases and expansion of public welfare programs. In some cases the tax system is not well conceived and therefore does not respond well to government needs, even when income is growing. Caribbean governments do not have a particularly good record of savings on the current account. The savings performance is erratic, and rarely exceeds 5% of GDP.

Because of size and creditworthiness not all countries enjoy the same access to foreign sources of funds. In almost all the countries, however, the external debt has increased both in volume terms and as a % of GDP since the early 1980s. The decline of exports and revenue forced some states to undertake extensive borrowing in the 1980s, leading to an accumulation of debt which they found difficult to service and had to seek rescheduling arrangements. Guyana as a 'highly indebted poor country' has been a major beneficiary of debt forgiveness.

As can be seen in Table 4 debt service ratios for the OECS are relatively small, but debt service payments (on both the internal and external debt) as a percentage of current revenue has been growing. In the 1980s, Guyana, Jamaica and Trinidad and Tobago found it increasingly difficult to service their debt which was taking a significant part of revenue and scarce foreign exchange earnings. In the case of Guyana, the scheduled external debt service ratio increased from 11.2% in 1976 to 50% in 1983 and to over 75% in the latter part of the 1980s. In the case of Trinidad and Tobago the ratio increased from less than 5% in the early 1980s to over 20% in the early 1990s. By the late 1980s the scheduled ratio in Jamaica had crossed 30%. To service debt, resources had to be diverted from social programs which helped to accelerate the deterioration in social condition in these countries.

Debt rescheduling and debt forgiveness have eased some of the debt servicing pressures, but the debt issues are far from resolved. In Jamaica interest payments on the public debt rose from 30% of current revenue in 1990/91 to 46% in 1999/00. Interest payments have been exceeding the wages and salaries bill. Guyana's outstanding external debt has been falling but almost half of it is multilateral or non-reschedulable debt. In 1999 interest payments (on both the domestic and external debt) amounted to over 25% of current expenditure.

Given the relatively low savings rates in the region, policies towards foreign capital have become increasingly liberalised. In the OECS, private foreign capital has played a critical role in the development of the tourism industry as a leading industry and foreign exchange earner. In the relatively more developed countries of the region there was a somewhat ambivalent attitude towards private foreign capital in the highly nationalistic period of1960s/1970s period when the governments sought to achieve greater local control of the economy. The state expanded its ownership position in key and not so key sectors of the economy. The decline in exports and revenues accompanied by increased unemployment and losses in state enterprises forced a reversal of earlier policies. With the adoption of structural adjustment programmes, trade and investment liberalisation have gone hand in hand. Table 4 shows that foreign direct investment flows increased in all the countries from 1980, but the largest flow has gone to Trinidad and Tobago which had a stock of US$5 billion in 1998, but this was highly concentrated in the gas and petroleum industries which have provided the main impetus to this country's recent impressive growth performance. Short term speculative flows have not been a major issue in the region, though capital flight in unstable environments has taken place.

Table 4 - Trends in Savings, Investment and External Debt

Countries	Gross Domestic Savings as a % of GDP		Gross Domestic Investment as a % of GDP		External Public Debt[2] US$ mn.		Ratio of Debt Service to Exports of Goods and Services %		External Public Debt as a % of GDP		Foreign Direct Investment (FDI) Stock (US$ mn.)	
	1979-1981	1997-1999	1979-1981	1997-1999	1981	1999	1981	1999	1981	1999	1980	1998
OECS												
Antigua	-15.0	29.1	47.2	42.9	57.7	373.0	3.8	2.3	46.0	57.2	23	504
Dominica	-22.3	20.0[1]	34.4	30.0	17.0	137.5	2.7	5.6	28.8	53.0	..	250
Grenada	0.9	14.4	26.5	38.5	17.1	98.9	3.7	4.3	17.5	27.0	1	227
Montserrat	-13.3	(27.5)	46.7	59.8	2.0	..	0.9	3.8	10.0	..	..	..
St. Kitts-Nevis	-6.3	23.7	32.1	41.1	10.8	135.0	3.0	11.1	21.1	44.2	1	310
St. Lucia	10.3	17.6	54.9	25.4	17.8	133.4	1.3	3.9	13.7	20.5	93	618
St. Vincent	1.3	8.0	25.4	30.0	15.6	159.4	1.5	6.9	22.0	48.3	1	281
Others												
Bahamas	30.0	..	10.1	..	160.0	374.9	4.7	4.9	..	8.7	298	1,026
Belize	13.0	15.9	26.1	24.0	54.4	252.5	1.4	9.3	34.4	37.2	12.	187
Barbados	15.3	14.9	23.7	18.3	164.2	392.4	2.6	6.2	17.7	16.0	102	270
Guyana	16.0	32.3	31.3	41.2	635.7	1,199.0	20.2	16.0[a]	102.9	176.8	..	538
Jamaica	10.0	..	16.8	..	1,435.5	3,024.1	23.5	18.0	48.1	44.0	501	2,058
Trinidad & Tobago	36.2	27.9	30.4	28.5	447.9	1,511.0	3.0	8.0	6.0	23.0	976	5,754

.. not available a. scheduled.

1. Gross National Saving
2. Disbursed and Outstanding

Source: CDB, *Annual Reports* and *Social and Economic Indicators*, Various Issues; U.N., *World Investment Report 1999*.

V. WELFARE AND SOCIAL CONDITIONS IN THE POST INDEPENDENCE PERIOD

At the time of independence, serious questions were raised about the ability of the small Caribbean countries to survive, much less to change the structure of production and improve the standard of living. Certain European states much larger than those in the Caribbean were seeking to form an Economic Community to deal with development problems and strengthen their position in the global economy. Even against this background, Caribbean countries had rejected a political federation and opted for individual independence, later embarking on a very loose form of economic integration which has always had to contend with nationalism and parochialism, and is yet to take a relevant and meaningful form capable of providing a sound platform for development.

Notwithstanding small size and a narrow resource base, per capita real income has been increasing and has reached the point where per capita GDP is higher than that of a large number of other developing countries, many of them larger and better endowed with natural resources. The average income (GNP) in the Caribbean in 1999 was US$3,600 which was higher than that of countries like India (US$440), Nigeria (US$260) and Colombia (US$2,170). Infant mortality rate has been falling and life expectancy is generally over 70 years. With respect to a number of indices, Caribbean countries compare favourably with states that have achieved high human development (See Table 5). The adult literacy rate is generally over 90%. The gross enrolment ratio in most cases is over 70%. In Barbados, it is 80% as compared to 73% in Singapore, 78% in Chile, 64% in Hong Kong and 58% in Kuwait. With respect to the UNDP's Human Development Index, almost all Caribbean states are in the medium category with an index above 0.7. Barbados and Antigua have indices above 0.8 and are therefore in the high human development category.

Despite real progress in a number of areas, a tenuous economic base, the loss of preferential markets, questions about the quality of the health and education services,[6] crime, failing institutions, the inability to fully employ the labour force and unsatisfactory distributions of income constitute a major challenge which call for imaginative solutions. At the global level there has been increasing competition for foreign aid, and with increases in income levels, Caribbean countries find it increasingly difficult to access aid funds. The case is now being made for special treatment on the concept of vulnerability. Because of the nature of their main economic activities, their size, their resource base and their experience with natural forces like hurricanes and volcanoes the gains made can be easily lost again. A change in the price of one commodity can have catastrophic economic consequences. One of the important post-war lessons is that the growth of income is not synonymous with development, or even welfare of the masses, since the fruits of growth may not trickle down.

While the Caribbean has a per capita income that is higher than that of large number of developing countries, poverty is a major concern. For example, in Trinidad and Tobago which is regarded as one of the wealthiest countries in the region, a World Bank study done in the early 1990s has concluded that nationally, "21 per cent of the population, or roughly 265,000 people fall below the TT$2,420 poverty line. Eleven per cent of the population would be classified as extremely poor, with consumption levels below the minimum amount required to purchase the nutritionally balanced low-cost food basket" (World Bank 1995:4). Some regions of the country were found to have a higher incidence of poverty than others. With the exception of Barbados, all the other Caribbean countries have even higher levels of poverty than Trinidad and Tobago (See Table 6). In Guyana the proportion is over 40% while in Belize, Grenada, St. Kitts-Nevis and St. Vincent exceeds 30%. There is, of course, considerable controversy over the appropriate way to measure poverty and what should be the poverty line. Whatever methodology is used tends to be underscored by critical assumptions, and these need to be kept in mind in making comparisons. Using US$1 (PPP) a day as the poverty line one study estimated 15.6% of the population as living in poverty in Latin America and the Caribbean in 1998 as compared to 46.3% for Sub-Sahara Africa, 40% for South Asia and 5.1% for Europe and Central Asia (World Bank 2000: 4, op.cit.). Another by ECLAC has estimated that the headcount index of poverty increased from 35% in 1980 to 41% in 1990 reflecting the fact that poverty in Latin America and the Caribbean increased in the years following the debt crisis, and despite a better growth performance in the 1990s, there is little evidence that the situation has improved (ECLAC 1977:28).

There are several dimensions of poverty which tell a great deal about the quality of growth taking place in any country or region. One is the distribution of income. The Gini coefficients shown in Table 6 indicate differences in the pattern of growth in the various territories. Income distribution is less skewed in Barbados than in Belize, St. Vincent and St. Lucia. Another dimension of poverty is unemployment. Up to date reliable figures on employment, under-employment and the distribution of income are difficult to find, despite their significance for planning and public policy. The indications are that the unemployment rate in the OECS fell between1980 and 1990, but would have increased in the 1990s in the wake

Table 5 - Indicators of Social Development

1	2		3	4	5		6			7	8
	1970	1999		1999	1975	1998	1980	1991	1999	1998[1]	1998
OECS											
Antigua	67	75	91	16	..	0.833	20.5	7.6	..	95.0	78
Dominica	67[a]	76	..	14	..	0.793	20.0	..	..	94.0	74
Grenada	65	72	94	13	..	0.785	33.3	13.7	..	96.0	76
Montserrat	67	..	..	..	..	..	5.4	6.0	..	..	..
St. Kitts-Nevis	67[a]	71	98	20	..	0.858	20.0	..	..	90.0	79
St. Lucia	62	72	98	16	..	0.728	14.5	..	..	82.0	68
St. Vincent	63	73	93	20	..	0.738	20.0	20.0	..	82.0	68
OTHERS											
Bahamas	65	73	96	18	..	0.844	16.6	12.3	7.8	95.5	74
Belize	72[a]	72	76	28	..	0.777	..	11.9	12.8	92.7	73
Barbados	69	76	100	14	..	0.858	11.4	17.3	10.4	97.0	80
Guyana	65	64	94	57	0.676	0.709	..	..	..	98.3	66
Jamaica	67	75	71	20	0.686	0.735	27.3	15.4	16.0	86.0	63
Trinidad & Tobago	66	73	86	16	0.719	0.793	8.7	18.5	13.1	93.4	66

Explanation of columns: **1** countries; **2**-Life expectancy at birth (years); **3** -Access to an improved water source 2000, % of population; **4** - Infant mortality rate per 1000 live births; **5** - Human development index; **6** - Unemployment rate (%); **7** - Adult literacy rate (%)[1]; **8** - Combined Primary, Secondary and Tertiary Enrollment Ratio (%).

a. 1987; **..** not available 1. % age 15 and above.

Source: UNDP, *Human Development Report*, various issues; CDB, *Annual Reports* and *Social and Economic Indicators*, various Issues.

Table 6 - National Levels of Poverty and Inequality

Country	Year	% of Pop. Poor	% of Pop. Indigent	Gini Ratio
Barbados	1997	13.9	n.a.	0.39
Belize	1986	33.0	13.4	0.51
Grenada	1998	32.1	18.0	0.45
Guyana	1993	43.2	27.7	n.a.
Haiti	1987	65.0	n.a.	n.a.
Jamaica	1996	26.1	n.a.	0.36
St. Kitts-Nevis	2000	32.0	17.0	0.37
St. Lucia	1995	25.1	7.1	0.50
St. Vincent & the Grenadines	1996	37.5	25.7	0.56
Suriname	2000	63.1	20.0	n.a.
Turks & Caicos Islands	1999	25.9	3.2	0.39
Trinidad & Tobago	1994	21.1	11.2	0.42

n.a. not available

Source: CDB, "A Strategy for Poverty Reduction," Working Paper, Bridgetown, 2001.

of the problems facing the Banana industry. In St. Vincent the current rate is estimated to be over 25%. In the relatively more developed countries the problem is less severe. In the highly tourist oriented economies of the Bahamas and Barbados, the rate has fallen to around 10%. In Trinidad and Tobago employment levels increased significantly in the oil boom years of 1974-81, but fell in the depressed years of the 1980s and have been increasing again in recent years. The unemployment rate now stands around 13% of the labour force as compared to over 20% in the late 1980s.

A recent Working Paper published by the Caribbean Development Bank identifies the poor and vulnerable as (CDB 2001):

- mainly people who live in rural areas;
- people whose livelihood depend on agriculture, fisheries, craft work; informal sector activities;
- people employed in low-skilled jobs in construction, light manufacturing and transportation industry;
- indigenous people;
- the unemployed;
- households with a large number of dependents; and
- the aged, the disabled, single mothers and young people.

There is a widely held view that growth is necessary to reduce poverty. But clearly to do this, growth must be of kind capable of absorbing the growing labour force. At the same time the labour force must be equipped with the skills and knowledge needed in a developing economy. For income to increase in agriculture productivity has to increase and this calls for the implementation of a wide range of policies which could enhance living standards and improve the status of farming which now holds less attraction, even for the unemployed. Differentials in earnings tend to reflect differentials in skills, knowledge and training, and undoubtedly the education system has contributed to the current state of poverty in the region. The question may not be the level of government spending which compares well with some other fast growing economies, but with institutional failings, the quality of training and an archaic curriculum. The failure to address the needs of the unskilled and uneducated as well as the newly unemployed has also contributed to the large gap in earnings.

There was an old theory that the development process would be helped by having a highly uneven distribution in the early stages of development to encourage savings, but the widening gap between the haves and have-nots over long periods of time has undermined this thesis, and the need for redistributive policies up front is now more widely recognized. The emphasis on human development has to some extent changed the approach to development, but countries with large debts, declining foreign exchange earnings sectors and stagnant government revenues continue to face a major challenge.

VI. FACING THE CHALLENGES OF THE 21ST CENTURY

Despite the progress made in the post-war period, there is increasing concern over the persistence of poverty in many states and the widening gap between rich and poor at the global level. The determinants of development remains a complex phenomenon, and rethinking of old ideas is an on-going exercise. The recent pre-occupation with structural reforms, a reduced role for the state and market-friendly policies have yielded mixed results. Following the financial disasters in the Far East in the 1990s, there is increasing skepticism over policies based on unfettered liberalisation, and an amorphous state.

The average per capita GNP (current dollars) for the Caribbean (as we have defined it in this paper) was around US$3,600 in 1999. In some member sates it is much higher than this. There are additional indicators which show that the standard of living has improved. Generally, growth rates have been moderate and income tends to be volatile, fluctuating wildly from year to year depending on the state of the tourism market, commodity prices, weather conditions or the flow of investment and aid. In most cases foreign exchange earnings still depends on a narrow range of activities, and tourism which has emerged as a leading sector is no less susceptible to unpredictable variation than sugar, bananas or cocoa. New resorts are emerging and tourists are seeking more than the traditional sun, sand and sea package. Exchange rates and transport and hotel costs impact on individual decisions and airlines go where there is profit to be made. With liberalisation, the world has become more competitive, and the old question of the ability of small countries, however beautiful, to sustain living standards in a world buffeted by factors outside their control remains a valid question.

Caribbean development policy has paid little attention to resource availability and use, and inefficiency has been shielded by state policy and external market arrangements. The countries have not been able to develop a production base which easily allows them to shift from one activity to another as demand changes. Modern technology and organisation has filtered very slowly into basic sectors of the economy and as a result productivity and efficiency have suffered. Competitive- ness has been subverted. The growth that has taken place has not been able to absorb the growing labour force, and the increasing number of educated unemployed reflect poverty of planning and the failure to grasp the critical role of skilled labour as a development resource. Worldwide, the service inputs even in manufacturing are assuming an increasingly greater proportion of value.

In the 1960s economic integration was seen not only as a way to deal with the question of small markets but as a way of building a Caribbean Community. Despite numerous declarations and agreements this dream has largely been elusive as individual countries remain more strongly linked to the outside world than to each other. Intra-regional imports hovers around 10% of total imports, while extra-regional exports as a % of total exports has increased to around 20%. Manufactured goods with high local value-added, however, do not feature significantly in this trade. Petroleum products from Trinidad and Tobago account for about a third of intra-regional exports.

Not all countries have proceeded with reform at the same pace. Where some stabilisation has been achieved, second generation reforms aimed at increasing efficiency and institutional development have proceeded slowly. Rapid changes in the international environment, the loss of preferential markets and falling levels of aid would pose new challenges to the Caribbean. At the moment, a great deal of attention is directed to preserving or finding new markets, but very little to developing a new range of exports that draw on the abundant factors of production and at the same time compete in quality and price. There is evidence that with the appropriate policies and institutional structures, even small states may find it possible not just to survive, but to do very well. In devising their own areas of comparative advantage, the Caribbean may be able to re-act more strongly and more swiftly to global changes, even while contending with the vagaries of a rapidly changing environment.

Notes

1 The term 'Anglophone Caribbean' as used in this paper covers the following countries: Bahamas, Barbados, Belize, Guyana, Jamaica, Trinidad and Tobago and the members of the Organisation of Caribbean States (OECS) group. The latter includes Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts-Nevis, St. Lucia and St. Vincent and the Grenadines.

Within the integration movement in the 1960s, Guyana, Jamaica, Barbados, Trinidad and Tobago and the Bahamas were treated as the 'More Developed Countries' (MDCs) in the context of the need for special measures to help the 'Less Developed Countries' (LDCs), namely Belize and the OECS. Subsequent developments tended to blur this distinction.

2 Among the contributors were Rosenstein-Rodan, Arthur Lewis, Ragnar Nurkse, H. Myint, Gunnar Myrdal and Raul Prebisch. See Diana Hunt (1989).

3 For an elaboration see W. Arthur Lewis, "Economic Development with Unlimited Supplies of Labour," *The Manchester School*, May 1954.

4 For example, it has been estimated that for the region as a whole the average cost of producing a ton of sugar is approximately US$535 as compared to US$266 in the Pacific and US$340 in Africa. In the case of bananas, the comparative cost per ton in the OECS varies between US$465 in St. Vincent to US$ 515 in Dominica. In Jamaica it is US$391 as compared with US$291 in Colombia, US$179 in Costa Rica and US$162 in Ecuador. See Sir Alister Mc Intyre (2000).

5 For an elaboration see, W.G. Demas (1965).

6 For instance, it is repeatedly noted that at the tertiary level enrolment in 1995 was 37% in the U.K., and a staggering 81% in the USA. Comparable figures for Trinidad and Tobago and Jamaica were just 8% and 6% respectively. See CDB (2001).

Reference

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