

CARIBBEAN ECONOMIES IN TRANSITION: PROBLEMS AND
PROSPECTS OF STRUCTURAL ADJUSTMENT

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Introduction

The Caribbean economies are today in a deep economic crisis.^{1/} The catalogue of the dimensions of this crisis displays the symptoms that are familiar from many other parts of the underdeveloped world, but with accompanying features that are peculiar to this particular region. They include: declining growth rates of national income, increasing rates of unemployment, growing fiscal imbalances, worsening balance of payments, mounting external indebtedness, and all this in a context of already low standards of living for the majority of the population and a highly skewed distribution of income.

The present conditions derive in part from the currently depressed state of the world economy. But underlying them are deeper factors related to internal structural characteristics of these economies as well as to the specific position which they continue to occupy within a rapidly changing world network of trade, investment, and production. Consequently, the possibility of a sustained recovery from the present crisis hinges not, as in the past, on a spontaneous response to recovery in the international economy. Rather it depends on the extent to which deliberate efforts can be made to restructure these economies so as to transform their capacity to respond to an international environment which in the meantime is itself undergoing rapid structural changes.

In this context, the question of viable economic and social alternatives becomes a crucial one on the agenda for analysis, discussion, and policy. This paper seeks to identify and clarify some of the economic issues which need to be placed on that agenda as a contribution to further discussion of ways of dealing with them.

There is considerable advantage to be gained from focussing sharply on the economic dimensions of the problem since it is in this domain that one may begin to see some of the fundamental factors underlying the current crisis. Furthermore, this approach makes it possible to identify what are the factors which any political regime, whatever its ideological character, would have to confront and deal with in seeking to construct a concrete and relevant strategy for development. Moreover, these are the factors which participants in the discourse currently taking place in the Caribbean themselves tend to ignore or to brush aside. Needless to say, economic and political factors are closely intertwined and their interpenetration would have to be examined in order to arrive at a complete picture. This, as we shall see, is the real crux of the matter.

Other features of the general argument presented here are worth noting at the outset. First is the absolute necessity to take an international perspective on the issues. The fact is that the world economy is presently undergoing far-reaching changes and in this process the Caribbean economies are being left behind. In some areas, both in traditional agricultural exports and in new industrial lines, they have already lost out in the struggle for survival in the competitive arena of the world market. Recognition of this reality has, up to now, been slow to take hold in the region.

Secondly, the regional focus adopted here is deliberately chosen. It does not require a deep analysis to show that a solid basis for dealing with the longer-term problems of the Caribbean can only be found from consolidating and deepening regional links within and beyond

the existing boundaries of CARICOM. The barriers to this process within the present economic and political structure of the region are, of course, a serious matter calling for further analysis which is not undertaken here.

The Current Situation

To suggest briefly what are the facts of the case, some indications of the depth and severity of the problem that these countries face are given in the summary statistics presented in the Appendix. A striking feature of the situation is that, throughout the 1970's, most of the countries in the region experienced negative or zero growth in real per capita product. Of the 13 countries, only 5 recorded positive growth: Barbados, Belize, St. Kitts-Nevis, Saint Lucia, Trinidad and Tobago. By the early 1980's, growth had turned negative for some of these too (Barbados, St. Kitts-Nevis, Saint Lucia), while there was marked improvement only in three cases: Antigua, Grenada, and St. Vincent. Only two countries managed to sustain positive growth over the entire period to the present: Belize, Trinidad & Tobago. Population growth rates for the region are low by world standards, so the problem of retardation and decline cannot be attributed to "population pressure". Out-migration has also drained off much of any pressure arising from this source. And while such out-migration has meant a serious loss of skills, it has been associated with a considerable inflow of remittances. Another index of the crisis is that unemployment rates have remained high throughout the region, at or above 20% in six of the countries. Inflation rates, though lower now than in the peak years of the 70's remain high by historical standards for these

economies. Finally, one must note the precariousness of their international financial position. Most conspicuous is the case of Jamaica and Guyana, where the ratio of external public debt to GDP has risen over the decade 1970/1981 from 9% to 48% (Jamaica), 27% to 103% (Guyana), debt service payments currently amount to almost 30% of exports, and foreign reserves have been continuously run down to negative levels in recent years.

The smaller economies have fared somewhat better on the whole than the larger ones. Barbados and Belize stand out in this respect. The most successful has been Trinidad & Tobago, largely owing to its ability to withstand the ravages of the international situation due to its position as an oil exporter, though even this position has been weakening of late.

The facts of the current economic situation are rather clear cut and striking, as are the social consequences for the people of the region. But what is the correct diagnosis to be made of these conditions?

The implications of the current world recession are well known and do not need rehearsing here. The conventional wisdom also assigns great significance to them. Suffice it to say here that recent developments in the international economy have had serious repercussions on the economies of the Caribbean. Beginning with the first "oil shock" of 1973/74, these developments have set in train a kind of spiralling downspin from which recovery is not as yet in sight. The effect of the first oil shock was (a) in the domestic economy, to set off a burst of inflationary pressure, eroding the standard of living of the poor and

fixed income groups, generating lay-offs in industries lacking essential imported materials and machinery parts, while throwing into imbalance the budgets of national governments, and (b) on the international front, to create large deficits in the balance of payments on current account due to rapid increase in import prices. The second oil shock further compounded these effects. Inflationary pressures have now decelerated relative to the peaks attained in the 1970's. Nevertheless, these economies are left with huge accumulated foreign debts, the product of earlier borrowing as well as of continued new borrowing both to pay off old debts and to sustain continuing deficits in the balance of payments. Costs of borrowing have also remained high due to high interest rates in both nominal and real terms, so that debt service payments have correspondingly mushroomed. At the same time, output of most traditional exports has declined and prices have fallen sharply so that export revenues have stagnated or declined. Meanwhile, lack of essential imported inputs due to the extreme shortage of foreign exchange has restrained domestic production, induced cutbacks in investment, and aggravated chronically high unemployment rates.

To these factors must be added, and this is an equally important consideration, the weakness and ineffectiveness of economic management by the existing political regimes in the different countries of the region. Such mismanagement inhibited the capacity to respond and adjust to the situation as it evolved and thereby allowed conditions to deteriorate much worse than they need have done.

These are undoubtedly relevant considerations in seeking to explain the current crisis. But that is not all. There are deeper underlying factors and, therefore, to stop at this diagnosis would be a serious mistake.

Structural Problems of the Region

Whatever are the damaging effects on the Caribbean economies produced by oil shocks, the world recession, and political mismanagement, it seems clear that these effects have operated on top of existing structural problems which, in the interim, have only become accentuated.

The fact is that, despite significant efforts at diversification in the larger countries of the region since the late 60's, the economic structure of the region as a whole is still characterised by extreme specialization in a narrow range of primary products for export. In the main, there are four such products: sugar, bananas, bauxite, and petroleum. To these must be added the tourist industry. Together, these five industries form the backbone of these economies. They account for a sizeable share of exports as well as of income and employment in the region. Furthermore, the region as a whole is highly dependent on imports and exports which form an extraordinarily high proportion of gross domestic product (see Table 1). It is this high degree of openness and lack of diversification in the production structure which makes these economies as vulnerable as they are to the pressure of external economic events. At the same time, there are deep-rooted problems inherent in the structure and organization of the export industries which have affected their long term performance and which help to

account for the economic difficulties the region is now experiencing. In order to identify these problems, it is useful to consider briefly each of the industries in turn.

Sugar and bananas constitute the two most important agricultural products in the region, followed by citrus. It is notable that all three of these industries have been undergoing a general decline in production and exports for the past 15 to 20 years. Periodic improvements in export prices, depending on the state of the world market for these commodities, have occasionally pushed up total earnings and served to disguise the underlying trend in export volume but the decline in output has persisted nevertheless. In the heyday of these industries, bouyancy of exports made it possible for these economies to sustain a high degree of specialization in agriculture and meet the gap between food consumption requirements and domestic food production through imports of a wide range of foodstuffs. However, a complete turnaround in this situation has been occurring for some time. With the slowdown in earnings from the main agricultural exports and with the food import bill having expanded rapidly in the meantime, a sizeable net deficit in the balance of trade of the agricultural sector as a whole has emerged since the middle 70's. Domestic food production has not expanded to fill the gap.

This long term trend is indicative of a growing crisis in the agricultural sector as a whole. Its roots lie in specific internal weaknesses of the sector which act as obstacles to its further development. It is worth noting in this connection that, as far as export markets for sugar and bananas are concerned, Caribbean producers have

relatively secure markets in the EEC countries because of preferential arrangements under the Lome Convention. In addition, there is growing demand for food items within the region itself, as indicated by the burgeoning imports of food. There is therefore no lack of demand for agricultural products as such. What has been occurring is a shortfall in agricultural production relative to existing and available demand. This situation points to the fact that many of the problems in the agricultural sector are located on the production side. These problems have been diagnosed in a number of detailed studies of Caribbean agriculture.^{2/} They have been traced, in part, to intrinsic features of the dual system of land holding consisting of large estates or plantations in coexistence with peasant holdings of small and fragmented units. Both forms of ownership are associated with inefficiencies in land use and farming practices which account for conspicuously low levels of agricultural productivity relative to other countries producing similar crops. In addition, off the farm, producers face a distribution system which, on the output side, drains off a large share of the price that the farmer receives for the crop and, on the input side, pushes up costs of agricultural materials and implements, with the result that net income of the farmer is squeezed and production incentives are reduced. Rationing of credit for agriculture restricts investment in overheads and innovation. Transportation facilities and marketing arrangements are inadequate and agricultural extension services are weak. This catalogue of ills is compounded by a long-term decline in the availability of labor to agriculture so that there is presently a shortage of labor in agriculture coexisting with chronic

open and disguised unemployment. Government policy, on both the national and regional level, has so far proceeded in ad hoc and piecemeal ways and has consequently had little or no effect in dealing with these complex and interrelated problems.

This is not to deny the existence of problems on the demand side as well. In the case of sugar, increasing worldwide competition from substitute products such as beet sugar and corn syrup has continued to produce significant long term effects on the demand for cane sugar. Besides, in the world market as a whole, there is at present a general state of oversupply of sugar which is likely to continue for some time to come. Nevertheless, opportunities for increased sales still exist for Caribbean producers. For instance, Jamaica's sugar exports have in fact fallen far short of quota allowances in recent years. In the case of bananas, the British market is the main outlet for the Caribbean. Here, demand has been decreasing due in part to substitution of other fruits but also in part because of inroads made by other banana producing countries. Caribbean producers have therefore failed to hold their own in the competition for available markets.

A significant impact on the foreign exchange situation, as well as on the employment front, could be made in the short and medium term if only output of traditional agricultural products could be revived and a turnaround in exports achieved. However, a more far-reaching impact in the longer term would have to come from diversification of agricultural output so as to produce new types of exports as well as save on food

imports. But such an outcome evidently presupposes a range of basic reforms in the agricultural sector directed to alleviating the problems outlined above.

Another set of products which constitute the mainstay of Caribbean economies is the mineral group, basically bauxite, aluminium, and petroleum. These are of relatively recent origin compared with traditional exports and have their own unique features in terms of ownership, organization, technology, and marketing. They are produced in the three largest countries: bauxite and aluminium in Jamaica and Guyana, petroleum in Trinidad & Tobago. Over the years, participation by national governments in the industry has increased through public ownership, regulation, and fiscal control. Nevertheless, these industries remain locked into relationships with transnational firms operating within an oligopolistic structure on a global scale.^{3/} These relationships have restricted the degree of maneuverability of national governments in attempting to secure greater advantages for the national economy from the operations of the industry. This is especially so in the case of bauxite where, for example, increased levies on profits of local operations are met by reduction in output that can be easily made up by the transnational in other operations located in other countries.

Production of bauxite and alumina has been declining sharply in recent years. In Jamaica, for instance, output of the industry fell by 30% in 1981/82. This decline reflects, in part, the general downturn in industrial demand associated with the current world recession. But underlying it are more fundamental changes taking place in the global

structure of the aluminium industry both at the organizational level and in terms of global location of production facilities. These changes are in part brought on by the altered conditions of energy supply which are a major component of costs in the industry. They are also a response to increasing pressure from the collective organization of some bauxite producing countries. Given these factors, it seems unlikely that the world economic recovery, when it comes, will bring the rate of expansion of output as well as construction of new plant capacity in the Caribbean countries that accounted for significant contributions to income, employment, and foreign exchange earnings in the past.

The petroleum industry in Trinidad & Tobago is a special case. It dominates the economy in terms of employment, government revenues, and foreign exchange. The quadrupling of world market prices in 1974 as well as successive price increases brought huge gains for the domestic economy and foreign reserves mushroomed. In recent times, however, the industry has been hit by sharply declining production and by the fall in world demand and prices. As a result, the economy experienced in 1982 its first trade deficit since 1973 and a substantial drop in foreign exchange reserves occurred between 1982 and 1983 (March). Even if a revival of output and prices occurs, the industry itself is not expected to last for much longer since proven reserves are projected to be exhausted in about 10 years at current rates of extraction. Measures are being taken meanwhile to develop the country's natural gas reserves. But the ability to sustain the pace of economic growth achieved in the past through the leading role played by the petroleum

sector evidently requires a more broadly based strategy of development in other sectors. Perhaps in belated recognition of this imperative, the Government has recently undertaken to establish a comprehensive multi-sectoral planning commission.

Looking next at the tourist industry, one finds a mixed situation. Jamaica is presently recovering from a period of continued decline in its tourist industry beginning in 1975, as indicated by an average annual increase of 25% in arrivals since 1980 and a corresponding increase in occupancy rates in both high and low seasons. The Bahamas, which receives the highest share of arrivals, about 65%, has had an increase in arrivals of about 10%. But sharp declines have occurred in other countries of the region and for the region as a whole there was an estimated decline of 1% in 1982. Significant unused capacity in accommodations currently exists in the leading countries.

Demand for the Caribbean tourist industry is highly volatile, depending on unpredictable shifts in fashion, variations in income and employment in the main North American markets, changing price policies for air fares practiced by the main carriers, exchange rate fluctuations, and changes in the political climate. Cornering and holding a share of the market require mounting costly marketing and promotional campaigns, as was strikingly the case in Jamaica's recent recovery efforts. The net pay-off for each country is difficult to measure. The most immediate and direct gain is in terms of employment. But the net gain in income and foreign exchange is commonly recognized to be quite small because of substantial leakages due to the high import content of

inputs and to the high proportion of payments to foreign owners and managers in the form of dividends, interest, and managerial salaries. The high import content of the industry has meant that linkages with other sectors of the economy are weak. Social costs are even more difficult to quantify, but exist nevertheless in the form of effects on local wage expectations, consumption patterns, lifestyles, and general culture.

While a definite conclusion on the net payoff of tourism may be hard to reach, there is fairly general agreement that the industry will continue to exist, even if not exactly in its present form. It will no doubt continue to draw a share of the North American market, if only because of the advantages of proximity to the market, natural geography, and climate. However, great uncertainty surrounds the prospects for continued growth in the industry and its contribution to the economy of the region as a whole. Individual countries may gain at the expense of others in the region due to differentials in cost, changing tastes, and political factors. But overall expansion is subject to serious obstacles in the form of a generally high and increasing cost structure which has tended to reduce the Caribbean's price competitiveness relative to other popular tourist areas such as Mexico and Europe. Air transportation within the region, especially among the countries of the Eastern Caribbean, is a serious handicap. Efforts are being made to break into untapped markets in Europe and to reach new sectors of the North American market, but these efforts are unlikely to have substantial effect in the short run and in the long run would probably require

changes in the character and quality of the product with corresponding changes in the structure and organization of the industry. Whether or not there is overall expansion of tourism, the most significant contribution that the industry could make to the regional economy would be through the creation of linkages with other sectors to supply inputs such as furniture, fixtures, food, and other local products. These effects are unlikely to come without a major overhaul of the industry itself.

Problems of Industrialization

The preceding review of current problems of Caribbean economies has concentrated on issues related to traditional exports. It appears from this review that future prospects for these industries seem bleak on the basis of a simple projection of current trends within existing economic structures and within the prevailing framework of political-economic decision making. Special attention needs to be given next to problems of manufacturing industry.

Here, a crucial question that has to be posed is: what scope exists for further diversification of the productive base of these economies through a program of deepening industrialization? The significance of this question arises directly from the general argument developed in the previous section that lack of diversification creates a built-in inflexibility in the adjustment process of Caribbean economies while serious obstacles to expansion of traditional exports constitute barriers to sustained economic development in the region. The question then becomes: does industrialization offer a way out of this situation

and, if so, how? Needless to say, the question has a broader significance as well and has been the subject of intense and continuing debate in the Caribbean for a long time.

In order to deal with this question a number of issues must be got out of the way which have been the source of much confusion in that debate.

First, it may seem trite, but is nevertheless important in the context of the ongoing debate, to point out that industrialization does not necessarily mean establishment of the entire complex of industrial activities, from steel mills and chemical plants and machine making industries to traditional light consumer goods, as is characteristic of the largest and most advanced economies. The tendency to equate these two things serves to divert attention from the real needs and possibilities of the contemporary situation. Specifically, the crucial task for the Caribbean in this period is one of finding a relevant space within the existing and continuously evolving world division of labor in which these economies can effectively create a niche for themselves in competition with other countries and regions. Furthermore, the existing confusion on this issue leads to ignoring the genuine alternatives that are still open to these economies for industrialization of agriculture. In this connection, it needs to be emphasized that agriculture itself provides a necessary basis for industrialization through the development of higher-stage processing activities using agricultural products consisting of food items and raw materials as inputs.

Secondly, the issue is often misleadingly posed in terms of the two broadly defined and seemingly exclusive alternatives of import substitution versus export expansion, with the implication that economic policy must choose one or the other of these pseudo-alternatives. Instead, when it is properly conceived, the problem is, first of all, one of selectivity in the choice of products which are to form the basis of an overall strategy of industrialization. In this respect, what is needed is the identification of specific product lines in which it might be reasonably expected that efficient domestic production is likely to develop in a limited period of time and in which there are large gains to be made in terms of employment, output, and foreign exchange earnings or savings. So far as current imports are concerned, this is evidently the most convenient and useful place to start. A selection would need to be made from among the whole range of items on the existing import list. In doing so, there is no need to suppose that, within a given product line, domestic production of imports necessarily entails producing the identical imported item. It could also mean the replacement of an imported item by a substitute using local materials as inputs. There are numerous relevant examples of such items, especially located within the food group and, hence, particularly appropriate for a program of diversification and industrialization of agriculture.

Properly conceived, the problem is also a dual one of adopting a specific marketing strategy for sale of the newly established domestic product line. Here, there is no necessary reason to suppose that new products must be sold entirely on the domestic market. Rather, a combi-

nation of domestic sales and exports may be feasible, allowing thereby for a scale of operation that permits efficient use of productive capacity. It becomes a matter, then, of targeting specific export markets for penetration with the new product. These markets may be located within the region as a whole, thus taking advantage of the intra-regional trading arrangements that CARICOM provides. They may also be located within the developed countries' markets or in other non-CARICOM countries in the Caribbean and in Central and South America or in the socialist countries. Though the current world-wide recession has intensified pressures for protection within many of these markets, there are ready opportunities offered in the U.S. market through the Caribbean Basin Initiative and in European markets through the Lome Convention that can be seized by Caribbean producers. Of course, the mere existence of these opportunities does not, by itself, eliminate the necessity for Caribbean producers themselves to organize competitive production of specific product lines and to mount an effective marketing strategy. It is therefore the capacity of Caribbean producers to respond to such opportunities under present conditions that is called into question. Therein lies a major source of the problem which calls for further analysis.

Finally, the small size of domestic markets in the Caribbean, as it relates to the existence of economies of scale, is often raised as a factor which stands in the way of deepening industrialization. New industries must turn out to be inefficient and unprofitable, it is argued, because the domestic market is too small to allow efficient

scale of operation with available plant capacity. There are a number of misleading and fallacious elements in this argument, as I have pointed out elsewhere.^{4/} For present purposes, it is sufficient to note that this argument is too abstract and general to be at all useful. What needs to be recognized is that the problem of market size and efficient scale of production can be operationally treated within the dual approach suggested here, of (1) selectivity in the choice of new products for expansion and (2) targeting specific markets for penetration. With this approach, the problem of scale of production becomes simply one element in a broader decision-strategic problem in which specific products, or even components of products, are to be targeted for undertaking production and a marketing strategy is simultaneously mounted to sell the product. This approach entails, furthermore, that optimum scale is itself a variable subject to choice, depending on prior considerations of particular product lines and marketing alternatives.

In this connection, it should be noted that there may well exist a range of choice of different scales of operation, either within existing technologies, or because of evolving new technologies, or because of substitution possibilities in demand. There is already abundant evidence to suggest that this is in fact so.^{5/} It becomes essentially a matter for specific investigation in each case. In general, available evidence suggests that the frontier of technological possibilities has shifted dramatically, owing to the recent pattern of innovations coming out of the "high-technology" industries. These innovations make it possible to operate efficiently many production processes on a small

scale. Existing economies of scale may have been eliminated or reversed in some basic industries such as steel. In this way, the optical illusion of "large size" associated with earlier technologies has in fact been undercut. These developments now make it feasible for "small economies" like those of the Caribbean to produce efficiently and competitively a wide range of manufactured goods for sale on domestic and export markets and to establish an industrial infrastructure of basic producers' goods industries to service the economy as a whole.

In the light of the foregoing remarks and in answer to the question posed above, it can now be reasonably said that there exists much scope for deepening of industrialization in the Caribbean if it is viewed as a decision-strategic problem in the manner suggested here. A recent study by the World Bank comes to a similar conclusion, though by a rather different route, concerning the potential scope for industrialization.^{6/} That study also identifies some of the specific product lines which, in the judgement of the Bank's experts, the Caribbean economies might reasonably pursue. From this list it seems clear that there is no lack of potential new product lines. The specific options available are, of course, a matter for further and deeper analysis giving full recognition, which the Bank's study fails to do, to dynamic factors associated with the changes currently taking place in the world economy.

The Caribbean in a Changing International Environment

More could and needs to be said to elaborate on the points made in the previous section. For the moment, it is necessary simply to state

these points in order to clear the fog and to establish that there is a straightforward economic argument and appropriate set of economic principles for developing an operational approach to dealing with concrete issues of industrialization strategy in the Caribbean. All of this is, of course, easier said than done and, certainly, economics by itself is not enough. We come here to the real crux of the matter.

It may be readily granted that many economically feasible and relevant options can be found for a strategy of deepening industrialization in the Caribbean. It may also be granted that such a strategy constitutes an imperative that cannot be escaped if these countries are to undergo sustained recovery from the present crisis. But what basis is there for supposing that the political economic framework exists for implementing the long-term strategy that is necessary to pull the Caribbean economies out of the rut that they are now in and launch them on a path of structural adjustment in the context of the changing realities of the world economy? It is enough merely to state this question in order to leave one with dismay about the prospects for finding a way out of the crisis in the near term.

It is important to recognize here that the international environment in which the Caribbean economies exist is itself undergoing far-reaching transformations. These involve fundamental and rapid changes in technology with respect to both production processes and new products and an associated restructuring of world production and competitive position among firms, regions, and national economies. Such changes evidently generate new opportunities (many that are short-lived, in the

nature of the case) to be captured by countries that are in a position to take advantage of them. But, at the same time, there are numerous countries jockeying for position in the competitive race to seize such opportunities. In this race, some countries already have a leading edge while others are far behind. The crucial question for the Caribbean is: how does it stand in relation to the relevant competition?

This is not only a question of access to markets. That is undoubtedly an important consideration in itself, especially in the present context of increasing protectionism in the industrial economies. Whenever and wherever export markets are opened up to Caribbean producers they cannot be ignored. It is the case, however, that significant unexploited opportunities already exist both within the framework of CARICOM and in other dispersed markets.

Equally, the capacity to respond to and create market opportunities is a crucial factor to be considered. This, in turn, depends on a wide range of other factors related to: marketing strategy, quality of product, reliability of supply, price, cost of production, technical innovation and research capability, and availability of financial resources for investment, among other things. These are the relevant economic factors that have to be assessed in seeking to determine the Caribbean's ability to alter and improve its place in the evolving structure of world production.

These factors can and need to be evaluated on a product-by-product and industry-by-industry basis. Certainly, this would have to be done as a necessary step in any systematic effort of planning and managing

the adjustment process. However, such evaluation at the level of individual products and industries would soon reveal a recurring pattern of weaknesses, not confined to any single product line, but common to many or all of them. Some of these structural problems have been identified and discussed above in the context of traditional export industries. The same would be equally relevant, while additional ones would emerge, in considering potential new product lines. In general, what one is dealing with here is an interconnected set of problems related specifically to the system of land tenure relations in agriculture, the transportation network at local, regional and international levels, the structure and organization of the distribution system in retail and wholesale and of banking and financial institutions, the level and structure of wage rates, availability of specific and general labor skills, managerial abilities, the nature of the educational system, the character of the entrepreneurial class and of labor-management relations, and the effectiveness of state policy. These are the conditions which ultimately have to be confronted in considering the way out of the present crisis. Furthermore, one cannot avoid facing up to the essentially political problem of mobilizing the population to deal with these conditions.

The fact is that centuries of colonial dependence, lasting much later here than in the rest of the Americas, have left these countries with economic and social structures adapted to the requirements of the colonial economy that have become deeply entrenched. The achievement of political independence in the 1960's brought a series of reforms and

realignments in domestic and international relations which, aided by the long boom in the world economy as it spilled over on these economies, sufficed to sustain a certain pace of expansion and sense of forward movement among large sectors of the population. It is that movement which has now run its course. In this process, the weaknesses and inadequacies of existing socioeconomic structures have now emerged to the fore. These structures need to be carefully and seriously re-examined. If there is a way forward from the present situation, it will have to come from that process of re-examination as it takes place among the people of the Caribbean.

Notes

- 1/ For purposes of this discussion, the Caribbean economies are defined to be all the present official members of the Caribbean Community (CARICOM). For the list of members see Table 1. This is a convenient and useful definition since this set of countries constitutes a homogeneous official entity. It is limited nevertheless since it excludes a significant and substantial set of other countries constituting the region as a whole.
- 2/ See, for instance, Beckford (1972, 1975), Chernick (1978).
- 3/ These relationships have been closely and systematically studied by Girvan, as reported for example in Girvan (1976).
- 4/ See Harris (1980).
- 5/ For a discussion of some of the existing possibilities, see McRobie (1981).
- 6/ See Chernick (1978). A similar conclusion is reached also in the recent CARICOM report, The Caribbean Community in the 1980's. For a more thorough and systematic earlier study, see Brewster & Thomas (1967).

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Table 1: Selected Economic Indicators: CARICOM Member Countries

Country	Area (km ²)	Population Mid-1981 ('000)	GNP Per Capita 1981 (US\$)	Growth Rates (%)		GNP Per Capita (Real) 1970-80	Unemployed Labor Force 1980 (%)	Change in Consumer Prices 1981 (%)	Debt Service/Exports 1981 (%)	Merchandise Exports/GDP 1981 (%)	Merchandise Imports/GDP 1981 (%)
				Population 1970-80	GNP Per Capita 1970-80						
Antigua & Barbuda	280	76.1	1,550	1.3	-1.7	20.5	11.5	3.8	26.8	111.0	
Bahamas	13,942	213.1	3,620	2.2	-2.9	16.6	10.0	N.A.	14.2	44.5	
Barbados	431	250.0	3,500	0.5	3.2	11.4	14.6	2.6	16.4	63.7	
Belize	22,960	148.3	1,080	1.9	4.8	N.A.	N.A.	1.4	79.9	100.4	
Dominica	750	74.1	750	0.5	-3.1	20.0	13.9	2.7	28.8	80.5	
Grenada	344	110.7	850	1.6	-0.6	33.3	19.5	3.7	19.4	59.9	
Guyana	214,970	795.0	720	1.1	0.0	N.A.	25.7	20.2	55.4	71.2	
Jamaica	11,424	2,203.6	1,180	1.5	-2.8	27.3	12.5	23.5	32.7	49.4	
Montserrat	102	11.6	1,640	0.1	N.A.	5.4	7.1	0.9	10.9	93.6	
St. Kitts-Nevis	269	48.7	1,040	0.6	1.7	20.0	10.4	3.0	34.0	96.7	
St. Lucia	616	122.0	970	1.8	3.0	14.5	17.1	1.3	31.0	105.7	
St. Vincent & Grenadines	388	111.8	630	2.2	-1.0	20.0	10.7	1.5	26.8	79.7	
Trinidad & Tobago	5,128	1,103.3	5,670	1.3	3.9	8.7	14.3	3.1	51.0	42.4	

N.A. = Not available

Sources: World Bank, 1983 World Atlas; Caribbean Development Bank, Annual Report 1982.

Table 2: Selected Economic Indicators

Country	Rate of Growth in GDP 1979/81 (%)	Value Added in Agriculture as % GDP 1979/81	Value Added in Mining as % GDP 1979/81	Value Added in Manufacturing as % GDP 1979/81	Value Added in Construction as % GDP 1979/81	Domestic Investment as % GDP 1979/81	Savings as % GDP 1979/81
MDCs							
Bahamas	1.3	4.4	10.8	—	3.0	10.1	30.0
Barbados	-0.2	8.7	0.9	12.2	7.5	23.7	15.3
Guyana	1.6	21.2	13.8	4.4	7.3	31.3	16.0
Jamaica	-3.3	8.4	12.3	16.0	6.5	16.8	10.0
Trinidad and Tobago	6.7	2.6	38.8	6.2	7.9	30.4	36.2
Total/Average	3.2	5.4	26.1	—	7.0	24.7	27.0
LDCs							
Belize	2.9	23.7	0.2	14.5	6.1	26.1	13.0
OECS: Antigua	5.0	7.9	0.9	8.6	7.3	47.2	-15.0
Dominica	-1.5	31.0	1.1	5.3	8.4	34.5	-22.3
Grenada	3.6	27.5	—	2.3	8.6	26.5	0.9
Montserrat	6.3	7.1	0.7	7.8	14.7	46.7	-13.3
St. Kitts/Nevis	0.4	24.8	0.6	7.1	8.3	32.1	-6.3
St. Lucia	-0.7	14.6	1.7	7.1	14.5	54.9	10.3
St. Vincent	5.1	15.7	0.2	14.0	12.1	25.4	1.3
Total/Average (OECS)	2.4	17.9	0.8	7.4	10.3	39.8	-3.9
Anguilla	—	—	—	—	—	—	—
British Virgin Islands	—	9.0	0.9	5.1	11.7	—	—
Cayman Islands	—	—	—	—	—	—	—
Turks and Caicos Islands	—	—	—	—	—	—	—

Note: The indicators have been prepared from information furnished to CDB by the Statistical Services and other Government Agencies in the countries, International Organisations and CDB's estimates. Data for 1981 are, in some instances, preliminary.

Source: Caribbean Development Bank, Annual Report 1982.

Table 3: Selected Economic Indicators

Country	Central Government Current Revenue as % of GDP 1981	Central Government Current Expenditure as % of GDP 1981	Central Government Current Account Surplus as % of GDP 1981	Central Government Capital Expenditure as % of GDP 1981	Overall Deficit as % of GDP 1981	Domestic Financing as % of GDP 1981
MDCs						
Bahamas	20.4	24.9	-4.5	3.4	7.9	1.7
Barbados	23.5	23.2	0.3	9.5	9.2	3.9
Guyana	32.1	42.6	-10.5	24.3	34.1	15.4
Jamaica	28.9	32.1	-3.2	12.2	15.4	4.6
Trinidad and Tobago	41.6	21.2	20.4	18.2	-2.3	-0.1
Total/Average	34.8	25.3	9.6	15.0	5.4	2.3
LDCs						
Belize	27.6	26.9	0.7	12.7	11.5	4.7
OECS: Antigua	23.1	25.8	-2.8	16.8	19.6	1.7
Dominica	35.5	39.0	-3.5	14.5	17.3	1.1
Grenada	23.9	24.4	-0.5	29.1	30.4	0.7
Montserrat	35.4	33.0	2.3	20.9	18.5	5.5
St. Kitts/Nevis	39.0	40.6	-1.5	11.5	11.8	3.9
St. Lucia	34.6	35.0	-0.3	8.0	8.3	0.3
St. Vincent	34.6	32.7	1.9	13.0	11.1	2.1
Total/Average (OECS)	30.7	31.6	-1.0	15.8	16.7	1.5
Anguilla	—	—	—	—	—	—
British Virgin Islands	39.7	34.1	4.4	8.6	4.2	3.5
Cayman Islands	—	—	—	—	—	—
Turks and Caicos Islands	—	—	—	—	—	—

Note: The indicators have been prepared from information furnished to CDB by the Statistical Services and other Government Agencies in the countries, International Organisations and CDB's estimates. Data for 1981 are, in some instances, preliminary.

Source: Caribbean Development Bank, Annual Report 1982.

Table 4: Selected Economic Indicators

Country	Merchan- dise Exports (f.o.b.) 1981 (\$ million)	Merchan- dise Imports (c.i.f.) 1981 (\$ million)	Tourist Expenditure 1981 (\$ million)	Current Account Balance 1981 (\$ million)	Change in Reserves (-) = Increase 1981 (\$ million)	Outstanding Disbursed External Public Debt 1981 (\$ million)	Interest Payments on External Public Debt 1981 (\$ million)	Debt Service Payments on External Public Debt 1981 (\$ million)	Ratio of Debt Service to Exports of Goods and Services 1981 (%)
MDCs									
Bahamas	176.2	551.6	635.7	-73.1	-10.5	-	-	-	-
Barbados	152.1	588.9	265.0	-102.0	25.5	164.2	6.4	14.8	2.6
Guyana	342.0	439.8	7.5	-198.4	1.2	635.7	35.6	74.2	20.2
Jamaica	974.0	1,472.7	284.2	-336.8	269.5	1,435.5	108.7	352.3	23.5
Trinidad and Tobago	3,760.8	3,124.5	156.9	313.0	-559.5	447.9	45.0	80.0	3.1
Total/Average	5,405.1	6,177.5	1,344.3	-397.3	-273.8	-	-	-	-
LDCs									
Belize	125.0	157.2	11.4	-22.0	2.6	54.5	1.3	2.0	1.4
OECS: Antigua	33.6	139.3	46.4	-56.1	-	57.7	2.0	2.1	3.8
Dominica	17.0	47.6	4.7	-21.7	-	17.0	0.4	0.6	2.7
Grenada	18.8	58.0	17.5	-32.1	-	17.1	0.7	1.4	3.7
Montserrat	2.2	18.9	5.4	-6.3	-	2.0	0.1	0.1	0.9
St. Kitts/Nevis	17.6	50.0	8.4	-11.5	-	10.8	0.3	0.8	3.0
St. Lucia	40.5	138.1	35.0	-51.6	-	17.8	0.7	1.1	1.3
St. Vincent	19.7	58.5	23.4	-7.0	-	15.6	0.6	0.7	1.5
Total/Average (OECS)	149.4	510.4	140.8	-208.3	-	138.0	4.8	6.8	2.1
Anguilla	-	-	-	-	-	-	-	-	-
British Virgin Islands	1.4	44.7	-	-	-	-	-	-	-
Cayman Islands	2.6	103.0	-	14.5	-	8.9	0.7	1.3	50.0
Turks and Caicos Islands	-	-	-	-0.4	-	1.1	-	-	-

Note: The indicators have been prepared from information furnished to CDB by the Statistical Services and other Government Agencies in the countries, International Organisations and CDB's estimates. Data for 1981 are, in some instances, preliminary.

Source: Caribbean Development Bank, Annual Report 1982.

TABLE 5: INDEX OF IMPORT PRICES IN BARBADOS AND JAMAICA, 1970-79

	BARBADOS			JAMAICA		
	Index	% Change	Index	% Change	Index	% Change
1970	119.8	-	44.4	-	-	-
1971	127.3	6.3	52.9	19.1	19.1	19.1
1972	136.6	7.3	52.2	-1.3	-1.3	-1.3
1973	165.4	21.1	68.6	31.4	31.4	31.4
1974	224.4	35.7	100.0	45.8	45.8	45.8
1975	255.0	13.6	111.7	11.7	11.7	11.7
1976	290.4	13.9	117.8	5.5	5.5	5.5
1977	324.4	11.7	134.9	14.5	14.5	14.5
1978	343.6	5.9	137.8	2.1	2.1	2.1
1979	n.a.	-	149.9 ^e	8.8	8.8	8.8

SOURCE: Central Bank of Barbados
Department of Statistics, Jamaica (1970-74)
Bank of Jamaica (1975-79)

Note that despite differences in sources, the series is consistent.

¹/1968 = 100

²/1974 = 100 based on US\$ prices

^e Estimated

Extract from: CARICOM, Report of Experts, 1981

TABLE 6: INDEX OF RETAIL/CONSUMER PRICES IN BARBADOS AND JAMAICA

	BARBADOS			JAMAICA		
	At December	% Change	Annual Average	At December	% Change	Annual Average
1970	135.6	-	128.7	55.7	-	54.7
1971	147.1	10.1	144.7	58.3	4.7	57.6
1972	162.4	10.4	154.8	63.1	8.2	60.7
1973	204.6	26.0	180.9	80.1	26.9	71.4
1974	279.6	36.7	251.3	96.6	20.6	90.8
1975	314.0	12.3	302.3	111.8	15.7	106.6
1976	326.2	3.9	317.4	120.9	8.1	117.1
1977	358.4	9.9	343.9	137.9	14.1	130.2
1978	398.8	11.3	376.5	206.0	49.4	175.6
1979	465.9	16.8	426.1	246.7	19.8	226.6

SOURCE: Barbados Statistical Service
Department of Statistics, Jamaica

¹/October 1965 = 100

²/January 1975 = 100

Extract from: CARICOM, Report of Experts, 1981

Table 7
 CARICOM COUNTRIES: BALANCE OF PAYMENTS CURRENT ACCOUNT BALANCES US\$M

	1977	1978	1979	1980	1981
MDCs					
Barbados	-51.6	-31.5	-19.0	-5.8	-96.5
Guyana	-98.5	-28.4	-81.6	-117.6	-174.0
Jamaica	-34.6	-86.7	-142.6	-148.1	-426.8
Trinidad & Tobago	215.0	36.2	45.4	295.4	98.8
LDCs					
Antigua & Barbuda	-9.6	-2.2	-23.3	-39.6	-56.1
Belize	-19.2	-15.8	-29.5	-12.9	-22.0
Dominica	-5.5	-6.2	-14.1	-33.9	-21.7
Grenada	5.3	-4.4	-15.1	-15.1	-21.6
Montserrat	1.1	-0.9	-2.6	-5.9	-6.3
St. Kitts-Nevis	-1.2	-0.6	-3.2	-10.4	-11.5
Saint Lucia	-11.4	-23.5	-27.9	-33.3	-51.6
St. Vincent & the Grenadines	-6.4	0.0	-7.3	-9.4	-7.0
Total (excluding Trinidad & Tobago)	-231.6	-200.2	-366.2	-432.0	-895.1

Sources: Central Bank of Barbados *Annual Report 1981*, Bank of Guyana (Draft) *Annual Report 1981*, Bank of Jamaica *Annual Report 1980-81*, Central Bank of Trinidad and Tobago *Annual Report 1981*, World Bank *Economic Memoranda 1982*.

Extract from: CARICOM Bulletin, No. 3, 1982

Table 8
CARICOM MDCs-EXTERNAL DEBT INDICATORS US\$M

	1977	1978	1979	1980
<i>Barbados</i>				
Total debt outstanding	48.7	63.8	69.2	78.5
Total debt service	9.0	7.6	11.8	13.9
Debt Service Ratio	3.2	2.1	2.6	2.4
<i>Guyana</i>				
Total debt outstanding	397.7	427.5	467.7	519.0
Total debt service	32.7	46.8	90.6	70.0
Debt Service Ratio	11.9	15.0	29.8	17.0
<i>Jamaica</i>				
Total debt outstanding	945.1	1055.0	1143.2	1299.1
Total debt service	152.9	195.4	208.5	189.3
Debt Service Ratio	14.8	16.6	15.9	12.8
<i>Trinidad and Tobago</i>				
Total debt outstanding	257.0	417.5	421.8	491.8
Total debt service	14.9	31.8	49.4	80.6
Debt Service Ratio	1.0	1.9	2.3	2.4

Notes: (a) Debt Outstanding is disbursed debt outstanding at end of period.

(b) Debt Service Ratio is defined here as the ratio of debt service payments to exports of goods NFS.

Source: IBRD, *World debt tables*, December 1981.

Extract from: CARICOM Bulletin, No.3, 1982

Table 10:
CHANGES IN NET FOREIGN EXCHANGE RESERVES
(-INCREASE/+DECREASE) US\$M

	1977	1978	1979	1980	1981
Barbados	+7.5	-29.1	-11.0	-19.6	+18.5
Guyana	+29.2	-9.8	+48.4	+84.2	+33.8
Jamaica	+16.1	+77.5	+140.9	+77.9	+154.9

Sources: Bank of Jamaica *Annual Report 1979-81*
Bank of Guyana (Draft) *Annual Report 1981*
Central Bank of Barbados *Annual Report 1981*

Extract from: CARICOM, *Report of Experts, 1981*

TABLE 9 : NET FOREIGN ASSETS OF MDCs,
1970-1979
(US\$m)

End of Period	Barbados	Guyana	Jamaica	Trinidad and Tobago
1970	8.20	17.30	113.28	40.19
1971	4.09	22.68	167.45	72.16
1972	7.24	30.78	102.38	41.78
1973	5.31	10.03	37.73	26.33
1974	3.33	40.70	87.45	374.24
1975	21.20	72.86	-11.88	730.49
1976	1.44	-21.29	-238.70	1 010.79
1977	-7.77	-43.57	-270.60	1 473.42
1978	17.02	-31.41	-369.05	1 781.25
1979	32.81	-80.27	-475.36	2 145.38

SOURCE: International Financial Statistics - 1980 Yearbook, IMF

Extract from: CARICOM, *Report of Experts, 1981*

TABLE 1.1: GUYANA DEBT INDICATORS, 1970-1979

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979 ^a
External debt (US\$m at December)	72.8	89.6	155.4	167.0	202.4	265.0	345.8	380.5	420.1	n.a.
Gross foreign assets (US\$m at December)	22.3	30.6	36.2	18.5	68.6	117.5	37.5	31.7	71.5	39.5
Service payments on external debt (US\$m)	5.3	5.0	9.5	10.5	13.3	15.7	37.2	38.7	77.7	n.a.
Exports of goods and NFS (US\$m)	149.9	166.5	164.5	158.2	295.9	377.7	294.3	275.7	313.7	306.7
Central Government current revenue (US\$m)	66.5	64.1	75.6	75.3	136.0	211.1	152.8	139.4	142.7	155.5
GDP at current market prices (US\$m)	266.5	285.8	284.1	303.1	426.2	506.1	444.2	438.0	496.9	519.6
1. External debt/GDP (%)	27.3	31.4	54.7	55.1	47.5	52.4	77.8	86.9	84.5	n.a.
2. Gross foreign assets/External debt (%)	30.6	34.2	24.6	11.1	33.9	44.3	10.8	8.3	17.0	n.a.
3. External debt service/Exports of goods and NFS (%)	3.5	3.0	5.8	6.6	4.5	4.2	12.6	14.0	24.8	n.a.
4. External debt service/Government current revenue (%)	8.0	7.8	12.6	13.9	9.8	7.4	24.3	27.8	25.4	n.a.

SOURCE: IBRD Economic Memoranda
International Financial Statistics - 1980 Yearbook, IMF

^a/Preliminary

¹/Debt with original or extended maturity of over one year

Extract from: CARICOM, Report of Experts, 1981

TABLE 1.2: JAMAICA - DEBT INDICATORS, 1970-1979

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
External debt (US\$m at December)	127.8	146.0	179.9	308.9	490.8	645.2	831.8	846.0	1 005.0	1 017.2
Gross foreign assets (US\$m at December)	158.8	202.7	184.8	179.5	235.1	164.7	73.3	88.1	90.7	95.8
Service payments on external debt (US\$m)	16.5	21.6	31.8	34.3	51.2	74.2	103.0	146.6	173.4	273.8
Exports of goods and NFS (US\$m)	521.6	550.8	607.9	578.0	898.7	1 030.7	889.9	921.5	1 005.6	1 078.0
Central Government current revenue (US\$m)	249.8	302.9	354.9	381.6	615.5	726.6	718.8	704.4	753.2	632.1 ^a
GDP at current market prices (US\$m)	1 405.3	1 558.3	1 799.2	1 908.6	2 386.6	2 872.1	2 986.8	3 286.7	2 729.1	2 394.6
1. External debt/GDP (%)	9.1	9.4	10.0	16.2	20.6	22.5	27.8	25.7	36.8	42.5
2. Gross foreign assets/External debt (%)	124.3	138.8	102.7	58.1	47.9	25.5	8.8	10.4	9.0	9.4
3. External debt service/Exports of goods and NFS (%)	3.2	3.9	5.2	5.9	5.7	7.2	11.6	15.9	17.2	25.4
4. External debt service/Government current revenue (%)	6.6	7.1	9.0	9.0	8.3	10.2	14.3	20.8	23.0	43.3

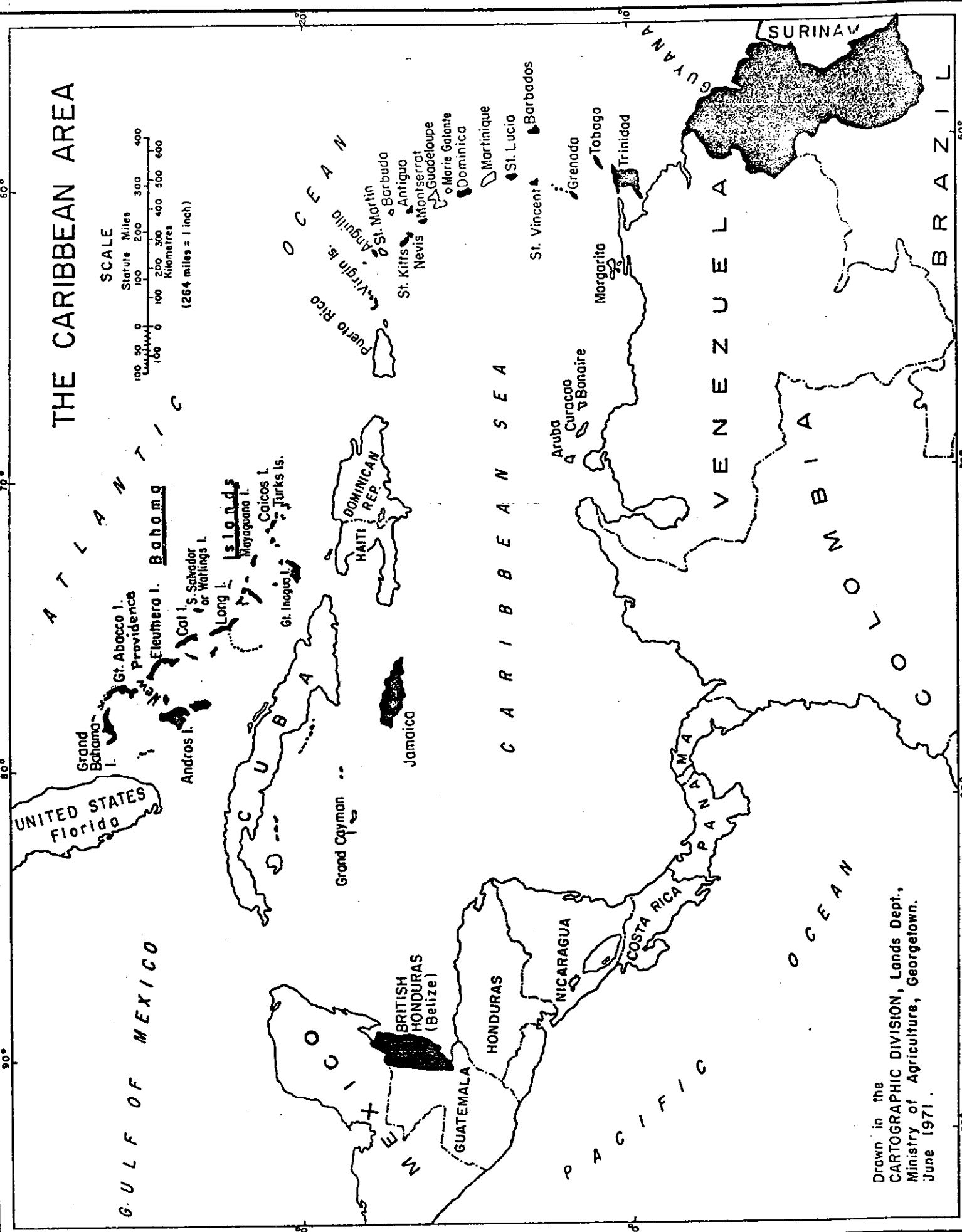
SOURCE: IBRD Economic Memoranda
International Financial Statistics - 1980 Yearbook, IMF

^a/Preliminary ¹/Debt with original or extended maturity of over one year

²/Fiscal year ended March of succeeding year.

Extract from: CARICOM, Report of Experts, 1981

THE CARIBBEAN AREA



Drawn in the
 CARTOGRAPHIC DIVISION, Lands Dept.,
 Ministry of Agriculture, Georgetown.
 June 1971.

Table 1: Selected Economic Indicators: CARICOM Member Countries

Country	Area (km ²)	Population Mid-1981 ('000)	GNP Per Capita 1981 (US\$)	Growth Rates (%) Population 1970-80	GNP Per Capita (Real) 1970-80	Unemployed Labor Force 1980 (%)	Change in Consumer Prices 1981 (%)	Debt Service/ Exports 1981 (%)	Merchandise	
									Exports/ GDP 1981 (%)	Imports/ GDP 1981 (%)
Antigua & Barbuda	280	76.1	1,550	1.3	-1.7	20.5	11.5	3.8	26.8	111.0
Bahamas	13,942	213.1	3,620	2.2	-2.9	16.6	10.0	N.A.	14.2	44.5
Barbados	431	250.0	3,500	0.5	3.2	11.4	14.6	2.6	16.4	63.7
Belize	22,960	148.3	1,080	1.9	4.8	N.A.	N.A.	1.4	79.9	100.4
Dominica	750	74.1	750	0.5	-3.1	20.0	13.9	2.7	28.8	80.5
Grenada	344	110.7	850	1.6	-0.6	33.3	19.5	3.7	19.4	59.9
Guyana	214,970	795.0	720	1.1	0.0	N.A.	25.7	20.2	55.4	71.2
Jamaica	11,424	2,203.6	1,180	1.5	-2.8	27.3	12.5	23.5	32.7	49.4
Montserrat	102	11.6	1,640	0.1	N.A.	5.4	7.1	0.9	10.9	93.6
St. Kitts-Nevis	269	48.7	1,040	0.6	1.7	20.0	10.4	3.0	34.0	96.7
St. Lucia	616	122.0	970	1.8	3.0	14.5	17.1	1.3	31.0	105.7
St. Vincent & Grenadines	388	111.8	630	2.2	-1.0	20.0	10.7	1.5	26.8	79.7
Trinidad & Tobago	5,128	1,103.3	5,670	1.3	3.9	8.7	14.3	3.1	51.0	42.4

N.A. = Not available

Sources: World Bank, 1983 World Atlas; Caribbean Development Bank, Annual Report 1982.