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THE IMPACT OF EXTERNAL SECTOR DEVELOPMENTS ON CARIBBEAN
ECONOMIC PERFORMANCE 1983 - 1988



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Subregional Headquarters for the Caribbean

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SUMMARY

The economic performance of 20 Caribbean member countries of ECLAC and the CDCC is surveyed for the period 1983-1988. The period is of special interest in that it witnessed an acceptance by all countries of the need to adjust their economies on a continuing basis. Special emphasis is also placed on the interrelationship between international economic developments, especially in those countries providing markets for Caribbean trade in goods and services, and the regional export performance. The emphasis which is placed on external sector performance is valid since the external environment defines the economic space available to Caribbean economies, while external sector performance defines the economic space available to domestic economic activities.

While the economies of the industrial countries have expanded throughout the survey period, the expansion has been slow and has been insufficient to resuscitate demand for Caribbean minerals. Yet sluggish demand cannot be blamed for the poor performance of the traditional export staples which are traded under preferential export schemes, since domestic production was often inadequate to meet the allotted quotas. In the face of a stagnating manufacturing sector which is only slowly adjusting to the change in emphasis away from the regional market and shows dynamism only in the free zones, it was left to tourism to provide the source of dynamism for Caribbean economies. In most countries the informal sector has continued to grow.

While some success has been achieved in bringing the economies into short-term equilibrium, some countries are still far from achieving this goal. Moreover, adjustment has taken place in a scenario of stagnating merchandise earnings so that some of the larger economies have had to contract quite severely. Such growth as has been achieved has been possible only through buoyant tourism earnings, and in some cases through capital imports. Of greater concern is the fact that short-term adjustment has not been adequately supported by measures to improve export performance in the long-term.

The survey carried out by the ECLAC/CDCC secretariat concludes that increased effort needs to be made to increase productivity/price competitiveness in the traditional sectors, since the preferential arrangements which have allowed these activities to survive cannot be taken for granted indefinitely. For the longer-term, emphasis needs to be placed on increasing the productivity of the economy as a whole since this is the only viable way to increase living standards. It will entail identifying non-traditional industries or activities that are sufficiently specialized so as to be remunerative in relatively small scale operations appropriate to Caribbean conditions. It will also require better knowledge of global market trends and greater flexibility in phasing in and phasing out of such activities and the application of greater knowledge, skills and technologies in their production.

GLOBAL DEVELOPMENTS

The period 1983-1988 being reviewed was characterized by a high level of instability due to a number of fundamental changes taking place in close proximity and the widely varying capacities of both developed and developing countries to adjust to them.

For the developing countries and particularly for Latin America, the period was overshadowed by the debt and by a search for the means by which to meet debt obligations while maintaining some semblance of economic development.

For the developed countries the preoccupation was with the shifting balance of economic power among themselves and how jointly to manage this shift so as to preserve some semblance of global order, while at the same time each country took the necessary action to improve its own economic efficiency, so as to compete more effectively in the coming decades.

The efforts of developed and developing countries alike to adjust have been complicated not only by the effects of steep increases in energy prices in the 1970s and early 1980s but by the rapid evolution of new technologies and changing patterns of consumer demand. They have adjusted to these developments at differing rates and with varying degrees of success, they have achieved differing relative rates of investment, productivity and foreign exchange accumulation, with consequent rapid changes in relative exchange rates.

Greater access to information and increased mobility of capital ensured that good performance was rewarded in greater measure than in the past, while poor performance or poor policies were penalized commensurately. While these developments impacted unevenly on the developing countries, their performance was further differentiated by varying degrees of indebtedness and, more importantly, by varying capacities to service the debt incurred in the previous decade.

In the initial years of the 1980s the concerted effort by the developed countries to contain inflation by increasing interest rates ushered in a period of economic contraction. This in turn affected the developing countries' exporters of primary products, with reduced demand for their exports contracting their export earnings, while at the same time climbing interest rates increased the cost of servicing their debt. These twin effects gave birth to the "debt crisis" of 1982 as many of these countries became incapable of servicing the debt incurred at low interest rates in the decade of the 1970s.

For the period 1983-1988 many of these problems were to remain and become even more intractable. The battle against inflation was waged quite effectively, at least by the developed countries

since inflation fell steadily throughout the period from 5 percent in 1983 to 2.9 percent in 1988. However, growth rates in the industrial countries, with the exception of Japan and the United States remained lethargic. The consequent fall in demand was further precipitated by defensive measures to protect local production and employment, so that protectionism was added to economic stagnation to further depress world trade (Table I).

Accordingly, the demand for primary commodities and raw materials fell rapidly and the developing countries, in their

Table I

SELECTED GLOBAL INDICATORS

	1983	1984	1985	1986	1987	1988
Output<1>						
Industrial countries	2.8	5.0	3.3	2.7	3.3	3.9
U.S.A.	3.6	6.8	3.4	2.8	3.4	4.0
Developing countries	1.9	4.0	3.5	4.2	3.4	3.6
Latin America	-2.4	3.5	3.5	3.9	2.5	1.4
Inflation<2>						
Industrial countries	5.0	4.2	3.7	3.4	2.9	2.9
U.S.A.	3.8	3.7	3.0	2.7	3.3	3.2
Developing countries	32.4	38.2	39.7	31.1	40.5	67.1
Latin America	108.6	131.8	143.5	88.3	131.2	252.7
Interest rates<3>						
Industrial countries	10.9	11.2	9.8	7.5	7.8	8.3
U.S.A.	11.1	12.4	10.6	7.7	8.4	9.3
Export Unit Values<4>						
Prim. prod. exporters	-2.3	1.7	-9.3	-1.5	6.7	5.1
Agriculture	-2.6	4.3	-9.1	-4.0	4.2	5.3
Minerals	-1.5	-4.1	-9.9	5.0	12.5	4.7
Capital Flows<5>						
Developing countries	76.4	56.7	40.3	47.6	40.9	21.4
Latin America	20.6	15.0	7.2	8.8	13.5	5.0
Latin American Debt						
Total Debt	342.2	358.4	368.1	382.9	411.2	413.8
Debt/GDP	46.4	46.3	45.5	45.5	46.8	44.8
Debt service ratio	40.8	40.9	40.3	45.0	35.5	42.8

Source: I.M.F. World Economic Outlook.

<1> Annual changes, in percent.

<2> In percent.

<3> Long term interest rates, in percent.

<4> Annual changes in percent, valued in United States dollars.

<5> Net external borrowing, in billions of United States dollars.

attempt to increase export earnings, increased the supply of such products with a consequent collapse in primary commodity prices from 1981 to 1986. It is estimated that in 1986 the reduced terms of trade cost the developing countries the equivalent of US\$100 billion in foregone resources.¹ Thus while interest rates began to fall in 1985, the ensuing benefits to the balance of payments were more than offset by falling commodity prices. The goal of generating enough foreign resources therefore remained as elusive as ever, especially since capital flows declined rapidly throughout the period.

It was not until 1987 that this conjuncture of adverse developments was somewhat ameliorated with a slight increase in developed country demand and an increase in primary product prices serving to bolster export earnings. This fillip to the developing countries was sufficient to reduce the debt service ratio in 1987, although it was to increase again as interest rates resumed their upward climb and minerals prices fell again in 1987-1988.

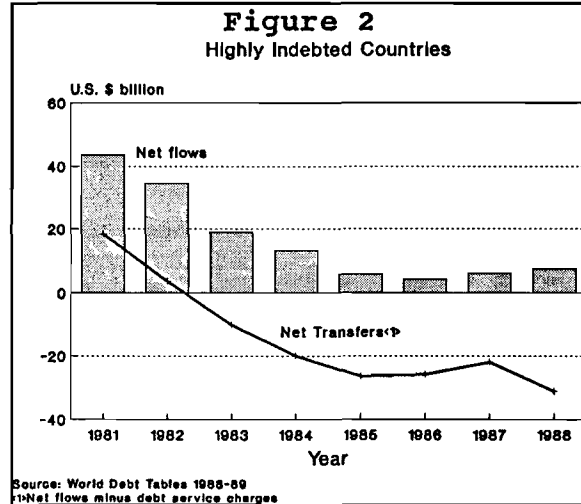
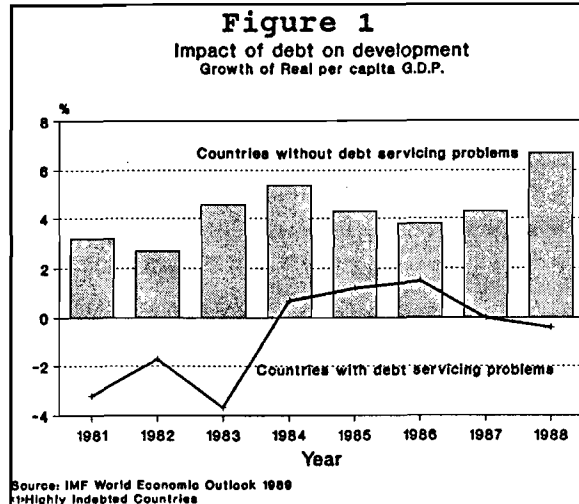
For the developing countries, whose economies are driven essentially by export performance, reduced earnings from trade necessitated stringent adjustment policies which impacted adversely on their current standards of living. For many, it impacted adversely also on future standards of living due to falling levels of investment. Those able to expand the trade in manufactures, such as the so-called "Newly Industrializing Countries" were able to adjust more rapidly than those countries, mainly in Latin America and Africa, which depended on the export of primary products and raw materials. Raw materials producers were particularly hard hit, most significantly oil exporters, and they began to show lower growth from the turn of the decade. This was exacerbated by the decline in oil prices in 1986 which was of a magnitude comparable with the increases of the second oil shock of 1979-1980.

But differing policy stances also affected the speed and efficiency with which they were able to adjust. Most significant of these factors was the use made of external loans obtained cheaply, but at variable interest rates in the previous decade. For where these resources were productively used, particularly for the production of innovative manufactures, the task of adjustment was relatively simple when compared to those countries using the funds for public or private consumption.

For many of the latter developing countries, some of which were also oil exporters, the debt became the major policy issue of the decade, with efforts to meet re-payment conditions adversely affecting policy options. For the period under study, therefore, debt service problems were to bedevil these countries and to dominate all other economic issues. The rate of growth of GDP and

¹ International Monetary Fund, Annual Report 1987, Pp 2-3.

more importantly of GDP per capita was accordingly significantly lower for those countries having debt servicing problems than for those countries which managed to escape them (Figure 1).



While various measures had been tried over the survey period (1983-1988) to resolve the debt problem, it has proven to be more intractable than expected, especially in a period which is conceded by many to have been propitious for the debtors' external performance. In part their problem is exacerbated by the fact that net capital flows to the Highly Indebted Countries (HICs) have been declining as creditor banks seek to reduce their exposure in these countries (Figure 2). As a consequence of their massive repayment schedules net transfers to the HICs have been negative for the past six years. Debt servicing has been possible for most of these countries only by severe economic contraction so that the current growth of those having debt service problems has stagnated, while their future growth has been jeopardized as investment has been deferred. The policy of growing out of the debt crisis has not materialized for these countries.

For the longer-term, therefore, the issue of debt relief has been gaining currency among debtors and creditors alike, since debt fatigue seems to be increasing while there is a growing belief by the debtors that adjustment policies are primarily geared to the interests of the creditors. In this scenario the probability of defaults is increasing, and there is a growing danger that needed adjustments will be held hostage to the debt issue.

For the immediate future, a number of items on the global agenda will be crucial for Caribbean countries and these fall into two seemingly contradictory categories. The Uruguay Round of the GATT Multilateral Tariff Negotiations seeks to reduce current restrictions on commodity trade and develop a framework which will further facilitate the exchange of services, investment and intellectual property. Seemingly in contradiction is the emergence

of larger trading blocks, primarily the United States/Canada free trade area and the European Community (EC) which is scheduled to become a consolidated market after 1992; but potential trading blocks also exist in Latin America and Asia. While facilitating trade flows within the blocks, these new groupings also hold out the prospect of hindering such flows between the blocks and with the rest of the world if trade frictions cannot be contained.

But out of these contradictions it would appear that the field is gradually being cleared to permit an intense phase of economic competition to be enacted in the next decades. The teams have been coalescing. Growing detente between the superpowers reflects a recognition of the need to increase investment in order to regain the economic primacy they are losing to others not hamstrung by unsustainable strategic responsibilities and who, as a consequence, do not have to divert a debilitating amount of their resources for military purposes. Once this shift in resources has been achieved a new and higher stage of economic competition will begin, with greater levels of investment, research and technology being deployed for productive purposes. The developing countries will not be immune to these developments and faltering attempts by some of them to keep pace with current changes will be subjected to even greater stress.

Caribbean countries will need to reflect upon these impending developments and find sufficient economic space in which to operate. As small actors which have tried to maximize their global preferences, they have established links with the United States and Canada, through the Caribbean Basin Initiative (CBI) and CARIBCAN respectively, with the EC through the Lomé Conventions and being a part of the Latin American group they have steadily growing ties with that region. They will need to see to what extent the hardening of economic alliances will affect their current strategy and they will need to redouble their efforts to ensure that their tradeables are more competitive, in the likely event that the scope for preferential arrangements is reduced.

Emphasis will, therefore, have to be placed on increased productivity in the short-term, to ensure that existing export items which are not highly diversified can better compete in terms of price. To some extent this is the current emphasis through various measures such as currency depreciation. While this approach can be justified as a short run stratagem to ensure the survival of existing exportables, such survival has to be paid for with reduced standards of living. For the longer-term, therefore, stress will need to be placed on making the overall economy more productive, by a greater awareness of the changes in global demand and a more flexible phasing in and phasing out of productive activities. At the same time a more selective approach will need to be taken when deciding what to produce and a more intense application of knowledge, skills and technology will be needed so

as to maximise returns given the small scale production possibilities existing in the region.

DEVELOPMENTS IN THE REGION

Table II

SELECTED INDICATORS - CARIBBEAN COUNTRIES

	SIZE km2	POPN. 1988	AV GROWTH POPN.	GDP/cap<1>	GDP/cap<2> 1974	GDP/cap<2> 1988
Antigua/Barbuda	440	82	0.8	7.8	689	3399
Bahamas	13942	243	1.8	4.3	3362	11447
Barbados	431	254	0.2	2.7	1296	5747
Belize	22960	180	2.8	3.0	614	*1226
Cuba<3>	110860	10414	1.1	2.8	2112	*3000
Dominica	750	82	0.9	4.8	378	1550
Dominican Republic	49000	6888	2.5	2.2	639	*810
Grenada	345	106	2.4	4.6	346	1346
Guyana	214970	756	-0.1	-1.4	538	455
Haiti	28000	6285	2.2	0.2	125	*330
Jamaica	11424	2374	1.0	0.9	1038	1219
St. Kitts/Nevis	269	47	0.5	5.2	634	2119
St. Lucia	616	145	2.0	4.7	448	1400
St. Vincent	388	114	1.3	6.2	310	1210
Suriname	163265	404	1.0	-3.4	1100	2510
Trinidad/Tobago	5128	1234	1.4	-3.0	1778	3782
Br Virgin Is.	150	12	1.4	7.0	...	9492
Montserrat	102	12	0.5	5.2	886	3997
Puerto Rico<4>	8800	3294	0.2	5.0	2465	5574

Source: ECLAC on the basis of official data; CDB; IBRD.

- <1> Average growth rate of real GDP for period 1983-1988; figure for Suriname relates to period 1983-1987
 <2> In current US dollars; (* indicates data for 1986).
 <3> Relates to Global Social Product converted at official exchange rates for 1975 and 1988
 <4> GDP per capita figures relate to 1975 and 1988

Over the survey period the fortunes of the economies of the CDCC member countries varied quite significantly. Table II provides a summary of the average growth in real GDP for the period 1983-1988 and illustrates income per capita changes for a longer time period between 1974 and 1988. In conformity with world trends, the region generally experienced faster growth during the period 1983-1988 than in the first five years of the decade. Exceptions to this generalization were Cuba and Dominica, which had unusual growth in 1980 and 1981 respectively and Guyana, Trinidad and Tobago and Suriname, minerals exporters, which suffered severe declines in GDP in the latter part of the decade.

The Caribbean countries were not spared the consequences of global trends in the period 1983-1988. On the contrary, the region's economic performance is strongly linked to export performance and more specifically to the level of demand in the

United States and the EC, the two regions with which it conducts the bulk of its trade in goods and services and from which it receives technical and financial resources. Small size also ensures that production is concentrated on few products so that price fluctuations have a greater impact on short-term economic performance, while adjustments to shifts in comparative advantage are protracted and painful for the longer-term. At the same time, smaller countries are denied some of the policy options which were available to larger countries.

The period of global uncertainty has forced a new awareness on policy-makers of the need to adopt more effective measures for short-term economic management, while at the same time bringing home to them the importance of adjusting to longer term trends, such as changing taste patterns and dynamic shifts in comparative advantage. The ability to minimize the contradictions between short and medium to long-term planning has, however, been uneven and especially difficult for those countries experiencing debt service problems.

Table III

PERCENTAGE CHANGE IN G.D.P.
(at constant prices)

	1980	1983	1984	1985	1986	1987	1988 Average*	
Antigua/Barbuda	6.7	6.9	7.5	7.7	8.4	8.8	7.6	7.8
Bahamas	6.7	3.2	6.4	5.2	1.4	4.6	4.7	4.3
Barbados	4.3	0.4	3.6	1.2	5.1	2.5	3.5	2.7
Belize	2.4	0.8	0.8	2.3	1.5	5.0	7.6	3.0
Cuba<1>	-0.5	4.9	7.2	4.6	1.2	-3.5	2.3	2.8
Dominica	16.5	3.0	5.0	1.7	6.8	6.8	5.6	4.8
Dominican Republic	6.0	4.6	0.3	-2.6	2.0	8.1	0.9	2.2
Grenada	...	1.4	5.4	4.9	5.5	6.0	4.3	4.6
Guyana	1.9	-9.3	2.1	1.0	0.2	0.7	-3.0	-1.4
Haiti	6.7	0.6	0.4	0.5	0.5	0.1	-0.8	0.2
Jamaica	-5.4	2.3	-0.9	-4.7	1.9	5.2	1.5	0.9
St.Kitts/Nevis	3.9	-1.1	9.0	5.6	6.3	6.8	4.7	5.2
St. Lucia	-1.0	4.1	5.0	6.0	5.9	2.0	5.0	4.7
St. Vincent	3.3	5.8	5.3	4.6	7.2	5.7	8.4	6.2
Suriname	-6.6	-4.1	-1.9	-2.3	-2.0	-6.6	...	-3.4
Trinidad/Tobago	-6.5	5.2	-7.1	-4.5	-1	-6.1	-4.7	-3.0
Br Virgin Is.	14.0	5.9	5.6	0.2	4.2	16.0	10.0	7.0
Montserrat	9.4	-5.3	2.8	5.4	5.1	10.8	12.1	5.2
Puerto Rico	1.6	1.7	6.6	2.2	7.0	7.6	5.2	5.0

SOURCE: ECLAC estimates derived from country data

<1> Global social product in 1981 prices.

<2> CDB estimate for 1988.

* Average relates to period 1983-88, or 1983-87 in the case of Suriname.

Most CDCC member countries have achieved some success in the short-term adjustment process, but few seem yet to have managed to achieve any significant progress for the longer-term. They have not been able to achieve any significant diversification in agriculture or in manufacturing, nor have they been able to achieve any significant growth in export earnings in areas not subjected to preferential trading arrangements. In short, there is scant evidence to indicate that greater long-term viability for the region is being achieved. The sole exception is tourism, which has sustained the region through the vicissitudes experienced by the traditional agricultural exports and minerals and which has a clearly defined and well promoted product. Yet even in tourism there are signs that some countries are in danger of losing their comparative advantage, unless efforts are redoubled to increase the efficiency of the industry.

The relative performance of individual Caribbean countries was conditioned by the mix of products contained in each country's export basket and the fortunes of each product over the survey period. But policy responses to global changes also differed, with a consequent effect on overall economic performance and, inevitably, those Caribbean countries having debt servicing problems showed poorer performance than others in conformity with global trends.

A number of categories based on growth performance might be identified from the data provided in Table III. Foremost amongst these, in terms of rate of growth, are the Organization of East Caribbean States (OECS) and the British Virgin Islands (BVI). As a group they recorded an annual average growth in GDP of 5.7 percent, although within this group those specializing in tourism, Antigua and the BVI had above average performance, in excess of 7 percent per annum. The Bahamas, the other economy specializing in tourism, also grew steadily but at a slower pace, no doubt due to the fact that its industry was more mature thus having less leeway to grow than was available to the newer entrants to the market. For the other OECS countries growth was dependent not only on tourism but also on the rapid expansion of banana exports, factors which provided the necessary foreign exchange to sustain increased domestic activities such as construction, commerce and banking, insurance and real estate.

Among the larger countries, most rapid growth was recorded by Puerto Rico at 5 percent, growth being propelled by the manufacturing sector which increased by about 12 percent per annum and by tourism. Export earnings were fastest growing in categories such as chemicals, drugs and pharmaceuticals.

The next clustering of countries, having average growth rates of 2-3 percent, comprised Barbados, Belize, Cuba² and the Dominican Republic. All these countries have relatively diversified economies, although the performance of the various sectors was mixed. All have significant tourism sectors which recorded growth, the newer entrants Belize, Cuba and the Dominican Republic recording rapid growth, although Barbados, for similar reasons to those operating in the Bahamas, had somewhat more modest growth. All suffered stagnant or falling returns from agricultural exports, primarily sugar, and all suffered from weak manufacturing performance.

Cuba was affected by low world market prices for sugar and petroleum, the re-export of which is a major source of foreign earnings. It also suffered from the depreciation of the United States dollar, the currency in which its export prices are denominated, since its convertible currency imports are sourced in markets like the EC having currencies which appreciated in relationship to the United States dollar. Reduced export earnings impacted severely on the domestic construction sector, manufacturing and on commerce causing a decline in real Global Social Product in 1987. However, these factors were somewhat ameliorated for 1988.

The decline in global sugar prices also impacted adversely on the economy of the Dominican Republic, especially in view of the reduced quota allocation for the United States market. Accordingly, the contribution of agriculture to GDP fell in the years 1985-1986 and although it improved in 1987-1988, this sector did not grow as fast as GDP over the survey period where the leading sectors were domestic, mainly construction, infrastructure and banking services. Growth in Barbados was adversely affected by contracting sugar output and earnings and by a manufacturing sector finding it increasingly difficult to compete in the regional market. Moreover, efforts to diversify the export base to third country markets were given a setback by the closure of the electronics assembly operations.

In the next category were those countries having an average growth rate of between 0-1 percent, Jamaica and Haiti. In the former case, the declining minerals sector was most noteworthy particularly in the years 1985-1986, given the importance of minerals in export performance. Notable also was the resuscitation of traditional agricultural exports up to 1988, especially in bananas after poor performance during the period 1984-1986. This rally was, however, temporary given the severe hurricane damage that country experienced in September 1988. Jamaica was also

² Care should be exercised in making comparisons between Cuba's Global Social Product and the Gross Domestic Product of the other countries since methodologies differ.

affected by the cost of servicing its national debt since over 40 percent of total expenditure had to be allocated to repay principal and interest. A similar proportion of the earnings from exports of goods and services needed to be earmarked for servicing the external debt.

In Haiti the major declines were evident in manufacturing and commercial activities. While agriculture retained its position at about 33-34 percent of GDP from 1980-1987, export earnings from the sector fell steadily from 1983 to rest at a level 33 percent below that year by 1987. Earnings from the free zones increased over the survey period, but the rate of increase was not as fast as might have been possible without the recent political disturbances which caused some firms to relocate elsewhere in the region. Services were up, particularly basic services such as electricity gas and water and so were government services.

The last category comprises those countries, Guyana, Suriname and Trinidad and Tobago having declines in GDP. All are minerals producers affected by the declines in minerals prices, but all suffered declines in output of minerals as well, either due to management deficiencies in the industry, or social unrest, or both. None of these countries benefitted from the tourism boom experienced by other Caribbean countries; in fact their tourism earnings declined. Both Guyana and Trinidad and Tobago also suffered declines in export earnings from sugar, while increases in banana earnings were insufficient in Suriname to compensate for declines in other sectors. Reduced export earnings redounded against domestic economic activities in all these countries, since domestic consumption had to be sharply curtailed in sectors related to construction, distribution, finance, insurance and real estate. Stringent measures were also needed to curtail government activities, although this was a pervasive trend for most countries in the region.

Over the survey period the fortunes of Caribbean people varied even more significantly than would appear from the simple changes in GDP. To the varying fortunes of the various economies needs to be added differing rates of population increase from country to country, and varying impacts of economic contraction, especially in the reduction of government services on varying groups within each country. While Table III illustrates the changing fortunes of Caribbean economies, it has not been as easy to illustrate precisely how the poorest have been affected by these changes.

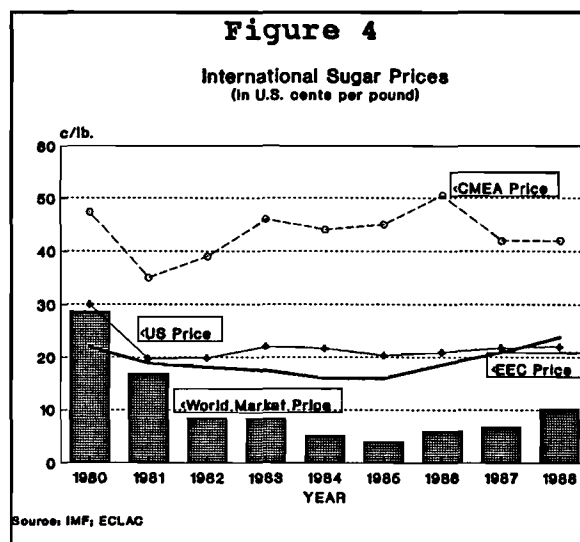
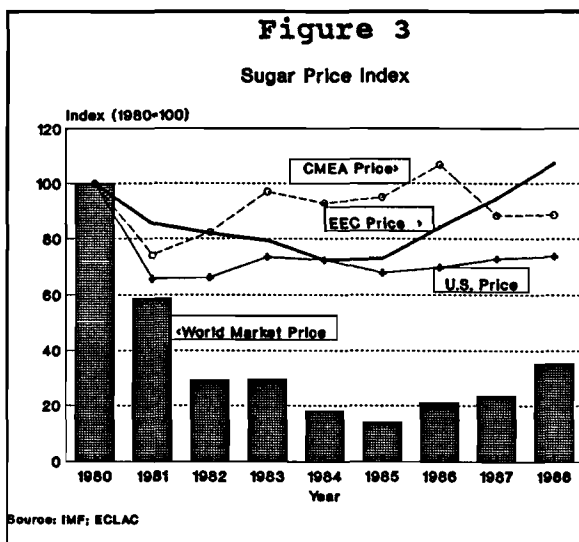
It is, nevertheless, possible to conclude that per capita incomes fell in six countries: the Dominican Republic, Guyana, Haiti, Jamaica, Suriname and Trinidad and Tobago. The decline in per capita GDP was also exacerbated by the need to reduce government services as well as investment in all of these countries, given the high levels of public expenditures which

prevailed and the need in some of them to earmark large portions of public resources for the repayment of the debt.

The sources of economic prosperity in the region are relatively few and derive primarily from traditional agricultural exports such as sugar, bananas, citrus, coffee, cacao and spices; a small but growing non-traditional agricultural export sector; minerals, mainly nickel, bauxite/alumina and petroleum; and services, mainly tourism, with offshore banking being important in some countries. The following analysis tries to examine in greater detail a few of the more important of these products and activities, and to a lesser extent, policies in order to better illustrate the reasons for the wide disparity in economic performance recorded by Caribbean countries.

Sugar

The regional sugar industry remains chronically ill, surviving only on a life support system provided by preferential prices. The volume of sugar exported declined over the survey period by about 6 percent. Declines were evident in all countries with the exception of Jamaica which recorded some growth, although annual performance fluctuated quite widely. The picture regarding earnings was somewhat different in that price increases limited the loss of earnings to about 2 percent. The overall picture is somewhat distorted by the influence of Cuban exports which, if excluded, reveal a decline in earnings for the rest of the region of 21 percent which exceeds the decline in volume.



The industry provides a good example of some of the problems faced by the Caribbean in its effort to maximize its export earnings. As one of the earliest export products, sugar has become inextricably interwoven into the history, culture and foreign policy of the region, monopolized its most arable lands and maintained a tenacious hold on its productive structure. This influence has prevailed despite the fact that the global sugar market is highly volatile in terms of price and is currently subject to rapid change in its composition to reduce the importance of cane sugar in the overall consumption of sweeteners. Serving to reinforce the vulnerability of sugar-cane producers, particularly the smaller ones, is the fact that they are relatively inefficient producers in this declining segment of the international market. Accordingly, all producers in the region are dependent upon special pricing arrangements linked with negotiated quotas for their survival.

Despite the fact that these arrangements provide a more stable platform above the world market prices (Figures 2 and 3), both volumes and prices are nevertheless still subject to significant variations.³ When these exogenous factors are added to endogenous problems of labour and climate the inability of the industry to develop a coherent policy, either in securing stable growth in output and productivity or in phasing out the industry in an orderly manner, becomes easier to understand.

Table IV shows sugar production and earnings for the period 1980-1988. It will be noted that for the region as a whole earnings increased steadily to 1985 declining thereafter, although by 1987 earnings were still somewhat above the level of 1980. For the region as a whole, the level of earnings was sustained despite the fact that export volumes peaked in 1982 to decline thereafter to 1980 levels. Price increases were therefore responsible for sustaining earnings despite a decline in export volumes.

The overall picture is somewhat distorted by the impact of the Cuban industry, which represents about 80 percent of regional production and has received consistently higher guaranteed prices than the other countries surveyed. If Cuban production is subtracted from the totals, the picture for the rest of the region is somewhat different with export volumes virtually stagnant between 1980-1984 and declining thereafter. Earnings on the other hand peaked in 1981 at 27 percent above the previous year, falling steadily to 1985 which was 45 percent below the base year where it stabilized to the end of 1987. In fact export volumes continued to

³ For example the United States Food Security Act of 1985 seriously reduced the sugar quota for the region. This was however relaxed in 1987 and 1988, although since the increases permitted are related to domestic supply constraints it is not a long-term condition upon which regional producers can depend.

Table IV

SUGAR EXPORTS
(US \$ million)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Barbados	58	32	36	27	32	32	31	35	36
Belize	48	43	33	34	33	23	32	31	33
Cuba<1>	3279	3335	3808	4078	4123	4442	4069	3987	4087
Dominican Republic	290	513	266	264	272	159	134	127	145
Guyana	121	109	88	72	71	66	83	80	68
Haiti	6	0	0	2	6	4	4	5	3
Jamaica	55	47	49	57	66	50	62	74	92
St. Kitts/Nevis.	14	15	12	10	12	6	9	11	12
Trinidad/Tobago	28	27	22	26	29	22	23	21	27

('000 tons)

Barbados	120	63	89	74	87	84	95	68	65
Belize	97	90	98	109	94	89	99	79	75
Cuba	6170	7055	7727	7011	7007	7206	6697	6479	6987
Dominican Republic	802	848	833	918	828	655	449	555	572
Guyana	248	265	250	212	206	214	214	205	171
Haiti	19	0	0	7	15	11	11	7	7
Jamaica	132	121	138	137	157	152	143	136	152
St. Kitts/Nevis.	32	29	33	23	28	24	26	23	23
Trinidad/Tobago	64	67	50	63	73	68	58	50	55

Source: IBRD; ECLAC estimates.

<1> In Cuban pesos.

fall after 1985 but earnings were sustained by EC prices which were more remunerative as a result of the depreciation of the United States dollar.

The picture of declining output presented in the survey period is consistent with the longer-term trends. Production has been sustained in Cuba and the Dominican Republic, but for CARICOM countries it has declined steadily since 1975 by 24 percent in the decade 1975-1985. The trend is evident in all CARICOM countries and reflects a number of contributing factors such as declining sugar acreages, declining sugar-cane yields per acre and declining sucrose content of the sugar-cane itself. While the first of these factors might reflect the adjustment process in operation, the latter two are manifestations of poor husbandry and management practices. As a result of the declining volumes there was also a decline in the contribution of the industry to GDP and to export earnings. Due to an inability to compete on the free export market with other producers, almost all regional production was sold domestically or in preferential markets. Moreover, in the former case a growing proportion of local consumption is being satisfied by refined sugar from abroad, due to changing domestic taste patterns. Even in the case of the preferential markets, especially the EC, declining productivity is rendering sugar production less

profitable since the long-run expectation is that EC sugar prices are unlikely to increase significantly, while in the United States market price support mechanisms are believed to have provided incentives for the development of alternative sweeteners such as corn syrup.

In recent years the need for economic adjustment has quickened the process of rationalization to make production more efficient, while at the same time liberating marginal lands for diversification into other crops. Both processes are underway in the region usually with the objective of minimizing the land area needed to produce just enough sugar to satisfy local consumption and fill existing preferential export quotas. In Belize the acreage under sugar production has declined by 7 percent while cane sugar production fell by 17 percent between 1980-1988. In Jamaica the "Agro 21" programme is designed to upgrade sugar plantations, rationalize refinery capacity and diversify some sugar lands into non-traditional agricultural export production. In Trinidad and Tobago, 25 percent of current sugar production area is earmarked for crop diversification and in Barbados the optimum output has been fixed at between 90,000-100,000 tons per annum in line with current production levels.

A further element of the adjustment process is the investigation of alternative uses for sugar cane. The only significant development so far has been the production of ethanol in Jamaica for export to the United States under the CBI. Similar arrangements are being studied in Belize although the viability of these schemes is in question. A further area of potential benefit is to use sucrose for the production of other high value added low volume commodities such as pharmaceuticals and cosmetics.⁴

Overall, however, the pace of adjustment was not rapid and often limited by a lack of investment capital. This derives from an inability of the industry to generate savings of its own and a lack of confidence in the future of the industry by outside interests, given its dependency on preferential measures which may be changed at relatively short notice.⁵ The industry, therefore, remains in the doldrums with no indication of significant change in the medium-term.

⁴ C.Y. Thomas, Sugar: Threat and Challenge.

⁵ This is demonstrated by the decline in value of sugar exports to the United States as a result of quota changes and price falls, from US\$408 million in 1980, to US\$93 million in 1987, a decline of 77 percent.

Bananas

In the period under review banana producers reaped windfall gains due to the change in relative prices between sterling and the United States dollar. But banana producers maximized their good luck by increasing output as well.

The United Kingdom provides the market for bananas, under preferential arrangements covered by the Lomé Banana Protocol. While in theory the whole EC market is open, in practice it is segmented to protect special groupings of countries so that CARICOM bananas go to the United Kingdom while bananas from Martinique and Guadeloupe go to France. Where the market is truly open the Caribbean countries are unable to compete on price and marketing clout. Essentially, the United Kingdom market is therefore available for CARICOM producers and Suriname, licenses being provided for other suppliers whenever demand outstrips supply from preferential producers. These bananas are also required to face a 20 percent import duty.

Table V

BANANA EXPORTS (US \$ million)									
	1980	1981	1982	1983	1984	1985	1986	1987	1988
Belize	4	2	2	2	3	3	5	7	8
Dominica	3	9	10	11	11	13	29	32	37
Grenada	4	4	4	3	3	4	4	4	5
Jamaica	9	4	5	7	2	4	9	19	16
St Lucia	11	15	15	20	23	32	53	42	66
St Vincent	6	10	9	11	12	17	18	18	31
Suriname	6	7	7	7	9	10	11	...	...
Total	42	51	52	62	63	83	128	...	...
('000 tons)									
Belize	15	11	10	10	11	10	13	21	26
Dominica	8	27	28	29	33	34	51	61	72
Grenada	13	12	12	11	10	10	8	8	9
Jamaica	33	18	21	23	11	13	14	33	27
St Lucia	33	43	42	55	66	82	113	84	128
St Vincent	19	30	25	27	32	41	38	36	62
Suriname	33	37	38	32	35	37	36	...	...
Total	154	176	175	187	197	227	273	...	...

Source: IBRD, ECLAC estimates.

In 1986, 99 percent of Caribbean exports went to the United Kingdom market. The Caribbean share of this market has been expanding steadily, growing by 81 percent between 1980-1986 so that by the latter year Caribbean exports had captured 70 percent of the United Kingdom market.

Over the survey period the most notable expansion in bananas took place in St. Lucia, although rapid expansion was also achieved in Belize which restructured its industry and increased the acreage under cultivation after 1985. It has recorded rapid and steady growth since. The rapid growth in Dominica represents the recovery of the industry after severe hurricane damage in 1979-1980, although recent performance exceeds pre-hurricane damage levels. Steady growth has also been recorded by St. Vincent and the Grenadines and Suriname. Jamaica had carried out a comprehensive programme of rehabilitation of the industry after steady decline since 1973 and had seemingly started to benefit from this investment when it was reversed by massive hurricane damage in September 1988. Overall performance will therefore be approximately 7 percent less than the previous year although exports were 21 percent up in volume for the period January to September when compared to the previous year (Table V).

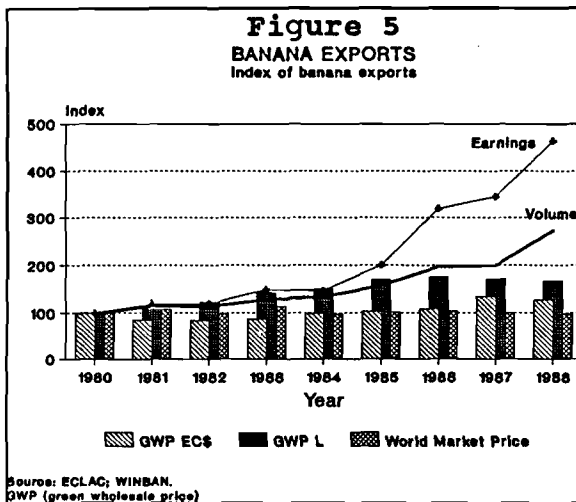


Figure 5 provides an indication of relative growth rates in export volumes and earnings and compares world market prices in United States dollars with the United Kingdom green wholesale price denominated in pounds sterling and United States dollars. The increased rate of growth in earnings when compared with volumes after 1984 reflects the increased dollar earnings from the United Kingdom given the appreciation of the United Kingdom pound.

Yet while the growth performance of the banana industry was one of the highlights of the period being surveyed, it is well to recall that for the three years prior to 1980 banana exports averaged 225,000 tons, a figure which was not surpassed until 1985. Moreover, the Caribbean producers are not internationally competitive and are dependent on preferential arrangements which cannot be taken for granted after 1992. Yields, when measured in tons per acre do not compare favourably with competitors in Central

America⁶ due to a number of natural factors, such as climate - the Caribbean producers being in the hurricane belt - and soils, which are not as suitable for banana cultivation as in Central America. But poor crop husbandry and management must also bear some responsibility for the lower yields.

In conclusion, the industry has reasonable expectations of moderate growth within the constraints of the United Kingdom market, given the vagaries of the Caribbean climate, sustained productivity increases and continued preferential arrangements after 1992.

Manufacturing

The manufacturing sector remains at a crossroads. Producers are aware of the need to reorient their production to global markets, yet so far the means to do so seems to have eluded most of them. Over the survey period Puerto Rico and Cuba have shown the greatest growth in manufacturing and the greatest shift towards an economy based on manufactures. A similar shift has also taken place in Trinidad and Tobago where the sector has grown by almost 20 percent between 1983

and 1987. Jamaica has also recorded modest growth in the sector, while it has contracted in Barbados, the Dominican Republic and Haiti (Table VI).

Manufacturing <1>		
	1980	1987
Barbados	10.6	7.7
Cuba	37.9	40.2
Dominican Rep.	15.3	14.6
Haiti	17.2	14.1
Jamaica	15.4	16.6
St. Kitts/Nevis	15.2	14.8
Trinidad/Tobago	5.3	9.3
Puerto Rico	48.0	55.7

<1> As a percentage of GDP

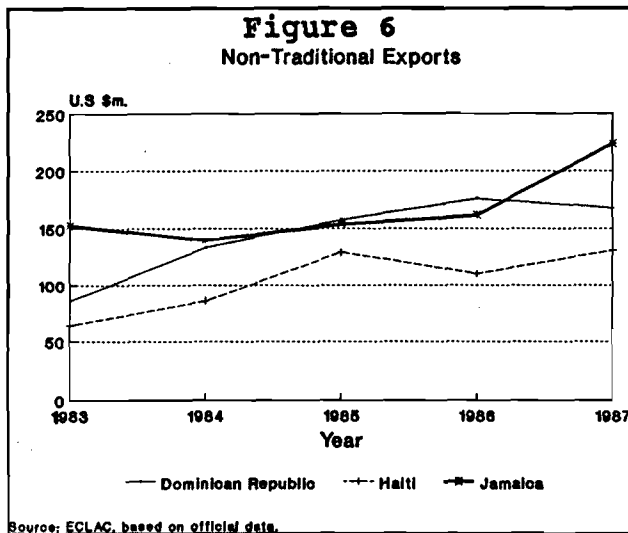
For the OECS countries manufacturing contributes a relatively small percentage of GDP, not more than 5 percent in all countries with the exception of St. Kitts/Nevis. The sector has, however, increased its contribution to GDP in Dominica, Grenada and the British Virgin Islands.

Because of the historical evolution of the manufacturing sector which placed emphasis primarily on employment creation, it has been oriented in the past two decades to produce for the local/regional market behind high protective barriers. Accordingly, many of the enterprises spawned had no incentive to utilize domestic resources, to face international competition nor to meet international standards of quality or price. As the regional market

⁶ On average between 1981-1984 Honduras had yields of 17.7 tons/acre, Costa Rica 14.2, Philippines 14.8, Belize 10.7. and the Windward Islands 4.3.

has contracted due to foreign exchange scarcity and as regional protection has been scaled down, these industries have experienced difficulty in switching their production to third country markets and have consequently had to scale down production or go out of business.

Macro-economic policies over the survey period have been formulated with a view to making these enterprises more competitive and also for fostering a new category of non-traditional exports to third markets. But while various countries were able from time to time to capture a greater proportion of the regional market by these means, it is not yet clear that they have been successful in increasing the proportion of their output sold in unprotected markets.



There has, however, been some increase in the export of non-traditional manufactures. Most noteworthy are those developments taking place in free-zones, where emphasis is placed on the assembly of various products such as garments and electronic components. While these activities have more in common with services industries than with traditional manufacturing, they are labour-intensive in a way that the traditional manufactures never were and may better satisfy the employment objective than previous attempts

to do so. Nevertheless, the disadvantages of the enclave manufactures are well known and do not signify a breakaway from the structure of protectionism needed to foment many Caribbean activities, since they operate within special trading arrangements with the United States. Moreover, they do not yet contribute a significant proportion of GDP (Figure 6).

While the trade in manufactures between the CARICOM countries is well documented, less is known about the growing trade and investment - the latter taking place through the twin plant programme - between Puerto Rico and the rest of the Caribbean, particularly with Haiti and the Dominican Republic. After the United States, the Caribbean region is Puerto Rico's major trading partner with trade exceeding that of the EC or Latin America. Within the Caribbean more than 55 percent of that trade goes to Haiti and the Dominican Republic.

Minerals

Minerals producers have fared badly over the survey period. Those which were energy importers, as well as those which were exporters, were buffeted by energy price fluctuations which caused uncertainty in the industry and earnings which were generally reduced from the previous decade.

Over the longer run crude metallic minerals have been suffering from adverse terms of trade since 1950.⁷ While the rate of growth of such exports increased up to 1975, growth slowed down thereafter and the volume of exports actually contracted in the early 1980's. A combination of circumstances has accounted for this condition, such as high reserves of scrap metals making secondary recovery feasible, the evolution of production towards high technology products consuming lower quantities of light metals, the development of new products such as plastics, ceramics, polymers, semi-conductors and the contraction in the economies of the north in the early 1980s.

The main mineral exports from the Caribbean are bauxite/alumina, nickel, petroleum, gold and silver, with bauxite/alumina holding the premier place in minerals exports. Figure 6 illustrates the changes in price of aluminium, bauxite and petroleum from 1980-1987. It will be noted that all suffered declines in price from 1980 to 1985-1986, with slight increases recorded towards 1987. The exception being petroleum prices which continued to climb until 1982 before falling steeply to 1986. Nickel prices followed a similar pattern to aluminium with a deceptive recovery in mid-decade, falling to 1983, with a slight increase to 1985 to fall again in 1986 before recovery toward the end of the survey period.

Global demand for aluminium fell in the early 1980s as a result of many of the factors outlined above, but primarily from a reduction in the growth of the industrial economies. At the same time that demand declined the production of aluminium was however, expanding as new producers, mainly countries possessing cheap energy, came on stream. The resulting over-capacity caused a collapse in prices which precipitated a restructuring of the industry to force plant closures and other measures to improve the productivity of existing plants. Similar trends were evident in bauxite and alumina installations, retro-fitting being concentrated on improving the efficiency of energy usage since energy

⁷ The prices of mining exports fell by 47 percent between 1950-1986, while manufacturing prices increased fourfold. Accordingly, it is estimated that in 1950 100 units of minerals were required to purchase 100 units of manufactures, although by 1986 this quantity of minerals was only able to purchase 14 units of manufactures. (Source: ECLAC Chronicle 89-cc-11)

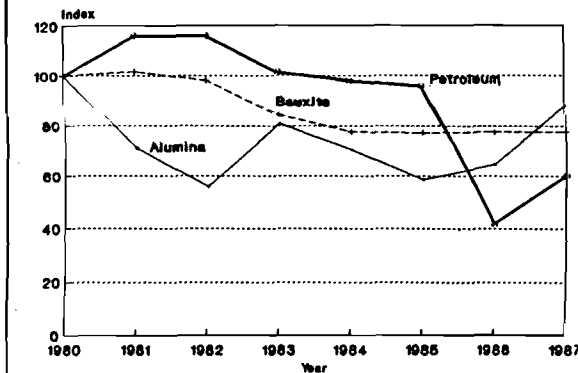
Table VII

BAUXITE - ALUMINA EXPORTS

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Bauxite (US\$ m.)									
Dominican Republic	19	16	5	0	0	0	0	4	2
Guyana	144	120	92	72	92	99	82	84	80
Haiti	20	17	21	0	0	0	0	0	0
Jamaica	197	172	170	109	160	78	97	116	106
Suriname	65	63	29	25	41	36	27	...	...
Total	444	388	318	206	292	213	206	...	...
Bauxite ('000 tons)									
Dominican Republic	606	457	141	0	0	0	0	328	207
Guyana	1592	1483	1059	1139	1271	1572	1402	1410	973
Haiti	579	480	622	0	0	0	0	0	0
Jamaica	6060	5294	4079	3009	4559	2325	2900	3711	3494
Suriname	1767	1269	497	449	957	923	839	...	...
Total	10603	8984	6397	4597	6787	4820	5141	...	...
Alumina (US\$ m.)									
Guyana	44	33	12	2	0	0	0	0	0
Jamaica	535	588	344	315	284	212	205	221	253
Suriname	272	266	230	215	201	175	178	...	...
Total	850	886	586	532	485	387	383	...	...
Alumina ('000 tons)									
Guyana	246	170	73	29	0	0	0	0	0
Jamaica	2395	2549	1755	1907	1713	1622	1600	1572	1576
Suriname	1329	1166	1044	1143	1097	1242	1471	1362	...
Total	3970	3885	2872	3079	2810	2864	3071	2934	...

Source: ECLAC, based on national data

Figure 7
Minerals
Index of Minerals Prices



Source: IMF

constitutes a major cost element of alumina production.

As energy importers the industries in the Dominican Republic, Haiti, Guyana and Jamaica were particularly hard hit by energy price rises. Conversely, they were beneficiaries as energy prices fell so that there was some resuscitation of the industry over the survey period although it was slow and halting.

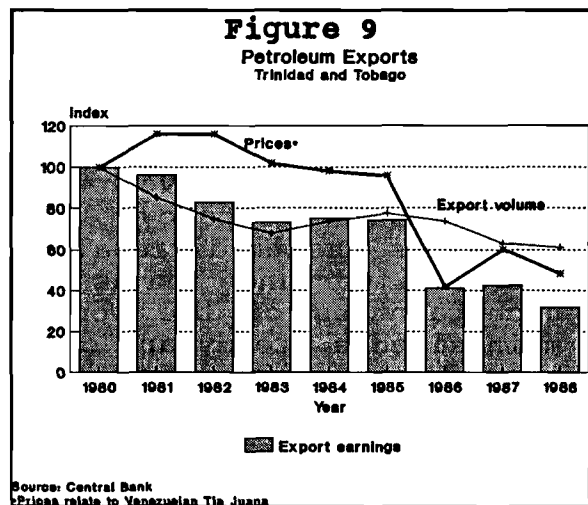
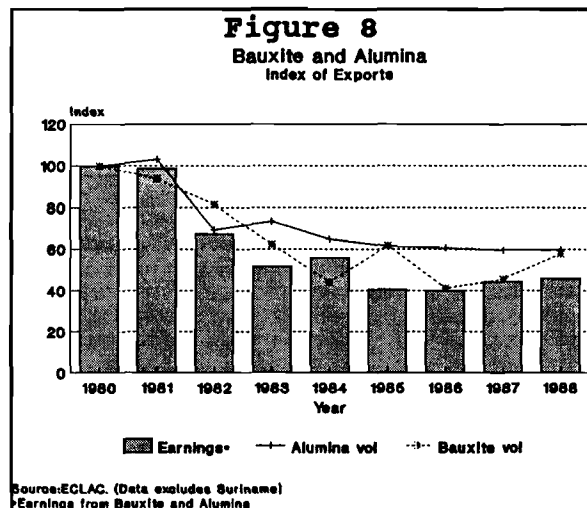
Table VII sets out figures for the export of bauxite/alumina in the region, noteworthy being the cessation of bauxite exports in the Dominican Republic from 1983-1986, in Haiti since 1983, and the cessation of alumina production in Guyana. Between 1982-1986 bauxite earnings fell by over one third for the region as a whole. They fell rapidly between 1982-1983 although there was some recovery in 1984, notably in Jamaica and Suriname. Earnings fell again in 1985, drastically for Jamaica, but it recovered some lost

ground in 1986 and 1987 only to lose it again in 1988. Surinamese earnings did not recover during the survey period, however. Guyana did not suffer as wide a fluctuation in its bauxite earnings as did other regional producers due to the specialized market for its calcinated bauxite.

Export earnings from alumina declined by 35 percent between 1982-1986. There were gains for Jamaica in 1987 following declines throughout the survey period, although these gains did not seem to have been sustained in 1988. In Suriname earnings recovered slightly in 1986 but are expected to have fallen again in the last two years. Figure 8 shows the trends in the exports of bauxite/alumina and in the export earnings of the industry over the period 1977-1986.

The long-run prospects of Caribbean producers will be shaped by the rate of growth of the industrial countries and consequently their demand for aluminium the price of crude oil and the extent to which Caribbean operations can be reconfigured to increase their energy efficiency. Some work has already been done in Jamaica to improve the efficiency of existing plants but much remains to be done if one of the major installations, the Alumina Partners of Jamaica (ALPART), is to be reopened.

Petroleum earnings in Trinidad and Tobago, the sole petroleum exporter, have been affected by the precipitous decline in crude petroleum prices and by declines in output consequent on the depletion of existing wells. Accordingly, earnings started to decline from the peak they achieved in 1980, despite the increase in prices which continued for two years after. The decline in earnings accelerated after 1982 as prices started to fall, reaching a nadir in 1986 when the index was 40. Although prices recovered somewhat in 1987 real earnings remained depressed, and prices were to collapse again in 1988 (Figure 9). The prospect for improved crude oil prices brightened in late 1988, but output will need to be increased if Trinidad and Tobago is to benefit significantly from this development.



Tourism

Table VIII

TOURIST EXPENDITURE
(millions of U S dollars)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Antigua	42.0	49.0	58.9	77.1	109.7	132.5	156.2	186.7	213.5
Bahamas	595.0	639.1	654.5	770.2	801.5	995.0	1104.9	1150.0	1136.0
Barbados	251.0	261.9	251.1	251.6	284.2	309.0	326.9	378.7	460.0
Cuba	47.5	52.4	61.2	74.3	95.5	116.4	150.0	185.0	223.0
Dominica	3.2	3.0	4.0	7.3	8.6	8.7	11.2	12.8	14.0
Dominican Rep.	167.9	223.2	272.7	282.3	315.0	368.2	420.0	545.0	616.0
Grenada	14.8	17.3	17.2	18.7	22.7	32.4	39.6	42.1	46.0
Haiti	46.3	55.5	55.5	61.0	66.0	69.2	63.1	69.0	75.0
Jamaica	241.7	284.3	337.8	399.2	406.6	406.8	516.0	595.0	525.0
St. Kitts/Nevis	13.4	16.1	17.3	18.6	24.2	31.0	38.0	47.4	53.8
St. Lucia	32.9	29.4	32.4	39.7	42.4	55.7	73.4	78.4	151.9
St. Vincent	13.7	15.0	16.0	16.7	19.0	23.0	29.3	35.2	45.0
Suriname	18.2	40.6	32.8	17.9	13.3	9.0	7.8	8.0	16.0
Trinidad/Tobago	151.1	151.9	178.6	205.7	197.8	197.3	83.2	91.6	80.0
Aruba	137.5	156.4	163.1	114.5	118.4	120.8	158.1	203.6	276.0
Br Virgin Is	42.3	53.8	65.6	81.5	85.6	97.3	88.8	110.8	120.8
Montserrat	4.3	5.4	5.8	6.0	6.7	7.7	7.5	9.8	11.2
Netherlands Ant	259.6	280.2	258.7	205.0	199.9	225.0	255.5	279.7	317.7
US Virgin Is	304.3	317.5	312.5	356.3	434.0	507.4	509.8	623.0	676.4
Guadeloupe	110.9	93.5	107.5	116.0	98.0	95.0	163.0	184.0	220.0
Martinique	74.6	75.2	81.6	82.6	87.0	92.8	107.8	210.0	230.0
Puerto Rico	615.0	649.7	699.2	690.7	681.2	722.7	743.0	896.2	1035.0
TOTAL	3187.2	3470.4	3684.0	3892.9	4117.3	4622.9	5053.1	5942.0	6542.3

Source: CTO.

Such prosperity as has been experienced in the region in recent years has come from a steadily growing tourist sector. It is a significant source of foreign exchange earnings for most Caribbean countries, and the major earner for most of them. It is also a source of government revenues, through airport departure taxes, hotel occupancy taxes landing fees and various other sales taxes. As the traditional agricultural export staples decline in overall importance and as the minerals sector has suffered from the uncertainties of the world market, earnings from tourism have maintained a steady and consistent increase (Table VIII).

For the region as a whole, growth in earnings accelerated after 1985 with greatest growth recorded in 1987 at 17 percent. For the period 1983-1988⁸ growth averaged 10 percent per annum. The fastest growth was recorded by relatively new entrants to the market, such as Antigua, Dominica, the Dominican Republic, the

⁸ Where data are not available for 1988 averages relate to 1983-1987.

BVI, Martinique, St. Lucia, St. Kitts-Nevis and St. Vincent and the Grenadines, all averaging 15 percent or more, or by established destinations recovering from a past decline such as Cuba (25 percent) and Grenada (18 percent). Among the established destinations, growth was average in the Bahamas (10 percent) and Barbados, or below average in Jamaica (8 percent), Puerto Rico (7 percent) and Haiti (5 percent). Declines were recorded for Suriname and Trinidad and Tobago.

While the impact of tourism on GDP is difficult to quantify and will differ from country to country depending, among other things, on the degree of integration of the industry into the economy, it is undeniable that the economies of most Caribbean countries are being sustained by tourism. Those countries which have relatively small industries such as Guyana, Suriname and Trinidad and Tobago, or those which have relinquished their hold on the industry in the recent past, like Cuba, are all trying to expand it as fast as possible.

Table IX

STOPOVER TOURIST ARRIVALS
(Thousands)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Antigua	87	100	102	117	145	156	166	177	195
Bahamas	1181	1031	1101	1240	1279	1368	1375	1480	1475
Barbados	370	353	304	328	368	359	370	422	452
Belize	64	64	67	64	88	93	94	99	142
Cuba	94	121	139	162	207	241	282	310	309
Dominica	14	16	19	20	22	22	24	27	32
Dominican. Rep	383	451	480	502	562	660	785	911	1116
Grenada	29	25	23	33	40	52	57	57	62
Guyana	40	40	41	45	47	46	47	60	71
Haiti	136	139	135	145	141	150	112	122	122
Jamaica	395	406	468	566	603	572	664	739	649
St. Kitts/Nevis	33	36	35	34	40	46	55	65	70
St. Lucia	80	69	70	78	86	95	112	123	125
St. Vincent	50	45	37	38	39	42	42	46	47
Suriname	48	54	52	39	36	32	29	27	40
Trinidad/Tobago	199	187	190	190	192	187	191	202	188
Aruba	189	221	220	195	210	207	181	232	278
Br Virgin Is.	97	110	114	119	122	130	146	170	176
Montserrat	16	16	15	14	16	17	16	17	18
Neth Antilles	402	404	427	410	476	517	562	628	685
US Virgin Is	380	344	340	345	370	412	470	580	599
Puerto Rico	1627	1573	1564	1530	1496	1545	1573	1872	2077
Guadeloupe	157	133	255	260	227	216	246	293	329
Martinique	159	157	176	176	184	194	183	234	280
Total	6230	6093	6374	6649	6995	7356	7781	8891	9537

Source: CTO.

Studies in 1982 for 12 Caribbean countries showed that about 42 percent of each tourist dollar is retained in local direct value added. A more recent study for Jamaica reached a similar conclusion but also found that the sum of direct and indirect local value added amounted to 158 percent of stopover visitor expenditure. In that country it was estimated that tourism contributed 28 percent of GDP in 1984. In the Bahamas, tourism contributes about 33 percent of GDP, employing about 50 percent of the work force either directly or indirectly. In Antigua the contribution of tourism to GDP is estimated to be even greater, at over 40 percent.⁹

Table X

TOTAL CRUISE PASSENGER ARRIVALS
(Thousands)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Antigua	107	113	67	52	67	101	122	153	199
Aruba	73	55	51	39	30	72	73	81	81
Bahamas	578	597	720	854	908	1137	1496	1434	1505
Barbados	157	136	111	103	99	112	145	229	290
Dominica	7	6	2	6	3	7	12	12	6
Dom. Republic	183	163	142	99	96	93	...	167	100
Grenada	146	78	62	50	34	91	114	127	136
Haiti	160	118	95	97	93	...	40	...	...
Jamaica	133	140	194	231	231	262	278	292	368
St. Kitts/Nevis	6	11	11	23	34	32	27	31	54
St. Maarten	106	106	93	73	113	146	314	389	451
St. Lucia	59	19	34	33	37	55	59	84	80
St. Vincent	33	34	29	35	64	34	38	66	63
Trinidad/Tobago	6	...	6	3	5	10	19	16	11
Aruba	73	55	51	39	30	72	73	81	81
Br Virgin Is.	28	33	28	14	25	22	16	28	30
Montserrat	5	5	9	4	4	7	9	10	11
US Virgin Is	691	695	586	633	658	679	827	956	1062
Puerto Rico	501	531	444	411	436	419	449	584	724
Guadeloupe	50	25	32	34	65	...	64	69	57
Martinique	203	203	168	159	136	153	214	297	386

Source: CTO

Tables IX and X provide data on stopover and cruise ship arrivals respectively. While all the primary indicators are positive, a number of warning signals become evident upon closer examination of the sector. As is the case in most other internationally competitive activities the level of relative productivity in tourism in the region is low. Accordingly, the rate of profitability, especially in the smaller hotels is low and prices are tending to become increasingly uncompetitive as compared with alternative destinations. This is confirmed by the fact that

⁹ Source: CTCRC, The contribution of Tourism to Economic Growth and Development in the Caribbean.

the Caribbean has been losing its share of the North American market, although this has been somewhat mitigated due to increasing numbers of visitors from the EC consequent on the relative depreciation of Caribbean currencies vis-à-vis those of the EC. As is the case in other sectors, productivity will need to be increased by a judicious combination of investment in human resources and physical facilities, the latter to extend beyond the hotel to its supporting social and physical environment, if the Caribbean is to maintain the momentum that this sector has provided in economic growth.

Balance of Payments

Table XI

MERCHANDISE EXPORTS (US\$m.)									
	1980	1981	1982	1983	1984	1985	1986	1987	1988
Antigua	59.5	51.4	49.3	37.8	34.0	26.9	28.0	8.2	10.2
Bahamas<1>	135.1	151.8	181.6	210.0	251.9	295.8	293.7	273.1	270.6
Barbados	227.7	195.5	258.8	323.0	393.7	367.6	290.7	156.8	174.5
Belize	110.8	119.0	91.0	77.6	93.1	90.0	71.9	102.0	110.5
Cuba <2>	3967.0	4224.0	4940.0	5535.0	5476.0	5992.0	5321.5	5401.0	5518.3
Cuba <3>	1248.0	1406.0	1356.0	1234.0	1136.0	1244.0	907.0	603.9	752.8
Dominica	10.1	19.7	25.1	27.8	25.6	28.4	43.4	45.0	54.5
Dominican Republic	962.0	1188.0	768.0	785.0	868.0	739.0	722.1	711.3	893.5
Grenada	17.4	19.0	18.5	18.8	18.1	22.3	28.7	29.8	28.4
Guyana	389.1	344.7	251.5	193.3	217.6	214.1	210.4	240.6	231.3
Haiti	216.0	150.0	174.0	186.0	215.0	224.0	191.0	210.0	197.0
Jamaica	962.7	973.9	767.4	685.7	702.4	568.6	589.7	709.2	833.5
St.Kitts/Nevis	24.1	25.3	21.0	18.7	19.5	21.8	23.6	25.5	28.4
St. Lucia	46.0	41.2	41.6	47.5	47.8	52.0	82.9	76.7	111.1
St.Vincent	21.0	29.8	34.3	41.8	53.6	62.3	63.9	50.7	80.9
Suriname	514.4	469.8	425.1	363.7	361.6	311.6	...	...	...
Trinidad/Tobago	4077.0	3760.8	3071.8	2023.0	2106.3	2160.5	1368.0	1414.7	1470.0
Br. Virgin Is.	1.2	2.0	1.2	3.1	3.1	3.2	...	...	...
Montserrat	1.2	2.2	2.6	4.6	1.5	1.0	2.6	3.0	1.8
Netherlands Antilles	146.1	147.3	115.6	51.9	75.9	91.5	85.6	107.2	154.0
Puerto Rico	7139.7	8289.5	9052.7	8760.4	9408.8	9920.4	10610.5	11635.0	12553.5

MERCHANDISE IMPORTS (U.S. \$m)

Antigua	126.2	137.8	139.4	108.9	150.7	167.3	316.3	280.7	250.2
Bahamas<1>	676.5	432.9	664.5	591.3	866.2	992.3	1012.8	1154.7	1047.9
Barbados	524.6	575.6	553.8	624.5	662.3	637.0	621.6	517.9	585.2
Belize	149.2	161.8	137.2	117.6	131.8	131.1	126.5	147.5	175.5
Cuba <2>	4627.0	5114.0	5537.0	6222.0	7228.0	8035.0	7596.1	7612.0	7579.4
Cuba <3>	881	1121	750	793	1063	1177	1071	919.2	953.6
Dominica	53.2	49.7	47.5	47.1	55.8	55.3	55.8	66.4	87.5
Dominican Republic	1520.0	1452.0	1258.0	1279.0	1257.0	1286.0	1351.7	1591.5	1608.0
Grenada	60.3	70.2	77.6	74.2	56.3	69.3	83.5	88.7	92.2
Guyana	396.1	440.0	280.4	248.3	214.3	222.3	240.5	261.9	215.6
Haiti	319.0	374.0	324.0	352.0	346.0	349.0	303.0	311.0	304.0
Jamaica	1171.3	1472.6	1381.1	1281.1	1183.2	1143.6	973.3	1234.3	1434.6
ST.Kitts/Nevis	44.8	47.6	44.3	51.4	51.9	53.6	64.6	79.9	94.7
St. Lucia	123.8	129.2	118.1	106.8	118.5	125.0	155.2	179.1	220.9
St.Vincent	57.2	58.2	63.6	70.4	76.6	79.2	87.3	97.9	122.2
Suriname	504.0	563.2	511.8	446.5	342.9	296.0	...	...	...
Trinidad/Tobago	3177.5	3124.5	3697.1	2510.9	1915.7	1552.9	1483.9	1160.5	1186.1
Br Virgin Is	40.5	49.8	58.5	67.1	69.6	72.0	...	...	...
Montserrat	16.5	18.9	20.3	20.1	16.9	18.1	19.8	25.2	26.5
Netherlands Antilles	903.7	868.8	921.0	833.3	788.9	838.6	742.9	864.6	937.9
Puerto Rico	8189.3	9123.8	8523.8	8526.6	9520.0	10108.1	9830.0	10660.1	11851.7

Source: ECLAC; IBRD.

<1> Excludes oil trade

<2> Pesos(m) Refers to all trade

<3> Pesos(m). Refers to convertible currency trade only

Table XII

MERCHANDISE TRADE BALANCE (US\$m.)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Antigua	-46.7	-46.4	-49.1	-77.1	-116.7	-140.5	-288.3	-277.5	-240.1
Bahamas<1>	-541.4	-281.1	-482.9	-381.3	-614.3	-696.5	-719.1	-881.6	-777.3
Barbados	-296.9	-380.1	-295.1	-301.5	-268.6	-269.4	-330.9	-361.1	-410.7
Belize	-38.4	-42.8	-46.2	-40.0	-38.7	-41.1	-54.6	-45.5	-65.0
Cuba <2>	-660.0	-890.0	-597.0	-687.0	-1752.0	-2052.0	-2274.6	-2211.0	-2061.1
Cuba <3>	367.0	285.0	606.0	441.0	73.0	67.0	-164.0	-315.3	-200.8
Dominica	-43.1	-30.0	-22.4	-19.3	-30.2	-26.9	-12.4	-21.4	-33.0
Dominican Republic	-558.0	-264.0	-490.0	-494.0	-389.0	-547.0	-629.6	-880.2	-714.5
Grenada	-42.9	-51.2	-59.1	-55.4	-38.2	-47.0	-54.8	-58.9	-63.8
Guyana	-7.0	-95.3	-28.9	-55.0	3.3	-8.2	-30.1	-21.3	15.7
Haiti	-103.0	-224.0	-150.0	-166.0	-131.0	-126.0	-112.0	-101.0	107.0
Jamaica	-208.6	-498.7	-613.7	-595.4	-480.8	-575.0	-383.6	-525.1	-601.1
ST.Kitts/Nevis	-20.7	-22.3	-23.3	-32.7	-32.4	-31.8	-41.0	-54.3	-66.3
St. Lucia	-77.8	-88.0	-76.5	-59.3	-70.7	-73.0	-72.3	-102.5	-109.8
St.Vincent	-36.2	-28.4	-29.3	-28.6	-23.0	-16.9	-23.4	-47.2	-41.3
Suriname	10.4	-93.4	-86.7	-82.8	18.7	15.6	...	...	...
Trinidad/Tobago	899.5	636.3	-625.3	-487.9	190.6	607.6	-115.9	254.2	283.9
Br Virgin Is.	-39.3	-47.8	-57.3	-64.0	-66.5	-68.8	...	...	...
Montserrat	-15.3	-16.7	-17.7	-15.5	-15.4	-17.1	-17.2	-22.2	-24.8
Netherlands Antilles	-757.6	-721.5	-805.4	-781.4	-713.0	-747.1	-657.2	-757.5	-783.9
Puerto Rico	-1049.6	-834.3	528.9	233.8	-111.2	-187.7	780.5	974.9	701.8

Source: ECLAC; IBRD.

- <1> Excludes oil trade
 <2> Pesos(m); Refers to all trade
 <3> Pesos(m); Refers to convertible currency trade only

As is evident from the foregoing data Caribbean countries are, on the whole, unable to maintain a positive balance on merchandise trade. Exceptions to that rule are Trinidad and Tobago, Puerto Rico and Cuba, but in Cuba only in so far as its freely convertible currency account is concerned.

Over the period 1983-1987 merchandise exports grew by about 1 percent on average for the region as a whole. Fastest growth in exports was recorded by the OECS countries which averaged growth of over 13 percent per annum, if Antigua is excluded, as that country recorded a decline in exports of about 8 percent on average. Good growth was also recorded by Haiti, Belize and Puerto Rico while earnings for Jamaica and Guyana stagnated. Overall merchandise earnings increased modestly in Cuba at 2 percent, but its convertible currency earnings actually declined. For Barbados, the Dominican Republic and Trinidad and Tobago exports declined, in the latter case by about 12 percent on average (Table XI).

For the region as a whole imports which grew at about 2 percent on average grew faster than exports, although they actually contracted in the years 1983 and 1986. This growth was spread among all countries except for Guyana, Haiti and Jamaica, all of which experienced a compression of imports in the region of 0.5-1.5

percent per annum. Imports to Trinidad and Tobago also fell, but more significantly, by about 20 percent on average. Imports grew fastest in the OECS countries, lead by Antigua, reflecting their relatively high levels of prosperity. No significant growth in imports was recorded by Barbados for the period as a whole, for growth recorded in 1983 and 1984 was followed by a countervailing contraction in the latter years of the survey period.

From the foregoing it is clear that the merchandise trade gap widened with imports growing faster than exports. The gap widened fastest in the years 1983 and 1984, but the rate of increase moderated in the following years to fall in absolute terms in 1987.

Table XIII

BALANCE OF PAYMENTS-CURRENT ACCOUNT (U.S.\$m)									
	1980	1981	1982	1983	1984	1985	1986	1987	1988
Antigua	-25.4	-40.0	-38.9	-9.6	-2.0	-24.8	-137.2	-84.2	...
Bahamas	-33.0	-87.9	-63.2	-34.5	-44.7	-32.0	-24.3	-68.5	...
Barbados	-23.9	-115.7	-44.5	-50.6	17.5	53.8	-3.4	-2.6	-0.5
Belize	-8.7	-10.2	-13.2	-13.7	-21.6	-17.8	-5.9	-18.4	...
Cuba <1>	-46.0	51.0	297.0	263.0	-212.0	-506.0	-1961.0	-1318.4	-380.1
Dominica	-33.1	-23.4	-14.6	-10.4	-18.6	-20.7	-8.9	8.0	...
Dominican Republic	-669.8	-389.4	-442.6	-417.9	-163.4	-107.6	-162.5	-441.5	-218.4
Grenada	-13.3	-25.2	-33.8	-29.4	-27.6	-27.5	-34.9	-25.9	...
Guyana	-109.2	-189.2	-152.4	-165.3	-115.4	-156.0	-152.3	-138.9	...
Haiti	-107.9	-108.7	-48.9	-82.4	-139.0	-133.7	-144.0	-146.0	-152.0
Jamaica	-208.9	-373.2	-453.7	-506.2	-382.6	-421.3	-214.4	-162.6	24.9
St.Kitts/Nevis	-2.4	-6.2	-8.9	-18.3	-11.2	-11.0	-15.2	-23.3	...
St. Lucia	-40.7	-50.0	-36.6	-12.4	-23.8	-18.0	-5.4	-27.4	...
St.Vincent	-13.4	-8.0	-15.3	-6.6	-4.5	3.3	-3.0	-7.6	...
Suriname	-58.2	-122.6	-153.4	-176.3	-93.6	-53.0	-33.8	...	...
Trinidad/Tobago	334.7	445.0	-644.9	-1002.9	-522.5	-92.2	-603.7	-270.8	-151.5
Netherlands Antilles	...	54.6	176.2	79.2	138.8	382.3	40.4	-50.5	25.0
Puerto Rico	-4641.2	-4699.4	-3451.4	-4042.7	-5102.5	-5425.8	-4996.8	-6022.1	-6832.0

Source: ECLAC; IBRD.
<1> In Cuban pesos(m). Refers to convertible currency trade only

It is to services and specifically to tourism earnings, that the region must turn to redress the adverse balance on merchandise trade. Once again the exception to the rule is Puerto Rico which incurs a large deficit on services due to outflows for investment income and transportation. The deficit on current account, in fact, widened also over the survey period which indicates that despite the growth achieved in tourism, imports in some countries have been allowed to grow faster than their foreign earnings. The largest deficits were recorded in 1983 and 1986, but the increase was contained in 1987 to fall by almost 1 percent. Table XIII shows that all countries incurred deficits on current account for the period 1983-1987.

Capital Flows and Debt

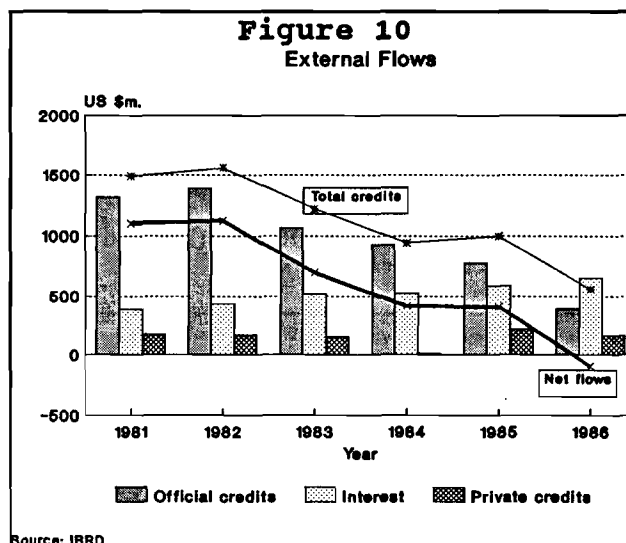
	1981	1982	1983	1984	1985	1986
Multilateral Loans	486.9	528.0	554.7	248.6	284.3	2.8
Bilateral Loans	535.9	577.9	323.9	385.6	116.4	36.0
Grants	295.1	283.4	184.1	293.3	378.0	355.7
OFFICIAL CREDITS	1317.9	1389.3	1062.7	927.5	778.7	394.5
Private Credits	172.1	170.7	154.5	15.7	219.8	162.1
TOTAL CREDITS	1490.0	1560.0	1217.2	943.0	998.5	556.6
INTEREST PAID	392.0	438.5	518.9	524.9	587.0	652.8
NET RESOURCE FLOWS	1098.0	1121.5	698.3	418.1	411.5	-96.2

Source: IBRD.

The external deficits were met either by private capital inflows, public borrowing, with consequences for the external debt, or by grants usually to the smaller and non-independent countries. Table XIV provides a breakdown of net capital flows into the region¹⁰. It shows that for the last five years for which data are available, 1982-1986 inclusive, overall flows declined for three of those years, and for 1986 they rested at a figure 64 percent below that of 1982.

Official credits declined significantly, from about United States \$1.3 billion in 1981 to United States \$ 0.36 billion in 1986, despite a growth in grant funds. The decline was due primarily to declining multi-lateral and bilateral credits. At the same time, interest payments increased by 66%, so that net transfers declined throughout the period to become negative in 1986 (Figure 10).

Despite the unanimous wish on the part of all countries to stimulate private foreign investment as evidenced by the

¹⁰

The figures do not include flows into Cuba.

enactment of various pieces of legislation to reduce the perception of risk by such investors, and the establishment of various institutions designed to foster and facilitate private investment, private capital flows have not been easy to stimulate. This paucity of new investment has been due no doubt to changing investment trends which favour the North Atlantic countries and the East, but it is also due to a perception by foreign lenders based on images of the past that the larger countries in the region do not welcome investment and, moreover, suffer from bureaucratic complexity and inertia. In fact such private investment as has flowed into the region has tended to go into free zones where many of these criticisms seem to be minimized. Private credits have also been affected, falling by 5 percent over the period.

Table XV

EXTERNAL DEBT (U.S.\$ m)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Antigua/Barbuda	45.5	46.7	54.0	55.7	51.0	64.9	133.9	...	161.7
Antigua/Barbuda<2>	45.5	76.6	84.4	88.7	57.6	75.8	180.7	245.4	239.0
Bahamas	98.0	159.5	228.1	233.9	212.8	193.2	211.2	207.1	147.4
Barbados	81.9	129.7	143.5	173.6	182.6	222.1	291.3	353.4	394.9
Belize	49.2	56.6	63.1	68.4	70.0	87.9	97.7	113.1	124.1
Cuba<3>	3227.0	3170.0	2669.0	2790.0	2989.0	3621.0	3870.0	6094.3	6450.0
Dominica	17.7	24.4	34.4	40.9	43.8	48.8	56.6	...	...
Dominican Republic<4>	2173.0	2549.0	2966.0	3313.0	3536.0	3690.0	3525.0	3420.0	3844.0
Grenada	14.4	26.2	32.1	46.8	48.4	49.3	54.2	48.4	48.7
Guyana	448.7	660.3	679.3	695.1	690.4	759.9	803.9	878.6	882.3
Guyana<2>	448.7	694.3	807.3	962.5	1114.0	1307.5	1477.4	...	1700.0
Haiti	290.0	372.0	410.0	551.0	607.0	600.0	696.0	741.0	...
Jamaica	1734.0	2212.0	2690.0	2920.0	3207.0	3499.0	3590.3	4013.6	4320.0
St. Kitts/Nevis	10.0	11.9	10.9	11.5	16.6	19.0	19.3	23.6	29.6
St. Lucia	18.2	25.1	28.3	29.9	28.0	28.8	31.5	37.2	...
St. Vincent	17.0	19.2	21.2	22.7	22.8	24.3	29.6	35.2	...
Trinidad/Tobago	911.2	948.5	1115.0	1306.0	1398.0	1643.0	1897.7	2082.2	2011.8
Montserrat	1.5	2.0	2.4	2.7	3.6	3.7	3.0	2.1	...

Source: IMF; IBRD; ECLAC; OECS; ECCB.

<1> Public sector incurred or guaranteed.

<2> Includes arrears

<3> Relates to convertible currency debt; in millions of pesos.

<4> Includes private debt.

The second source of potential capital inflows - public borrowing - has also been constrained by fears on the part of potential lenders of overexposure in the region generally, and among the larger Caribbean borrowers that the debt has reached a magnitude sufficiently large for its servicing to provide an impediment to future growth. This policy perception is reflected in the fact that public sector deficits have been falling.

Accordingly, the rate of capital flows from bilateral and multilateral sources have been declining by 94 percent and 99

percent respectively, although grants have increased by 25 percent. As a consequence of these developments the rate of debt accumulation has tended to decrease over the survey period (Table XV).

Table XVI

DEBT SERVICE PAYMENTS (U.S. \$ m)								
	1980	1981	1982	1983	1984	1985	1986	1987
Antigua/Barbuda	6.7	7.0	7.3	10.2	9.1	10.2	11.1	27.8
Bahamas	29.3	54.5	44.2	40.8	54.9	51.6	141.5	...
Barbados	11.0	14.0	17.0	21.0	23.0	30.0	38.3	50.6
Belize	1.6	2.3	3.9	4.0	5.0	14.3	13.8	13.6
Dominica	0.6	1.1	1.4	2.8	4.4	4.2	4.9	...
Dominican Republic.<1>	177.0	234.0	242.0	257.0	177.0	175.0	192.0	229.0
Grenada	1.6	1.5	2.4	2.6	6.4	8.6	7.6	...
Guyana<2>	69.5	79.6	63.1	65.6	54.7	32.7	33.4	...
Guyana<3>	85.0	96.1	102.3	139.8	142.3	184.2	202.7	...
Haiti	15.0	16.0	17.0	23.0	37.0	31.0	35.0	46.0
Jamaica<2>	263.0	437.8	408.4	371.4	394.8	490.0	598.0	...
Jamaica<3>	341.0	574.0	555.0	573.0	736.0	734.0	821.0	...
St. Christopher/Nevis	0.5	0.6	0.7	0.7	1.1	1.5	4.8	1.7
St. Lucia	1.4	1.3	4.2	2.0	3.1	4.3	2.9	3.0
St. Vincent/Grenadines	...	1.5	1.5	1.7	2.3	3.2	3.1	...
Trinidad/Tobago	199.2	74.5	75.8	179.0	165.4	197.4	358.5	605.3
Montserrat	0.1	0.1	0.1	0.2	0.4	0.4	0.3	...

Source: ECLAC, IBRD, ECCB; IBRD; CDB; OECS.

<1> Relates to interest payments on the current account of the balance of payments.

<2> Amounts actually paid.

<3> Total debt service accrued.

For the period 1981-1983 the debt grew by 34 percent, whereas for the period 1984-1986 it had increased by 24 percent. Yet despite the slowdown in new loans the cost of servicing the existing debt increased by 25 percent for the period 1984-1986, as compared with the period 1981-1983 (Table XVI).

Caribbean countries having the major debt burden were Antigua, Guyana, Jamaica and, to a lesser extent, Cuba and Trinidad and Tobago. In line with global trends the countries in the region having debt servicing problems have also recorded a low rate of economic growth. Exceptions to that rule are provided by Antigua, which has accumulated significant amounts of arrears and Cuba, both of which have managed to use the debt incurred for directly productive activities or to provide infrastructure to support such investment. But for those countries not using the debt to finance foreign income-generating activities, the debt service has now provided an impediment to future growth.

Fiscal performance

Table XVII

CENTRAL GOVERNMENT BALANCE ON CURRENT ACCOUNT
(In national currency \$m)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Antigua/Barbuda	-4	-9	-18	-13	-7	-2	12	5	8
Bahamas	36	38	12	-4	9	23	12	-9	4
Barbados	46	19	19	54	12	17	43	-21	62
Belize	17	8	-8	-12	-10	-8	6	10	22
Cuba	...	...	...	3640	2618	2881	2916	2074	...
Dominica	-13	-6	-5	0	1	2	4	8	12
Dominican Republic	165	154	47	27	147	227	524	1380	...
Grenada	-2	-1	3	7	2	-25	-29	-6	21
Guyana	-185	-269	-186	-330	-624	-375	-309	-1174	-1202
Haiti	...	-136	-837	-696	-700	-525	-440	-496	...
Jamaica	-587	-175	-380	-669	-132	311	758	835	134
St. Kitts/Nevis	...	-2	-5	-5	-4	-8	3	4	1
St. Lucia	4	-3	-12	-6	-3	2	16	30	44
St. Vincent	-3	2	3	-1	1	5	11	11	13
Suriname	20	-51	-81	-202	-217	-314	...	...	...
Trinidad/Tobago	3338	3483	1079	325	251	283	-402	-397	-361
Br Virgin Is	3	3	4	2	1	0	...	0	...
Montserrat	1	3	1	1	0	2	1	1	2

Source: Economic Activity in Caribbean countries - various issues; Data supplied ECLAC; IMF/IBRD.

Throughout the survey period fairly sustained efforts were made by most countries to reduce fiscal deficits and some success was made in this regard by the end of the survey period. In 1983 10 countries had deficits on current account and this had been reduced to six by 1987. Even those countries running chronic deficits since 1983, such as Haiti and Guyana, achieved some progress in reducing its magnitude, although available evidence seems to indicate its continued growth to 1988 in Suriname (Table XVII).

Notable among the countries moving from a current account deficit was Jamaica, which reduced its deficit from 1983 and recorded a surplus from 1985 to 1987. Although data for 1988 are not yet available, it is doubtful that a surplus will continue for 1988 due to a loss of revenue caused by the hurricane and increased expenditures which it necessitated. Nevertheless, the turnaround was achieved by a combination of expenditure restraint and revenue increase, the latter through tax and tariff reform and a divestment programme. Revenues moved from 27 percent of GDP in financial year 1985/1986 to 35 percent of GDP in financial year 1987/1988. During the same period, total expenditure moved from 39 percent to 42 percent; but recurrent expenditure was contained despite an increasing proportion being earmarked for interest payments.

The other notable case was Trinidad and Tobago which reduced its considerable surplus from 1980, to incur a deficit since 1986. Rapidly falling revenues from petroleum were juxtaposed to difficulties in reducing current expenditures, the two main components of which were wages and salaries to central government employees accounting for 45 percent of recurrent expenditures in 1987, and transfers and subsidies to government entities accounting for a further 38 percent. Reforms are currently underway to reduce both sets of expenses, through early retirement and voluntary redundancies in the public sector, and through increased efficiency and selective divestment and closures in public sector entities.

For the most part the efforts of the OECS countries have been successful, all countries now managing to sustain surpluses on current account.