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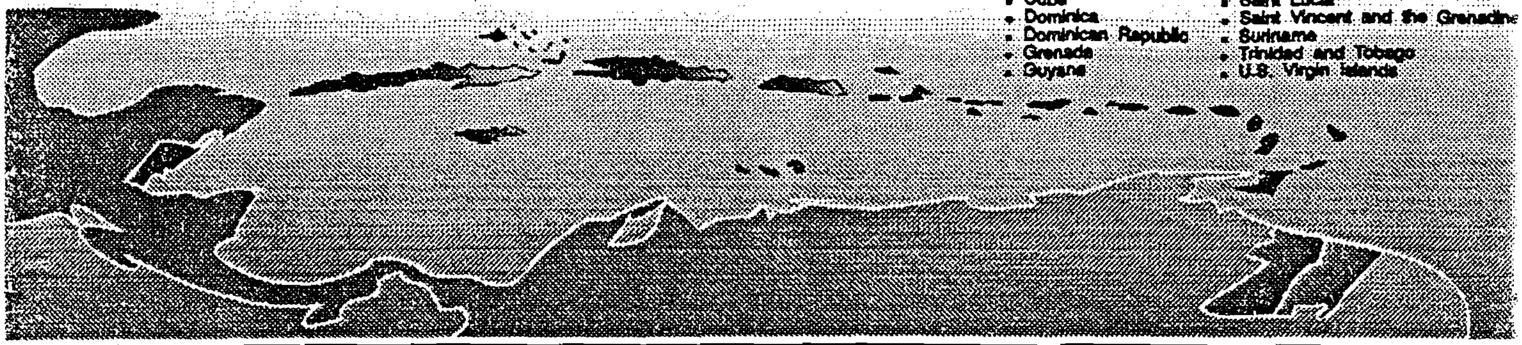
UN ECLAC/CDCC

- Antigua and Barbuda
- Aruba
- Bahamas
- Barbados
- Belize
- Br.Virgin Islands
- Cuba
- Dominica
- Dominican Republic
- Grenada
- Guyana
- Haiti
- Jamaica
- Montserrat
- Netherlands Antilles
- Puerto Rico
- Saint Kitts and Nevis
- Saint Lucia
- Saint Vincent and the Grenadines
- Suriname
- Trinidad and Tobago
- U.S. Virgin Islands



GENERAL
LC/CAR/G.432
31 December 1994
ORIGINAL:ENGLISH

SUMMARY OF CARIBBEAN ECONOMIC PERFORMANCE FOR 1994 - AND- OVERVIEW OF ECONOMIC ACTIVITIES FOR 1993

UNITED NATIONS
ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN
Subregional Headquarters for the Caribbean
CARIBBEAN DEVELOPMENT AND COOPERATION COMMITTEE

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SUMMARY OF CARIBBEAN ECONOMIC PERFORMANCE- 1994

Economic performance for most CARICOM countries, was slightly better than for the corresponding period in 1993[1]. The most notable changes were recorded in Barbados and Trinidad and Tobago, both countries recording strong performance after a protracted decline. In Guyana, vigorous growth continued with estimates of economic performance, based on data to October, suggesting increased growth at 8.8 per cent, compared to 8.3 per cent in 1993. In Jamaica, projections made at the beginning of 1994, suggested rates of growth of 1.7 per cent, but this target was revised upward slightly to 2 per cent for calendar 1994. Contrary to these trends, however, the Organization of East Caribbean States (OECS) and the Netherlands Antilles were not expected to grow as quickly in 1994 as in 1993. In both instances, improved performance in tourism was unable to compensate for contraction elsewhere in the economy. Economic contraction was also expected to continue in Cuba, Haiti and Suriname, consequent on persistent economic disequilibrium and the intractable socio-political problems being experienced by those countries.

In Barbados, GDP grew by an estimated 3.8 per cent, building on the modest return to growth experienced in 1993, after three consecutive years of decline. The stimulus was provided by a resurgent tourism sector but sugar production also increased after many years of decline. Growth in these sectors, together with reduced retained imports, served to bolster the foreign reserves and domestic liquidity. Increased economic activity, stimulated in part by reduced direct taxes, also served to reduce historically high levels of unemployment. For the immediate future, the tourism sector should continue to grow but there is scant evidence to suggest that the manufacturing sector has yet managed to achieve a sufficiently high level of export competitiveness to provide its own impetus to expansion. Since the capacity for further agricultural expansion is limited, projections for growth in 1995 are expected to be modest.

Growth also resumed in Trinidad and Tobago, which had experienced four years of decline in the last five. Economic activity was estimated to have increased by an annualized rate of 4 per cent by the third quarter of 1994. This strong economic performance was led by the petroleum sector although modest expansion was also evident in some non-petroleum sectors, notably sugar and construction. The buoyant economy bolstered fiscal revenues, so that expenditures could rise to mitigate some of the most painful effects of the recent adjustment programme. Quickened economic activity had its impact on the labour market, so that unemployment contracted.

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[1] This preliminary evaluation is based on six to nine month data for most countries.

Strong performance continued in Guyana, the economy expanding by about 8.8 per cent, compared to 8.3 per cent in 1993, despite declines in bauxite production and rice output. Gold production continued to expand rapidly. Guyana continued to face foreign exchange constraints, however, with strong demand causing a depreciation of the currency and inviting government measures in an attempt to stabilize the exchange rate. Growth of 6 per cent was being projected for 1995, signalling more modest future rates of expansion. The rapid growth in the recent past was unlikely to continue indefinitely, since it derived from drastic policy change from that prevailing for over two decades, the stabilization of the economy, resuscitation of existing productive capacity and the reincorporation of a huge informal sector.

In Jamaica, performance was expected to continue to be modest, following growth of below one per cent in 1993. For the first half of 1994, tourism and banana production were disappointing, though compensated somewhat by the expanding alumina exports. The poor export performance in bananas was, however, dealt a further blow by tropical Storm Gordon, in early November. Strong growth in the sugar industry in the early part of the year, was offset by organizational problems consequent on its privatization later in the year, but these are expected to be short-lived. The falloff in tourism which became evident after the first quarter of the year was not arrested before the winter season, so that no growth in arrivals was expected for calendar year 1994. This reversed a trend of strong growth in recent years and was to be explained, in part, by adverse publicity abroad following incidents of personal violence and, in part, by the ongoing negotiations with cruiseships.

Measures to repair hurricane damage were not expected to significantly destabilize demand management, which has proven to be the perennial weak link in Jamaican economic management. In 1994, this was predicated on tight fiscal and monetary policies in an attempt to contain inflation. The target was not met, however, with inflation quickening to a projected 25 per cent for 1994, up from 22 per cent in 1993.

For the OECS countries, economic activity was expected to be weaker than the modest rate achieved in 1993. While tourism maintained strong growth, exports of bananas were down throughout the year. This poor performance was further reduced by hurricane Debbie, which hit Dominica, Saint Lucia and Saint Vincent and the Grenadines, in September.

Tourism performed well for most countries. Arrivals to the Caribbean as a whole were estimated to have increased by 8 per cent for the first six months. Leading the pace of growth, at between 16-19 per cent were Saint Lucia, Grenada and Saint Kitts/Nevis, with Barbados gaining by over 11 per cent. More modest performance was recorded by the Bahamas (5 per cent) while Jamaica recorded a slight decline (-1.9 per cent) in arrivals between January and August, compared with 1993. Despite strong economic performance in the United States, the major source of new tourists to the Caribbean was Europe, causing some anxiety about loss of United States market share.

Regional sugar production also increased over the first six months, especially in Barbados where it increased by 7 per cent and in Jamaica and Trinidad and Tobago, both achieving increases of 25 per cent. Improved access for African Caribbean Pacific (ACP) sugar into Europe augured well for the future, if countries are able to increase output.

External performance was positive for the larger countries. In the OECS countries, tourism earnings and hence the services account remained strong, although merchandise earnings weakened. In Barbados, the external balance was further strengthened after strong performance in 1993, with the current balance increasing by 19 per cent. Tourism earnings increased by over 10 per cent and the merchandise account was strengthened by sugar earnings, which increased by almost 8 per cent. Imports grew by 10 per cent. The capital account recorded a surplus following two consecutive years of deficit being bolstered by long-term capital flows, channelled into the tourism sector and also supported by government borrowing and the sale of government assets.

The external balance of Jamaica improved over the first half of the year. The value of exports rose by about 6 per cent, essentially because of increased alumina exports, although sugar and non-traditional exports also rose. Imports declined slightly, the contraction being mainly in the imports of capital goods. The services balance increased, although the growth in travel earnings slowed, because of the slowdown in tourism arrivals. Capital inflows increased by 20 per cent over the corresponding period in 1993, notably private inflows which more than doubled. Favourable exchange and interest rates were mainly responsible.

In Trinidad and Tobago, the balance on visible trade for the first five months moved from a deficit in the comparable period in 1993 to a substantial surplus in 1994, consequent on increased exports of petroleum products, chemicals and sugar and a reduction in imports. The services deficit contracted (Trinidad is one of the few Caribbean countries having a deficit in services because of its small tourism sector), although the capital account deficit increased, because of increased debt repayments by the public sector and public corporations and substantially reduced private inflows. Gross foreign assets fell slightly by the second quarter, to 4.6 months of cover.

Details of the external performance of the OECS countries were unavailable but banana earnings show a decline of almost 13 per cent, for the first six months. This decline was most acute in Saint Vincent and the Grenadines, where earnings fell by 37 per cent. Hurricane damage in various OECS countries was expected to erode this performance further. Rice and soap exports also declined, although cocoa and nutmeg exports were up, by 50 and 90 per cent, respectively.

For the countries surveyed, the fiscal accounts deteriorated slightly in early 1994, as governments sought to compensate for the most obvious consequences of recent fiscal stringency. In Barbados, current revenues declined slightly, for while the buoyant economy raised the take from indirect taxes, direct taxes have been falling steadily as a result of the current tax reform exercise. Current expenditures were, however, contained, so that the current balance was augmented, by 23 per cent. This liberated funds for capital spending which accelerated after many years of austerity, resources being channelled into infrastructure.

Fiscal performance in the OECS wakened somewhat over the corresponding first half of 1993. Combined revenues grew by 6.4 per cent but expenditures increased faster, at 10 per cent. Expenditure increases were notable in the category of transfers and subsidies, in Dominica, Saint Kitts/Nevis, Saint Lucia and Saint Vincent and the Grenadines and in personnel emoluments in Dominica, Saint Kitts/Nevis and Saint Lucia. The consolidated current account surplus accordingly contracted, by 21 per cent. Hurricane related expenditures were expected to take their toll in the final quarter of 1994.

In Trinidad and Tobago, the fiscal account moved from a surplus in the first half of 1993 to a deficit in 1994. Revenues remained constant, with declines in petroleum revenues being offset elsewhere. Nevertheless, expenditures increased significantly, transfers to households increasing by 44 per cent, as government sought to mitigate the worst social consequences of recent fiscal stringency.

Inflation was greatest in those countries with flexible exchange rates. In Guyana, the rate for the first half of the year was over 6 per cent, compared with 2 per cent in the previous corresponding period, mainly as a result of the exchange rate depreciation. In Jamaica, inflation was expected to average 25 per cent, currency depreciation being also the most significant contributory factor while in Trinidad and Tobago, the rate of inflation abated, as the rate of currency depreciation slowed. From a January to June rate of 11 per cent in 1993 it slowed to about 8 per cent in 1994. Unemployment fell from 21 per cent in the first quarter of 1993, to 19.8 per cent in the corresponding quarter of 1994.

Inflation was almost non-existent in Barbados, which has maintained a fixed exchange rate. The retail price index for June 1994 was barely 0.2 per cent above that for the period ending June 1993, with food and beverage prices falling by 1.5 per cent and clothing and footwear prices by 2.5 per cent. The unemployment rate fell, resting at 20.5 per cent in June 1994 compared with 24 per cent in June 1993. Inflation is customarily low in the OECS countries and was expected to remain so in 1994.

GLOBAL DEVELOPMENTS - 1993

Global output<1>

	1989	1990	1991	1992	1993
Global Output	3.4	**2.2**	**0.6**	**1.7**	**2.2**
Industrial countries	3.2	2.3	0.5	1.7	1.1
U.S.A.	2.5	1.2	-0.7	2.6	2.7
European Community	3.5	3.0	0.8	1.1	-0.2
Japan	4.7	4.8	4.0	1.3	-0.1
Developing countries	4.1	3.7	4.5	5.8	6.1
Former USSR	3.0	-2.3	-11.8	-17.8	-13.7
Central Europe<2>	0.2	-7.1	-12.6	-9.1	-1.8

Source: I.M.F. World Economic Outlook; ECLAC.
<1>Annual changes in real GDP, in per cent.
<2>Former European CMEA, excluding former USSR

Global economic activity remained weak in 1993, although performance improved over 1992. Total performance was heavily influenced by weakened activity in the major industrial countries of North America, Western Europe and Japan, which together form the engine of global activity. Within this group, performance was mixed, with the economies of the United States, Canada and the United Kingdom expanding over the previous year, while Japan and Germany (-1.6 per cent) showed contrary tendencies. Performance of the major industrial countries for the first quarter of 1994 has been much more robust, which augurs well for global activities for the rest of 1994 and for 1995.

The United States of America consolidated its economic expansion in 1993 and projected moderate growth of between 2.5-3 per cent over the next four years[2]. The main contributor to growth was the interest rate, which remained at a 25-year low, and was

[2] Annual Report of the Council of Economic Advisers to the President of the United States, February 1994.

made possible by the Administration's deficit reduction package[3]. Momentum in the second half of 1993 was, therefore, generated by interest sensitive sectors such as housing and producers' and consumers' durable goods. The current recovery was, however, more sluggish than the norm, which typically shows a 6 per cent jump after a recessionary trough. Job recovery was also slower than normal. Many structural factors were evident, including reductions in defence spending and weak economic performance in the other major industrial economies. Reduction of the debt overhang by private consumers and businesses was said to be a further factor. Debt reduction by banks, in an attempt to improve their portfolios, translated into more cautious lending policies and tighter credit. Corporate down-sizing, to reduce break-even points, was a further dampener on economic recovery, since employment and wage rates contracted.

The rate of growth picked up to 5.9 per cent in the first quarter of 1994 and unemployment declined to just over 6 per cent. These figures are now close to the limits that can be achieved with stable inflation, and interest rates are accordingly beginning to inch upward.

Canada and the United Kingdom were the other major industrial countries coming out of recession. Economic activity in Canada was stimulated by reactivation in the United States, the easy availability of credit and increased competitiveness that allowed improved export performance. Like that in the United States, it is however a sluggish recovery with housing and retail sales reflecting caution. Unemployment remained high, at over 11 per cent and contributed further to consumer caution. Expansion in the United Kingdom was driven by increased competitiveness consequent upon long-term structural changes taking place and currency depreciation in late 1992. It was also supported by recovering domestic demand, though unemployment remained high. Output in the United Kingdom is expected to increase by 2.5 per cent in 1994.

The two major trading countries of Germany and Japan suffered declines in output that put a major dampener of global economic activity. **German** problems derived in part from adjustments consequent on unification. Tight monetary policy was necessary to contain the inflationary effects of prior fiscal expansion, upon unification. Fiscal restraint adversely affected the industrial sector that had lost international competitiveness. It also impacted adversely on those European Union (EU) economies that remained constrained by it, through the European Monetary System (EMS), further constraining German export performance. These factors are expected to prevail into 1994 limiting the speed of German recovery.

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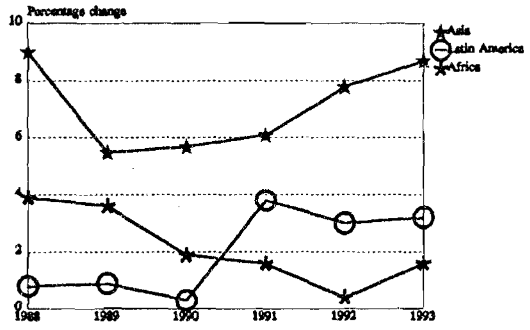
[3] Deficit reduction is likely to have other beneficial spin-offs, including increased private investment and a greater share of it being satisfied by domestic savings. This is likely to have positive effects on the balance of payments and is the only certain way to reduce the external imbalances with Japan.

Figure 1

Output - Developing countries

G.D.P. growth

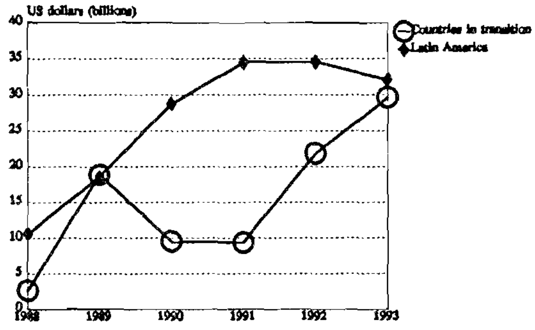


Source: IMF; ECLAC

Figure 2

External Financing

Total net external financing



Source: IMF; ECLAC

In **Japan** economic contraction resulted from several factors, including asset price reductions and consequent balance sheet adjustments; the appreciating Yen together with weak demand in global trading partners putting a dampener on export performance; and, severe contraction in domestic investment after historically high levels, in part because of weakened business confidence. While output contracted by 1.6 per cent in the fourth quarter of fiscal 1993, this was lower than expected. This has led analysts to the view that Japan is pulling out of its recession and to predict growth of over 1 per cent for fiscal 1994.

The countries in transition, the former Soviet Union and those of Central Europe recorded differing performances, the former continuing to experience severe adjustment problems and major economic contraction. The two most significant economies in the group, Russia and the Ukraine, recorded economic contraction estimated to be 15 and 18 per cent of GDP, respectively. These countries were unable to control the money supply and the pace of inflation, a consequence of their huge fiscal deficits. Simultaneously, the Baltic States pursued more conservative fiscal policies and were further along in their adjustment.

The economies of Central Europe made significant strides in their economic programmes, some of them benefiting from significant inflows of investment and increasing output. While as a group they recorded slight economic contraction, it was contained from the severe decline experienced in 1990-1991. Poland, at 4 per cent and Albania experienced strong growth. The Czech Republic also recorded growth, though the Slovak Republic suffered major declines in 1993. In Hungary the economy was poised to record growth in 1994. The republics of the former Yugoslavia remained mired in hostilities in 1993, with consequent drastic contraction in output and standards of living.

An issue of concern to the developing countries was the potential of the countries in transition to draw on the pool of international capital, to the detriment of the developing countries. In 1993 this potential was not fully realized. The expected enormous inflow of multilateral finance to Russia and the Ukraine was not forthcoming, because these countries were experiencing severe difficulty in meeting International Monetary Fund (IMF) conditions and were unable to provide even timely or accurate data to the international financial institutions. Moreover, there are increasing signs of political instability and policy uncertainty that made large inflows of either multilateral or private capital to these countries far from certain in the short term. In 1992 countries of the former Soviet Union received just over US$ 1 billion in multilateral financial flows, while Central Europe received just over one-half of that figure.

Total flows to the countries in transition increased in 1993, to almost US$30 billion, just slightly less than flows to Latin America. Over one-half of the total was in external borrowing, while one-third came as non-debt creating flows, equally shared between official transfers and direct investment. Private capital had started to flow into some republics in Central Europe, mainly substituting for investment in higher cost countries in Western Europe. The source of investment was mainly German, seeking cheaper alternatives to domestic or other EU production.

The **developing countries** recorded a robust performance serving to bolster global output, despite the reduced contribution made by the major industrial countries. Factors affecting developing country performance were appropriate domestic policies, reduced interest rates on dollar denominated debt and increasing capital flows.

All the main regions recorded increased output, but **Asia** continued to set the pace, at almost 9 per cent. The four Newly Industrializing Asian Countries, which until recently had exceeded the general average for Asia, could not match this pace, though their performance improved over 1992. Instead, it was China, its economy growing over 13 per cent for the second year, which raised the general average for Asia. Measures were subsequently taken, however, to restrain China's growth to a more sustainable pace in 1994. Notable, though more modest, expansion was also recorded by Indonesia, Thailand and by India. While Asia benefited from low interest rates and increased capital inflows, its dynamism was also to be explained very strong intraregional trade and investment.

Reduced economic activity in the **Middle East** was to be seen as a return to trend, after the huge stimulus given to the region by the Gulf hostilities in 1992. Weak oil prices in 1993 provided a further depressing effect on the oil economies of the region. In **Africa** output remained weak, though expansion was faster than in the previous year. Limited demand for African exports from the major industrial countries, adverse climatic conditions and severe disequilibrium in some countries all contributed to the limited economic expansion in Africa. The prospects for 1994 were not expected to be significantly better.

Performance in Latin America was moderate, though marginally better than in 1992. **Output growth** was buttressed by increasing price stability and significant capital inflows. Positive domestic factors were improvements in economic management, the restructuring of Latin American economies and increased interregional trade. External factors were mixed, with reduced demand and raw material prices being negative, but reduced interest rates compensating somewhat.

As always, overall performance was heavily influenced by Brazil. If the influence of Brazil was excluded, the rest of the region grew half as fast as in the previous two years, at 2.5 per cent, though performance within the group varied widely. Simultaneously, inflation in Brazil, at over 2000 per cent was high and growing, contrary to trends elsewhere in Latin America. **Inflation** for the region, including Brazil, grew on average from 420 per cent in 1992 to 800 per cent in 1993. If Brazil is excluded, however, the regional average goes down from 22 per cent in 1992 to 19 per cent in 1993. Other high inflation countries were Ecuador, Peru, Nicaragua, Uruguay and Venezuela, recording inflation rates of between 30-50 per cent. Price stabilization was most notable in Argentina, with inflation contained to 8 per cent, only four years after having an inflation rate of almost 5000 per cent. Peru while still over 40 per cent, is nevertheless, coming from over 7600 per cent in 1990.

Among the **oil exporting countries**, which as a group grew slower than the average for Latin America as a whole, Venezuela and Trinidad and Tobago experienced economic contraction. In **Venezuela** contraction followed three years of intense growth and consequent inflationary pressures leading to tight monetary policy. This in turn triggered high interest rates and strangled private investment. Uncertainty, caused by political instability also played its part. Strong performance was, however, recorded by Peru, up by 6.5 per cent after five years of decline. The rate of growth in **Mexico** decreased for the third year, resting at 1 per cent[4]. Sluggishness in Mexico was attributable to stagnant domestic demand; industrial restructuring and liberalization in the context of tight monetary and fiscal policies; reduced demand from North America, which was just coming out of a recessionary phase; and uncertainty surrounding the approval of the North American Free Trade Association (NAFTA). Output grew fairly quickly in **Colombia** at 4.5 per cent. It was led by non-tradable activities such as construction, commerce and transport. Trade liberalization plus an appreciation of the peso in terms of wages restrained the growth of tradables. Domestic demand, both public and private, was strong and gross capital formation increased by over 27 per cent. In the face of this expansion unemployment fell below 9 per cent.

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[4] Output actually declined in the last two quarters of 1993, which taken together with political instability in the country is inauspicious for 1994 performance.

The non-oil exporters in South America performed above average for the region as a whole, at 5 per cent. Performance was led by Argentina and Chile at 6 per cent, the latter maintaining steady growth for the tenth consecutive year. Real output in Chile in 1993 exceeded that achieved in 1980 by 60 per cent. Brazil achieved growth of 4.5 per cent. This strong performance follows five lean years that caused output in 1992 to be 1.2 per cent below that recorded in 1987. The new spurt of activity was driven by manufacturing and attendant services, but was not sustained toward the end of the year and set off further inflationary pressures in the economy. The major economic disequilibrium in Brazil is a significant constraint to sustainable growth.

The **Central American Common Market** countries averaged growth of over 4 per cent, being led by Costa Rica and El Salvador at 6 and 5 per cent, respectively. Output in **Costa Rica**, which followed even more robust expansion in 1992, was spread fairly broadly across the economy, in construction, manufacturing, commerce and tourism with gross investment increasing by 14 per cent. **El Salvador** benefited from renewed investor confidence following the cessation of hostilities with strong private domestic investment. Other favourable factors were strong export performance and significant inflows of assistance funding.

Guatemala and Honduras recorded moderate growth, of 4 per cent and 3.5 per cent, respectively. Expansion in Guatemala took place despite political instability and difficulty in traditional agricultural exports but domestic investment was strong as was construction. Strong inter-CACM and free-zone exports bolstered the manufacturing sector. Growth in Honduras was stimulated by government investment in infrastructure, private construction and an upsurge in financial services following financial deregulation.

Output in **Nicaragua** contracted by 1 per cent, continuing 10 years of steady decline, so that per capita income in 1993 was less than 60 per cent of its 1980 value. Fiscal and monetary contraction, to stabilize the economy, were in part responsible for the decline that was also aggravated by social and political instability. Performance in Panama was strong at 5 per cent, continuing the fast pace of the two previous years.

Global issues

The global agenda encompassed several issues in 1993, some of which hold particular relevance for future Caribbean policy. Foremost among these was the evolving dialectic between the general Agreement on Tariffs and Trade (GATT), representing free-trade and transparent universal rules and bilateralism, or the use of national power to determine the rules of the game, on a case by case basis. The completion of the Uruguay Round of the GATT, and the agreement reached on NAFTA were further episodes in this ongoing process. While the GATT clearly advanced in the direction of liberalizing trade, the formation of NAFTA provided mixed signals, especially coming after the consolidation of the EU. Also, the widening of the latter to include four new members and generating new pressures to further widen the group to include some of Central Europe by the end of the decade, further complicated the analysis.

While the coming into force of NAFTA had demonstrably freed trade amongst its members, it had also increased uncertainty as to whether the future direction was toward the formation of global trading blocs and created anxieties in those adjacent countries not (yet) included in it. The meeting of the Asia-Pacific Economic Cooperation (APEC), coming soon after, raised further questions.

The fear was that such regional trade groups were likely to foster cliques and virtually close out those, especially small, countries that were not members of one or other bloc. They would be powerless to fend for themselves in a scenario where power was not constrained by agreed rules. Further, there was concern that arrangements would be made in the interest of the groups that were inconsistent between them and, therefore, with more generalized trade.

These concerns were heightened by sharpening trade disputes in late 1993, between the United States and the EU, on the one hand, and the United States and Japan, on the other, in the first quarter of 1994. In both instances unilateral action was threatened. In the case of the United States and Japan, the demands being made on Japan were so out of line with accepted free-trade practice as to cause the latter to threaten to lodge a complaint against the United States before the GATT. A backdrop to these activities was provided by the EU, not making significant waves lately only because the fear of its protectionist instincts was so long-standing. Indeed, it was argued that the new vogue for trade blocs was a defensive reaction to the EU. The issue of regionalism was likely to take an increased profile on the global agenda. Most probably the World Trade organization (WTO) would be asked to fashion guidelines to promote more open regionalism[5].

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[5] ECLAC has set out a number of suggestions in this vein in its recent document entitled "Open Regionalism in Latin America and the Caribbean." ECLAC; LC/G.1801 (SES.25/4), February 1994.

CARIBBEAN ECONOMIC PERFORMANCE IN 1993

Macroeconomic overview

In view of the faltering global recovery, Caribbean economic performance could be described as moderate, though not as good as in 1992. Global impacts, nevertheless, affected the countries surveyed in different ways, depending on the composition of their export baskets.

The traditional agricultural export crops continued to imbue countries with uncertainty, since their prospects were largely politically decided. In the survey year, the spotlight fell again on bananas, with depressed prices and uncertainty surrounding the future regime governing exports to the European Union (EU), consequent on the deliberations within the General Agreement on Tariffs and Trade (GATT).

The minerals exporting countries were also adversely affected in 1993. The bauxite/alumina producers were affected by sluggish demand in the major industrial countries and increasing supply from countries in the former Soviet Union. Petroleum prices also remained depressed, adversely affecting the prospects for recovery in Trinidad and Tobago, while depressed ferro-nickel earnings reduced the contribution of the minerals sector in the Dominican Republic, by 11 per cent. Only gold in Guyana provided some glitter.

The manufacturing sector remained problematic, as it tried to reorient its activities toward global markets, in the face of increasing trade liberalization in the CARICOM countries. The initial response was one of contraction and it still seemed too early to discern signs of renewed vitality.

Tourism, as in recent years, continued to provide the mainstay of expansion for most Caribbean countries, despite the still depressed global market. Reactivation in the industrialized countries held out hope for even greater expansion in 1994.

Those countries facing severe adjustment problems had to cope with additional policy complications. Notable were the debilitating effects of external debt in Guyana and Jamaica, and the quest for increased export earnings in Barbados, the Dominican Republic and Trinidad and Tobago, caused by a declining dominant export sector or because of reduced overall competitiveness.

Fortunately, for **the (OECS)** as a group[6], strong tourism growth compensated for declining banana income, thus making the transition of these economies away from traditional agriculture to services less difficult. The steady decline in growth was marked, from an average for the group of over 6 per cent in the latter part of the 1980s to more modest rates in this decade. The average recorded for 1993 was about 2.8 per cent, down from 3.6 per cent in 1992.

Table II

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

	1989	1990	1991	1992	1993
Anguilla	8.5	6.6	-3.7	7.1	7.8
Antigua/Barbuda	5.2	2.8	1.6	1.7	3.4
Barbados	3.5	-3.1	-4.1	-4.0	1.0
Belize	12.4	10.2	3.2	7.6	3.3
Dominica	-1.1	6.6	2.1	2.8	1.8
Dominican Republic	4.5	-5.5	-1.0	7.6	3.0
Grenada	5.7	5.2	2.9	0.6	0.7
Guyana	-4.7	-3.1	6.1	7.7	8.2
Haiti	0.7	-0.7	-0.8	-10.8	-4.3
Jamaica	6.8	5.5	0.5	1.4	1.2
Montserrat	10.0	14.1	-23.4	1.3	-0.3
St.Kitts/Nevis	6.7	3.0	3.7	3.6	4.5
St. Lucia	8.5	4.5	2.3	7.1	3.1
St. Vincent	7.2	7.1	3.1	6.5	1.4
Trinidad/Tobago	-0.7	-0.2	2.7	-0.5	-1.4

SOURCE: Derived from country data

Outstanding growth was again recorded in Guyana and in Anguilla. In the former, G.D.P. grew cumulatively by 22 per cent since 1991, as compared with the period 1981-1990 that witnessed a 30 per cent contraction. Some of this growth represented the reactivation of idle capacity and the reincorporation of product into the formal economy, consequent on improved macroeconomic policies, but significant new output was also forthcoming. This was notable in agriculture and gold mining and had a positive spin-off effect on construction and manufacturing for the domestic market.

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[6] The OECS countries comprise Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines and the Grenadines. For the purposes of this analysis aggregates relating to the OECS also include Anguilla, which is not an OECS country but is a member of the Eastern Caribbean Central Bank (ECCB).

Services also benefited. The rapid growth in Anguilla was to be explained by the strong impulses given to the rest of this small economy by greatly augmented tourist earnings.

The cluster of countries comprising Belize, the Dominican Republic and Saint Lucia recorded moderate growth, of between 3.0-3.5 per cent. Always the goods producing sectors, notably agriculture, recorded poor performance. In contrast the services sectors, especially tourism, expanded sufficiently to allow these economies to achieve fair growth.

The next cluster of countries recorded modest growth and comprised Dominica (1.8), Saint Vincent and the Grenadines (1.4), Grenada (0.7), Jamaica (1.2), and Barbados (1.0). The first four countries were banana producers, Dominica and Saint Vincent and the Grenadines having small tourism sectors to compensate for the negative impact of bananas, while in Grenada the tourism sector expanded significantly. In Jamaica, agriculture expanded strongly, especially domestic agriculture. Basic services also expanded, although manufacturing and construction were depressed. Both Jamaica and Barbados continued to experience the rigours of adjustment programmes, the latter achieving modest growth after three years of contraction. Growth in Barbados was propelled essentially by tourism and accommodating credit policy, which stimulated domestic activities in construction, wholesale and retail trades, transportation and business services. Overall, non-tradable activities expanded, by 1.3 per cent, but all tradable activities declined, except tourism.

Finally, three countries experienced economic contraction. They were Montserrat (-0.3), Trinidad and Tobago (-1.4) and Haiti (-4.3). None of these countries was currently a major tourist destination. Most activities in Montserrat stagnated, none contributing the strong impulses to be derived from external currency earnings. In Trinidad and Tobago, international oil prices were depressed while domestic oil production declined, both factors contributing to a 7 per cent decline in the contribution of the largest sector. The manufacturing sector also declined, as it tried to become export competitive, for domestic absorption was low, a factor also causing a contraction in the distributive trades and construction. Haiti continued to suffer the negative effects of political instability and policy uncertainty, while the international embargo further exacerbated the economic contraction. In this scenario, all sectors recorded contraction, although agriculture did well to almost break even. The sector was no doubt contained to a small decline (-0.4), only because so much of it was of a subsistence type and therefore more resilient to external and policy shocks.

The agriculture sector recorded a mixed performance. Four countries recorded expansion in the agricultural sector. Generally, export agriculture was disappointing, so that where agricultural

Figure 3

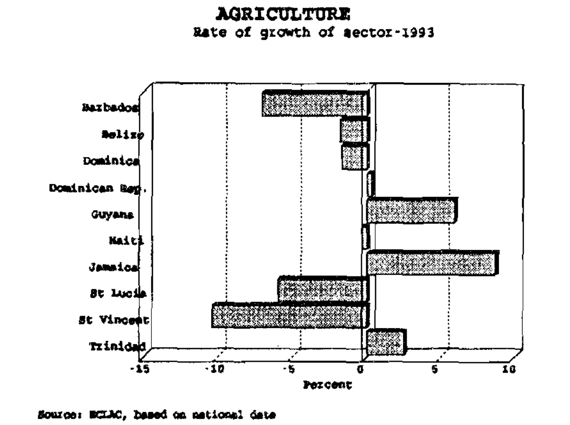
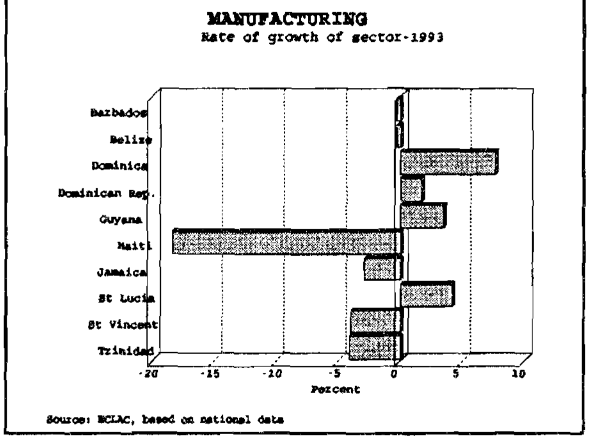


Figure 4



expansion was evident it was achieved mainly by domestic crops. In those cases where domestic agriculture was not significant, the sector declined. Examples were to be found in Jamaica and the Dominican Republic. In the former case, export agriculture expanded by 4.5 per cent, though this was not as strong as domestic agriculture, which expanded by over 12 per cent. In the latter case, the sector stagnated. Export agriculture expanded slightly, while domestic agriculture which had recorded a 7 per cent growth in 1992 and had created surpluses and falling prices, contracted by 5.5 per cent in 1993. In Guyana, domestic agriculture was strong and sugar was stagnant but rice production continued to increase as did forestry and fishing. Agriculture sector growth in Trinidad and Tobago was also derived from domestic agriculture, though it was not as strong as in the previous five years.

The remaining countries all recorded contraction in agriculture. In Belize, export agriculture performed creditably for most crops, except citrus, where earnings were just over half of that achieved in the previous year. Declines in forestry activities and logging were also observed. Weak performance in the banana industry explained reduced agriculture sector performance in the Windward Islands, although this was mitigated by increased sugar production in Saint Kitts and Nevis. Banana production fell by 15 per cent in response to lower prices and uncertainty about the future of the industry. Earnings declined by 28 per cent. For the OECS as a whole agriculture declined by 5 per cent.

The difficulties experienced by the manufacturing sector in recent years continued in 1993. The policy objective was to reorient existing manufacturing activities to be export competitive and to encourage new activities. Macroeconomic policies appropriate for domestic or regionally protected manufacturing were deemed to be inappropriate to the new orientation, but policy change has been slow in coming. The major policy change carried out in CARICOM countries over the survey period was a revision of the Common

External Tariff (CET) which reduced duties on many imports as part of the liberalization policy.

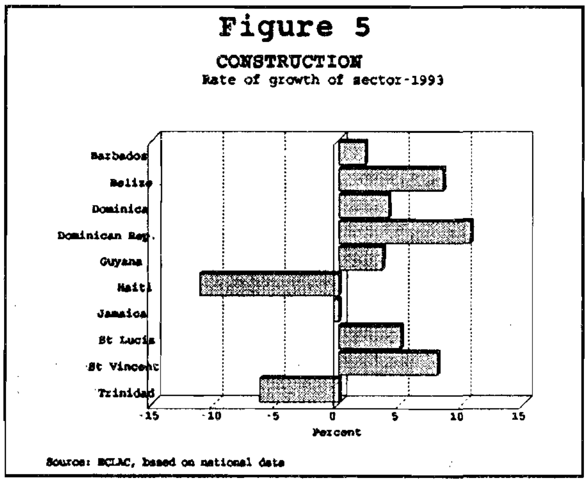
Few countries recorded expansion in manufacturing. Those that did, showed no evidence of breakthrough into non-traditional exports although the existing export processing enclaves continued to expand steadily. In Dominica, increased production of soap in the first half of the year accounted for sectoral expansion, although reduced protection impacted negatively on the industry in the second half of the year. In the Dominican Republic, sectoral growth was concentrated mainly in the traditional areas of sugar and sugar products, and beverages. In Guyana, domestic industry, including the rice milling industry explained the increase, since the contribution of sugar had declined. Manufacturing expansion was broadly based in Saint Lucia, spread over a range of products destined for the local and regional markets.

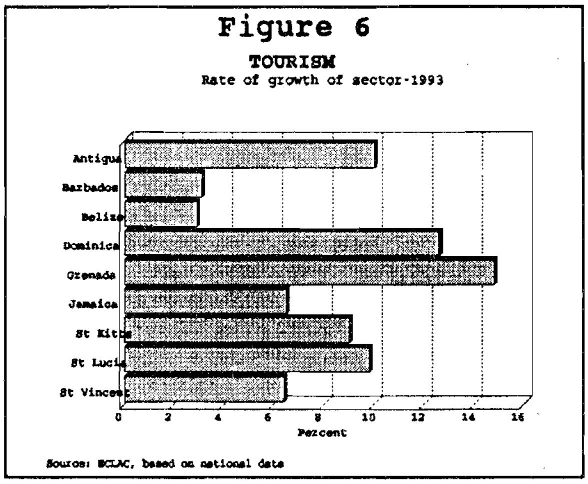
The sector contracted in all other Caribbean countries. In Barbados, for instance, the sector has declined steadily since 1989 and its contribution to GDP remains lower than in 1976. As it continued the struggle to be competitive with cheaper imports, one casualty in 1993 was furniture, the production of which declined by 60 per cent in the face of cheaper imports. Some penetration of export markets seemed, however, to have taken place in the category of beverages. The decline in Haiti had to be seen in the context of the economic embargo with severely limited supplies of energy and raw material inputs. The export oriented manufactures in the free-zones had been decimated by the instability experienced in recent years and was dealt a further blow by the embargo.

In Jamaica, manufacturing declined under the twin impacts of high interest rates and competitive imports. The contribution to Product has declined steadily from over 20 per cent of Product in 1990, to 18.5 per cent in 1993. Free-zone activities continued to expand, however, though they remain a small part of the sector. In Trinidad and Tobago, the industry also faced increased competition from imports, but problems in the steel industry caused a fall in production of billets and wire rods and reduced its contribution to manufacturing.

The construction sector expanded in most countries. It was most rapid in the Dominican Republic, Belize, Saint Lucia and Saint Vincent and the Grenadines. In all these cases the sector provided a major stimulus to the economy, and was driven by public investment destined for infrastructure development. In the Dominican Republic, government spending earmarked for fixed investment increased by 57 per cent.

Tourism performance was generally good for most Caribbean countries. Thus it continued the trend as the leading sector and served to bolster economies that otherwise would have contracted quite severely. Arrivals grew by an estimated 8 per cent, although





cruiseship arrivals, averaging about 2 per cent, did not sustain the high rate of growth experienced in recent years. Sectoral performance was to be explained largely by the resumption of growth in arrivals from the United States of America , the largest provider of visitors to the Caribbean. Arrivals from this source increased by 10 per cent in 1993, whereas from 1988-1992 growth from the United States of America averaged 0.8 per cent. Economic growth in the United States of America was a factor explaining increased arrivals, but better marketing might have been instrumental in capturing a larger share of the visitors originating there.

The trend established in the mid-1980s of strong growth in arrivals from Europe continued in the survey year, with an estimated 7 per cent increase. Arrivals from Canada, however, declined in 1993, a factor attributable to relatively flat economic performance in Canada.

SECTORAL ANALYSIS

Bananas

Table III

BANANA EXPORTS

	Value (US$ m.)					Volume ('000 tonnes)				
	1989	1990	1991	1992	1993	1989	1990	1991	1992	1993
Belize	12	8	7	10	14	31	26	23	31	43
Dominica	24	30	30	30	24	50	57	56	58	55
Grenada	4	4	4	3	2	9	7	7	5	5
Jamaica	19	38	45	40	36	42	61	75	77	77
St Lucia	58	69	54	57	51	126	134	101	133	120
St Vincent	30	41	33	38	23	66	80	63	77	58

Source: ECLAC, based on national data

Earnings from banana exports fell by 16 per cent. This was to be explained in part by the depreciation of sterling vis-'a-vis the United States dollar, in part by oversupply in the market and falling prices and in part because of the new banana import arrangements set up by the EU in the middle of 1993. Further uncertainty was created for Caribbean producers by the difficulties experienced by the EU negotiators in getting this new regime accepted within the GATT. Despite this unpropitious general summary, individual country performances varied quite widely, for although all producers faced the same unfavourable market conditions, their responses differed.

In Belize, export volumes increased by 38 per cent as cultivation expanded and control of diseases permitted increased productivity. Premiums were also earned for high quality fruit, so that earnings grew faster than output. Further expansion was envisaged for the industry in 1994.

In Jamaica output increased marginally, despite significant expansion in acreage under cultivation. The unsatisfactory outcome was explained in part by unfavourable weather, but a change in shipping arrangements also accounted for a reduction in the quality of fruit. Earnings declined by over 9 per cent, but the industry was poised for expansion in 1994.

Most adversely affected were the Windward Island producers, who were less efficient producers and therefore less able to absorb price declines. For these countries export volumes declined by 13 per cent, while earnings declined by 22 per cent. Structural changes were also becoming evident in the Windward Islands with marginal lands being taken out of production in Saint Vincent and crops remaining unharvested in Saint Lucia as falling prices made it uneconomic in some plantations. The steady decline evident in Grenada in the recent past continued over the survey period. Efforts were also being made on a more systematic basis to set up policies to rehabilitate the Windward Islands banana industry, to increase productivity, to take marginal lands out of production and to diversify into alternative activities.

Sugar

Table IV

SUGAR EXPORTS

	(Value US$m.)					(Volume '000 tonnes)				
	1989	1990	1991	1992	1993	1989	1990	1991	1992	1993
Barbados	24	32	31	33	28	52	57	53	52	47
Belize	36	43	42	38	41	77	94	103	101	101
Dominican Republic	157	178	167	115	120	491	355	319	321	342
Guyana	86	82	90	134	116	170	129	150	230	237
Jamaica	65	86	87	83	97	132	146	151	139	150
St. Kitts/Nevis	12	9	11	13	14	22	14	18	20	20
Trinidad/Tobago	31	30	31	32	27	57	54	57	59	51

Source: ECLAC, based on national data

Sugar exports from Caribbean countries increased marginally in volume although earnings declines for Barbados, Guyana and Trinidad and Tobago suggests that total earnings fell. The steady decline in sugar output and the phase-out of the industry in Barbados continued in the survey year. The area of land under cultivation continued to fall, by 14 per cent, cane production fell and factory incomes declined by over 12 per cent. Exports declined in volume by over 11 per cent while earnings declined even faster, by 12 per cent over 1992.

Sugar-cane production in Belize was approximately the same as that of the previous year although the proportion allocated to molasses production increased. Sugar production, nevertheless, increased marginally, consequent on increased cane purity and factory efficiency. Export volumes increased only marginally since Belize already exceeded its allotted quotas at preferential prices. The share going to preferential markets actually declined in 1993, representing only 60 per cent of exports, compared to over 62 per cent in 1992. Earnings however increased because of better prices in the EU and favourable exchange rate movements.

In Jamaica, performance in the sugar sector was better than in 1992. The volume of cane reaped exceeded the previous year, while the conversion rate from cane to sugar was higher, despite adverse climatic conditions. The volume of sugar shipped increased by over 7 per cent, but was made possible by pre-shipping part of the 1993/1994 sugar quota. Earnings increased by over 18 per cent, explained in part by the volume increase, in part by favourable exchange rate fluctuations and by higher prices received on the EU market.

In Saint Kitts and Nevis, efforts to restructure and rehabilitate the sugar industry were rewarded by a 5.6 per cent increase in sugar produced, although the country was unable to satisfy the labour needs of the industry locally and had to recruit sugar-cane cutters in Guyana. Exports increased by almost 4 per cent in volume and 2.4 per cent in value. In Trinidad and Tobago, sugar cane production fell by 5 per cent. Total exports fell by 13 per cent in volume and 15 per cent in value.

Minerals

<u>Bauxite/Alumina</u>

Table V

BAUXITE/ALUMINA EXPORTS

	Value (US$m)					Volume ('000 tonnes)				
	1989	1990	1991	1992	1993	1989	1990	1991	1992	1993
					Bauxite					
Guyana	74	80	82	97	91	1317	1387	1254	2192	2050
Jamaica	111	103	113	89	84	4190	3886	4261	4128	3917
					Alumina					
Jamaica	475	625	543	471	440	2145	2889	3032	2941	2943

Source: National data

The bauxite/alumina sector suffered in 1993 from oversupply and consequently depressed global prices. This could be explained by many interrelated factors. The global recession and reduced demand in most of the major industrial countries were major reasons. Of a more structural nature was the end of the cold war and generally reduced military expenditures by the United States and the former Soviet Union. Because of the latter factor and its own internal economic contraction, the countries of the former Soviet Union increased their sales of primary aluminium to the western market by over 26 per cent. Increased demand in the reflating United States economy was insufficient to absorb all of this increased supply so that the realized price for primary aluminium fell by almost 10 per cent on average for the year.

Crude bauxite exports from Jamaica fell by over 5 per cent in volume. Besides the generally stagnant market, contractual arrangements with Russia, which took 25 per cent of all crude exports in 1992, had to be annulled. The contract, originally signed with the integrated USSR, ceased to be viable with its demise since processing, which took place in the Ukraine could no longer be guaranteed by the purchases in Russia. Alumina exports were less affected, with only marginal contraction in export volumes, though prices were adversely affected by the weak global market.

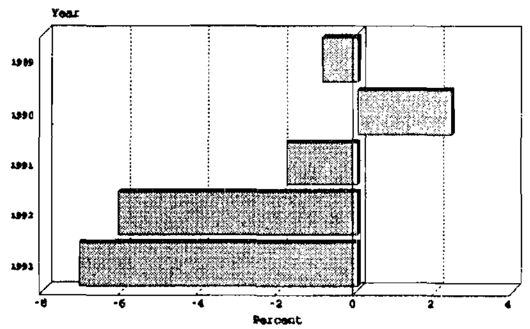
Guyanese bauxite exports, following significant increases in 1992, were also adversely affected by global market conditions, with volume and value of exports decreasing by 6 per cent. Export performance did not reflect advances being made in rehabilitating the industry in Guyana as output increased by over 10 per cent.

The petroleum sector continued to decline in 1993. In Trinidad and Tobago, the sector has reduced its contribution to GDP. in every year since 1985, except 1990. This contraction accelerated in 1993, caused by declining output in all facets of the industry, except methanol production. Prospecting efforts also

Figure 7

TRINIDAD AND TOBAGO

Rate of growth of petroleum sector

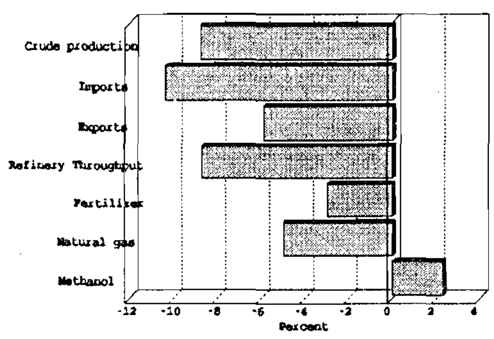


Source: Central Bank

Figure 8

TRINIDAD AND TOBAGO

Volume changes in petroleum and products



Source: ECLAC, based on national data

fell, with drilling declining by over 10 per cent.

Concomitant with declining output was the contracting price of crude oil, which for Trinidadian exports fell by over 10 per cent, to average US$18.45 in 1993. Receipts from the export of mineral fuels declined by 26 per cent in the first three quarters of 1993, compared to the corresponding period in 1992 and for petro-chemicals by almost 12 per cent. In Barbados, oil production fell by 3.4 per cent as did natural gas sales. Exploratory drilling also ceased as it became uneconomic at the prevailing prices.

Production and sales of declared gold showed a dramatic increase in Guyana. Gold exports comprised 24 per cent of total domestic exports in 1993, up from 6.5 per cent in 1992. Production increased by 289 per cent, in part because of a new joint venture arrangement between a foreign prospecting company and government. Foreign earnings from gold in 1993 exceeded those from bauxite and all other exports, except sugar.

Tourism

Tourism performance in the Caribbean was strong in 1993, benefiting from the renewed dynamism in the United States economy. The two major CARICOM destinations, the Bahamas and Jamaica, both

Table VI

STOPOVER TOURIST ARRIVALS
(Thousands)

	1989	1990	1991	1992	1993
Anguilla	28	31	31	31	37
Antigua/Barbuda	198	206	182	194	221
Bahamas	1575	1561	1427	1399	1489
Barbados	465	432	394	385	396
Belize	220	230	223	...	...
Dominica	35	45	46	47	<1>39
Grenada	69	82	92	88	94
Jamaica	715	841	845	909	979
Montserrat	12	17	19	...	19
St.Kitts/Nevis	71	76	84	88	86
St. Lucia	133	138	160	177	192
St. Vincent	50	54	46	53	57
Trinidad/Tobago	194	194	220	235	<2>203

Source: CTO
<1>Totals for Dominica are for the period January-September 1993
<2>Totals for Trinidad and Tobago are for the period January-October 1993

registered growth in stopover visitors of between 6.5 and 7.5 per cent, respectively. In the Bahamas, sectoral growth was, however, limited since tourism expenditures were estimated to have increased only marginally. The average length of stay declined, as did the average daily room rate, suggesting that visitors to the Bahamas were still exercising caution in their spending. In Jamaica, increased visitor spending bolstered revenues, which increased by almost 11 per cent. The length of stay in hotels remained constant at just under eight nights, but average daily expenditure increased by over 6 per cent. Occupancy rates also increased, despite an increase of over 5 per cent in hotel room capacity. Simultaneously, both countries recorded declines in cruiseship visitors of between 4.5 and 3.5 per cent, respectively.

The number of stopover visitors to Barbados increased 2.7 per cent, after three consecutive years of contraction. Arrivals from the United States increased for the first time since 1987. The bulk of the increase, was provided by Europe, up 7.4 per cent. United Kingdom visitors favour Barbados, one quarter of them who come to the Caribbean going there, while they comprise one quarter of all stopovers to Barbados. Arrivals from the United Kingdom increased by over 12 per cent, but headway was also made in the German market, with an almost 50 per cent increase, though this was from a low base. Cruise passengers arrived at a faster pace in 1993, at 10 per cent, and visited in greater numbers than stopovers.

Tourism continued to be the major energizing factor in the OECS countries and tourism performance in 1993 was strong. Stopover visitor arrivals increased between 6.5 per cent in Saint Vincent and the Grenadines, to over 17 per cent in Anguilla. The number of visitors from the United States to the OECS countries increased in line with trends observed elsewhere. Europe, however, was the major growth area, with 25 per cent of the market in 1993, compared with barely 19 per cent in 1985. This shift was fortunate for the OECS, since European guests have a longer average length of stay and spend more than visitors from other destinations.

For the Caribbean as a whole, the most notable factor affecting performance in 1993 was the increase in visitors from the United States. Arrivals from this source increased by 10 per cent and accounted for more than half of all land-based tourists to the Caribbean. While arrivals from the United States had stagnated in recent years, this could not all be attributed to the economic recession, since from 1987 to 1992 United States travel overseas increased faster than United States travel to the Caribbean. This trend was reversed in 1993, since United States travel abroad increased by 6 per cent in 1993. The effort to regain market share was to be explained in part by renewed efforts to publicise the Caribbean, notably through a joint marketing programme involving all the countries and many members of the trade operating in the region.

Another notable trend was the decline in arrivals from Canada. This is explained by the tourist trade as being caused by economic conditions in Canada; yet Canada, along with the United States and the United Kingdom were the reviving industrial economies. Fewer Canadians visited Barbados, the Bahamas, Jamaica and Saint Lucia. It is a market that warrants further study.

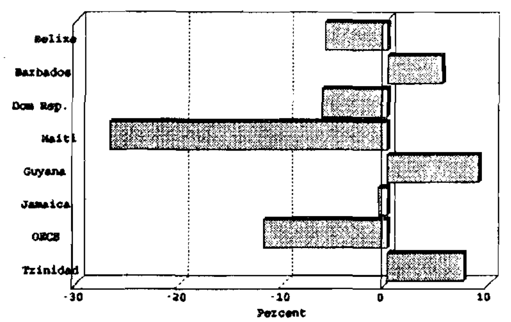
The strong growth in cruiseship arrivals evident in the past was not replicated in 1993. Overall increases were marginal at 1.5 per cent, attributable to rerouting of cruise ships in the summer. Arrivals in the winter season were up 8 per cent but fell after that. Tax increases were in large part responsible, as some regional destinations tried to reap greater benefits from an activity that moved large volumes of visitors, but was seen to be less convincing in terms of retained earnings. The cruiseship business was expected to grow more quickly in 1994, but not to regain the momentum shown in earlier years, in the short term.

Balance of Payments

Figure 9

EXPORTS

Rate of growth of exports-1993

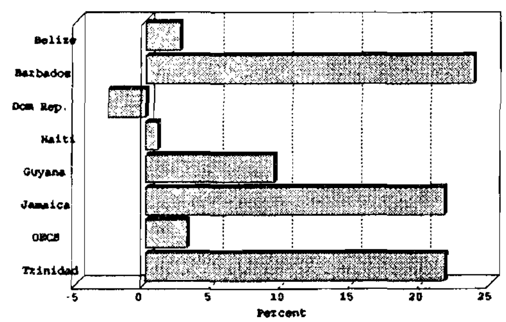


Source: ECLAC based on national data

Figure 10

IMPORTS

Rate of growth of imports-1993



Source: ECLAC based on national data

The trends in the balance of payments were remarkably consistent for most Caribbean countries. Merchandise trade accounts invariably worsened, as export earnings fell and imports either increased or contracted slower than exports. The traditional export products generally performed poorly in the survey year and non-traditional exports were neither large enough in weighting nor sufficiently dynamic in performance to counteract the weak performance in the traditional sector. Invariably, the services account retrieved the situation, somewhat. Buoyant tourism earnings, as in recent years, were responsible for bringing the accounts into some semblance of balance. Capital movements were generally positive, private capital flows dominated in some larger countries, being encouraged by liberalization both in the foreign exchange and in interest rate regimes. In the smaller countries, official inflows predominated to meet current deficits.

The trade deficit widened in Barbados. While exports expanded moderately, imports grew by 24 per cent. This growth followed a decline of equal size in the previous year and reflected a relaxation of credit. The main increase was in capital goods, up 33 per cent with consumer goods at 22 per cent and intermediate goods increasing by 16 per cent. Earnings from services, mainly tourism services, increased by 10 per cent so that a current account surplus was attained for the second year in succession, though the rate of increase declined. While the capital account was modestly negative, the reserves were augmented for the second successive year though the rate of increase was slower than in 1992.

Table VII

BALANCE OF PAYMENTS - CURRENT ACCOUNT (U.S.$m)

	1989	1990	1991	1992	1993
Anguilla	...	-5.8	-7.6	-14.6	-9.8
Antigua/Barbuda	-79.1	-38.2	-34.2	-8.7	-14.4
Bahamas	-160.6	-173.8	-89.3	-34.1	-70.1
Barbados	-19.1	-17.3	-29.9	137.9	58.7
Belize	-19.0	15.2	-26.2	-29.1	-48.5
Dominica	-32.5	-31.0	-21.1	-25.0	-29.9
Dominican Rep.	-282.0	-65.0	-115.0	-478.0	-211.0
Grenada	-30.4	-28.0	-34.8	-25.5	-32.6
Guyana	-113.3	-147.8	-123.0	-106.0	...
Haiti	-177.0	-152.0	-194.0	-118.0	-144.0
Jamaica	-297.5	-328.0	-255.8	10.9	-239.2
Montserrat	11.7	-19.3	-15.3	-11.6	-2.4
St.Kitts/Nevis	-34.3	-44.3	-30.4	-19.4	-25.4
St. Lucia	-56.4	-56.7	-67.7	-50.1	-44.1
St.Vincent	-18.4	-6.6	-23.8	-16.7	-25.5
Trinidad/Tobago	-66.8	430.0	-20.7	115.6	99.1

Source: ECLAC, based on national data

In Belize, the merchandise deficit widened with exports falling and imports growing. While travel earnings increased, investment income outflows also increased, so that the current deficit widened by 66 per cent. Capital inflows increased, official flows by 167 per cent although private flows contracted by 35 per cent. These capital movements were not sufficient to halt an outflow of reserves, which were sufficient for only one and a half months of import cover at the end of 1993.

The merchandise trade deficit contracted slightly in the Dominican Republic, for while exports contracted, imports contracted by a greater amount. Traditional export earnings contracted by almost 12 per cent, while non-traditional exports, which comprise about one third of exports, expanded by 9 per cent. Earnings declined notably in the minerals sector, with ferro-nickel, gold and silver recording significant declines. Imports also fell, especially petroleum products, which comprised over 20 per cent of the import bill and the value of which declined by almost 8 per cent. Earnings from services increased, notably earnings from tourism, which grew by over 12 per cent. Taken with a reduction in payments for factor services and an increase in private remittances, these factors helped to reduce the current account deficit by over 50 per cent. Capital inflows increased, chiefly from direct investment, so that the reserves were again augmented, for the sixth year in succession.

The deficit on visible trade grew in Guyana, with imports growing faster than exports. Earnings from all export commodities fell, except timber and gold, the latter expanding threefold. Imports of consumer goods grew by 21 per cent and intermediate goods grew by 117 per cent, but capital goods imports fell by 6 per cent and fuel imports also fell. By the end of 1993 the net international reserves had increased and international arrears had been reduced by 6 per cent.

Instability and the economic embargo created a collapse in trade in Haiti and served to widen the merchandise deficit. Exports fell drastically, for the second successive year, resting at barely 30 per cent of earnings in 1991. All categories of exports recorded a decline, agricultural products by 19 per cent, primary products by 44 per cent and manufactures by 78 per cent. Free-zone products declined by a further 23 per cent following a decline of 66 per cent in 1992 and artesanal manufactures also declined by 47 per cent. Similarly, all categories of imports contracted, except mineral fuels which increased in value by 6 per cent and petroleum products which barely declined from the previous year. Earnings from services also declined, but the deterioration in the current account deficit was contained to 22 per cent by an increase in unrequited transfers. Capital inflows increased slightly, mainly because of unilateral official transfers but the increase was insufficient to prevent the global deficit from widening slightly.

In Jamaica the merchandise trade deficit widened by 70 per cent. Export earnings declined, mainly because of unfavourable external demand for bauxite/alumina. Imports, however, increased by over 20 per cent. This was to be explained by tax reductions and consequent increased private purchasing power, trade liberalization policies and significant increases in credit. Earnings from tourism increased, by 14 per cent and so did private capital inflows, so that the reserves were augmented. The rate of increase in reserves did not, however, match that of the previous year.

The export performance of the OECS countries declined in 1993, primarily because of contracting earnings from bananas. Consequently all OECS countries had declining export earnings except Antigua and Barbuda, which is not a banana producer and whose merchandise earnings consist mainly of re-exports, and Grenada. In Grenada banana production also declined, but other crops such as cocoa and domestic root crops provided a small increase in exports. Overall, the OECS suffered a decline of 12 per cent in merchandise earnings. Simultaneously, merchandise imports rose by 3 per cent. Increases were notable in Antigua and Barbuda, up 15 per cent and Grenada, up 11 per cent, though imports contracted in Saint Lucia and Saint Vincent and the Grenadines. Increased imports were to be explained by the growth in residential and commercial construction, especially capacity expansion in the tourist sector.

Earnings from travel services were estimated to have increased by over 10 per cent in the OECS countries. This was not sufficient, however, to offset the deficit on merchandise account thus leaving a small current deficit. Central bank reserves contracted by 6 per cent, although commercial bank reserves expanded, so that the combined net external reserves for these countries contracted by less than 1 per cent.

The balance of payments of Trinidad and Tobago recorded a mixed performance in the survey year. Although the surplus on merchandise trade was significantly reduced, the services deficit contracted by 22 per cent and the capital account posted its first surplus since 1988. Private and official inflows increased, the former being explained by divestment proceeds and foreign equity participation, while external borrowing accounted for official capital inflows. A balance of payments surplus, equivalent to 3.3 per cent of product was recorded, compared to a deficit of 2.1 per cent of product in 1992. The gross reserves were augmented and represented 4.2 months of import cover at the end of the survey period.

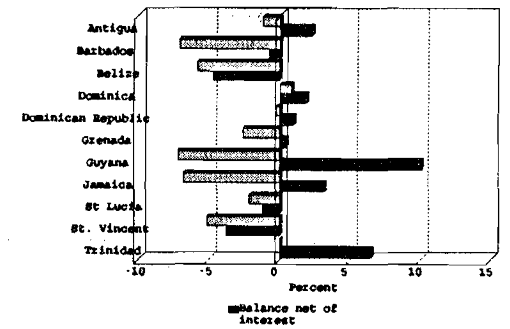
Fiscal Policy

Fiscal policy in CARICOM countries focused in the survey year mainly on strengthening public finances while simultaneously shifting emphasis away from taxes on imports, in line with policies to open the economies. In 1993 the new CARICOM CET was the major policy change with which policy makers had to cope, but in some instances quotas and other administrative controls on imports were also lifted. For those countries undergoing formal structural adjustment programmes, other priorities also needed to be addressed. These included the relative balance between public and private activities, between taxes on income and consumption and the need to achieve strong growth and low inflation. Fiscal balance was particularly difficult for those countries with debt servicing problems, as is displayed by the chart showing the fiscal balance with and without debt servicing costs.

For the OECS countries, the issue was mainly to reorient the revenue mix, away from trade derived taxes, since as a group fiscal policy has traditionally been conservative. In the survey period, the combined current account surplus of the OECS increased by 10 per cent. Exceptions to the norm of fiscal conservatism were Antigua and Barbuda with a current deficit equivalent to 1.3 per

Figure 11

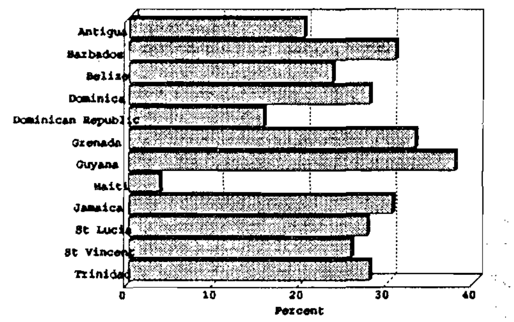
FISCAL BALANCE - 1993
As a percentage of G.D.P.



Source: ECLAC, based on national data

Figure 12

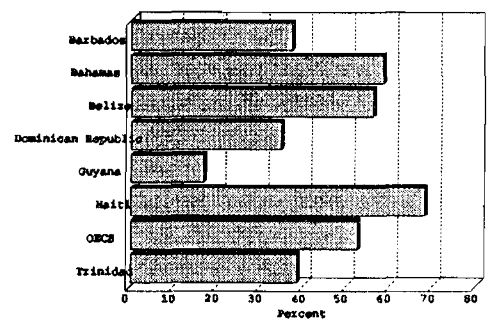
TAX REVENUE - 1993
As a percentage of G.D.P.



Source: ECLAC, based on national data

Figure 13

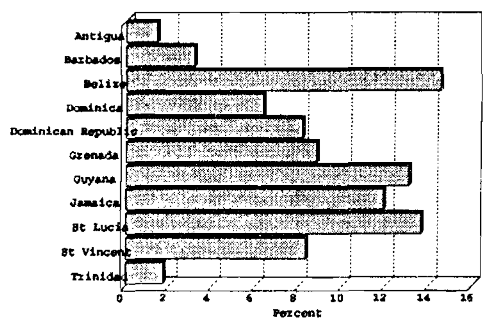
PERSONNEL SPENDING - 1993
As a percentage of current spending



Source: ECLAC, based on national data

Figure 14

CAPITAL SPENDING - 1993
As a percentage of G.D.P.



Source: ECLAC, based on national data

cent of Product, partly because of high debt-servicing costs and, arguably, Saint Vincent and the Grenadines, with a total fiscal deficit of over 5 per cent, because of a few lumpy capital investments. The objective of reducing taxes on trade, which was objectively difficult in economies as small and trade-dependent as these, had mixed results. Revenues from import duties increased by almost 12 per cent while consumption taxes increased by 8 per cent.

Fiscal performance improved slightly in Barbados. A reduced deficit was recorded when compared with the previous year whether it was defined to include amortization or not. This was achieved, however, by a further reduction in capital spending since the current account deficit widened by 28 per cent. Capital spending was barely over 3 per cent of Product.

In Guyana, government finances strengthened significantly. Revenues from all sources increased, reflecting the buoyant economy and efforts to improve revenue collection, while current expenditures were contained, in fact declining by almost 8 per cent. A notable factor was the reduction of over 18 per cent in subsidies since public entities were also benefiting from quickened economic activity and measures to improve their solvency. Another positive factor was the 14 per cent reduction in interest charges on debt. The result was a current surplus for the first time since 1964. Capital spending doubled, though it is still being constrained by the absorptive capacity of the public sector, yet the fiscal deficit was cut from almost 20 per cent of Product to about 9 per cent. If amortization costs were excluded from the accounting, a surplus of almost 10 per cent of Product was achieved.

Fiscal performance in Jamaica improved, and this was to be seen in the context of a stagnating economy, relatively high inflation and a still severe debt servicing problem. Recurrent expenditure increased from 21 to 29 per cent of Product, mainly because of increased interest payments and transfers to meet central bank losses. Capital spending declined, from 14.3 to 10.7 per cent of Product. Nevertheless, gross investment increased over the previous year, since the proportion of Product allocated to capital amortization fell, thanks to debt rescheduling. The impact of debt on government finances remained great, since 27 per cent of total expenditure needed to be allocated to debt-related expenditures. The fiscal deficit contracted slightly from 7.6 to 6.8 per cent of Product. If interest charges were excluded, the fiscal surplus increased from 2.8 to 3.1 per cent of Product.

Trinidad and Tobago achieved a small fiscal surplus in 1993. This compares favourably with a fiscal deficit equivalent to 2.9 per cent of Product in 1992. Balance was, however, achieved by a severe contraction in capital spending. Current receipts increased by just over 10 per cent while current expenditure actually contracted slightly. The contribution of the oil sector to revenue remained the same in nominal terms as in 1992, but its current share, about 26 per cent of revenues, was a significant fall since 1981, when it contributed over 60 per cent. Revenues from the non-oil sector increased by 14.7 per cent. Taxes on income, accounting for 30 per cent of revenues, increased the fastest at 16 per cent. Taxes on goods and services, which account for 24 per cent of revenues rose by 14 per cent while taxes on trade, which account for under 10 per cent of revenues, grew at the slowest rate, by 9 per cent. Capital expenditure declined by almost 10 per cent.

The public finances weakened in Haiti. Current expenditures expanded faster than current revenues with remunerations to the public sector showing fastest growth. The current account deficit increased by a further 12 per cent, after tripling in 1992. Debt-servicing charges also increased, by 200 per cent over 1992. Capital spending was commensurately squeezed, to represent only 0.3 per cent of Product. The fiscal deficit increased by 54 per cent, over one half of which was financed by the Central Bank.

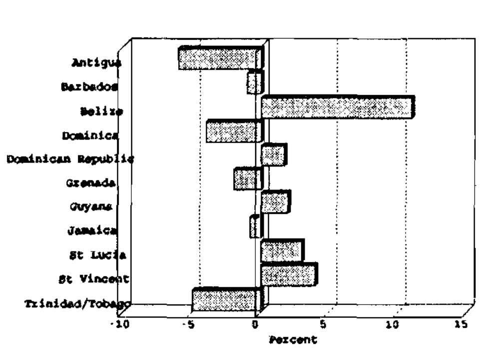
In the Dominican Republic, a fiscal surplus equivalent to 2.6 per cent of Product in 1992 was transformed into a deficit equivalent to 0.3 per cent in 1993. Current revenues increased by 19 per cent, the bulk of which was derived from direct taxes. Taxes on trade remained the major contributor, at over 43 per cent of current revenues, although taxes from goods and services grew faster than taxes on trade in 1993. Total spending increased by 48 per cent, almost equally divided between current (49 per cent) and capital spending (47 per cent). In the former category, notable increases were for interest payments, up 162 per cent, and goods and services which increased by almost 50 per cent. Capital spending was directed at infrastructure and showed the third year of significant increase.

External debt

The external debt of CARICOM countries contracted slightly from 1992. For the larger countries, Guyana, Jamaica and Trinidad and Tobago, debt management remained a major aspect of macro-policy and in the former two countries, at least, it was a significant impediment to development. Various means were used by these countries to make the problem more manageable, including debt-for - equity swaps, privatization and sometimes debt forgiveness played a major role. Notable decreases were to be found in the debt in Antigua and Barbuda, Dominica and in Trinidad and Tobago.

Figure 15

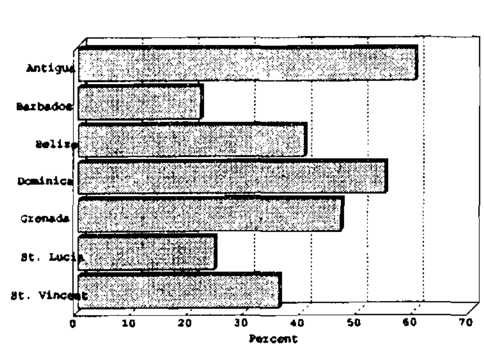
EXTERNAL DEBT - 1993
Percentage change in external debt



Source: ECLAC, based on national data

Figure 16

EXTERNAL DEBT - 1993
As a percentage of G.D.P.



Source: ECLAC, based on national data

In the Bahamas, the debt increase was explained by central government borrowing, since debt attributable to public corporations contracted. The debt service ratio remained below 4 per cent of exports of goods and services and was about 8 per cent of government revenue.

In Belize the external public debt increased by 11 per cent, the central government component of it by 20 per cent. This was mainly because of suppliers credits and bilateral arrangements to central government. Bilateral debt accounted for over 40 per cent

Table VIII

EXTERNAL DEBT (US $m)

	1989	1990	1991	1992	1993
Anguilla	5.9	7.4	8.3	8.5	8.0
Antigua/Barbuda	256.6	262.1	257.4	247.0	232.3
Bahamas	219.7	267.6	412.7	439.4	463.6
Barbados	383.6	418.0	385.5	341.8	337.7
Belize	130.6	133.0	150.6	149.9	166.3
Dominica	71.7	85.0	92.0	94.0	90.6
Dominican Republic	4090.0	4482.0	4572.0	4426.0	4500.0
Grenada	69.0	85.8	85.5	82.3	80.3
Guyana	1383.5	1812.0	1856.3	1871.2	1906.0
Haiti	803.0	841.0	809.0	819.0	...
Jamaica	4038.4	4152.4	3874.3	3678.0	3647.2
Montserrat	3.4	3.0	3.4	3.3	7.6
St. Kitts/Nevis	31.7	36.5	37.1	37.8	38.9
St. Lucia	53.4	70.7	81.1	97.3	100.6
St. Vincent	50.7	56.3	66.1	70.5	73.2
Trinidad/Tobago	2399.7	2519.6	2432.5	2214.7	2097.9

Source: ECLAC, based on national data
*Bahamas debt for 1993 refers to second quarter

of external public debt with multilateral debt accounting for just under 40 per cent of it. Debt service payments increased slightly, with the debt service ratio increasing from 4.6 per cent of exports of goods and services in 1992 to 5.3 in 1993.

The national debt of Barbados increased by 18 per cent, although the foreign component declined by 3.3 per cent. Foreign debt was less than 30 per cent of national debt, and absorbed 11.5 per cent of exports of goods and services for its servicing in 1993. This represents a decline from almost 18 per cent in 1992. Central government debt servicing absorbed about one third of government revenues.

In the Dominican Republic, the external debt increased, public debt contracting while private debt, which was 30 per cent of the total increased, commensurately. The structure of public debt showed a shift away from bilateral toward debt with the IMF. External debt represented 192 per cent of exports of goods and services in 1993 and showed a steady decline from 1986 where it was 269 per cent and 1991 where it was 231 per cent.

External public debt in Guyana increased, with bilateral debt contracting but multilateral debt increasing by over 7 per cent.

Each category accounted for about 48 per cent of external debt. Debt servicing costs fell, because of debt forgiveness and Paris Club rescheduling, but the effort to service outstanding debt remained onerous. Domestic debt increased. Debentures decreased but treasury bills outstanding increased. Interest charges on the debt fell by 14 per cent in 1993 and absorbed 53 per cent of central government expenditure. This was an increased proportion from the previous year, but it was to be explained by the general reduction in expenditure.

External debt in Jamaica declined marginally in 1993 but has fallen cumulatively by 12 per cent since it peaked in 1990. Several measures accounted for the decline in 1993, including debt forgiveness and debt for equity swaps. Bilateral debt represented almost one half of the portfolio, with multilateral debt accounting for just over one third. External debt service payments fell by 29 per cent, consequent on Paris Club rescheduling agreements in 1992 and 1993. Of total repayments, interest represented 40 per cent, a higher proportion than in 1992, while amortization was proportionately lower. Debt service as a proportion of the exports of goods and services fell from 27 per cent in 1992 to 19 per cent in 1993, the lowest since 1981 and down from the peak of 48 per cent in 1987.

External debt for the Eastern Caribbean Central Bank (ECCB) countries, as a group, contracted by 1.5 per cent from the previous year. Within the group the contraction varied, between 3-6 per cent for Anguilla, Antigua and Barbuda and Dominica and by less for Grenada. Debt increased between 3-4 per cent in Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines. The flow of concessional funds has diminished steadily in recent years, so that the decline in disbursed debt represents a net outflow of resources. Concessional debt also declined as a proportion of total debt. Debt service costs increased quite steeply in 1993, increases of over 7 per cent being experienced by all countries, except Grenada. Debt service obligations have put pressure on some fiscal accounts, causing the accumulation of arrears in Antigua and Barbuda and Grenada.

Total public sector debt declined in Trinidad and Tobago. Central government debt, which accounted for three quarters of total public sector debt, increased by 4 per cent. Non-government debt has been steadily contracting and contracted by 26 per cent in 1993. It is now 51 per cent of the amount outstanding in 1990.

Prices

Prices moderated in all CARICOM countries, except Saint Vincent and the Grenadines and Trinidad and Tobago. As was the norm, the OECS countries manifested consistently lower price rises than the other countries, a characteristic which remained true in 1993. This was in part because of the orientation of macro-policy,

Table IX

CONSUMER PRICES
Annual rates of growth (per cent)

	1989	1990	1991	1992	1993
Antigua/Barbuda	5.3	7.7	2.1	1.4	1.2
Bahamas	5.3	4.7	7.1	5.7	2.8
Barbados	6.2	3.1	6.3	6.1	1.1
Belize	2.1	3.0	5.6	2.8	1.6
Dominica	4.3	4.7	2.0	3.9	1.5
Dominican Republic	45.4	59.4	53.9	4.6	4.8
Grenada	3.6	3.7	1.0	4.6	2.8
Guyana	89.3	64.9	89.0	15.0	...
Jamaica	14.3	22.0	51.0	77.3	22.1
Montserrat	1.8	6.8	9.2	1.4	2.8
St.Kitts/Nevis	6.6	3.7	4.5	1.5	1.4
St. Lucia	3.8	5.9	7.3	3.2	0.7
St. Vincent	3.5	9.2	2.3	3.1	4.5
Trinidad/Tobago	11.3	11.4	3.8	6.5	10.8

Source: National data.

especially conservative monetary and fiscal policies, and in part by their extreme openness, ensuring that price trends were essentially determined by trading partners. The GDP weighted consumer price index for the OECS showed a 2.3 per cent increase, compared with 3 per cent in 1992 and 4.4 per cent in 1991.

The Bahamas, Barbados and Belize, form a clustering of countries that tended to have inflation rates somewhat higher than the OECS, but similar policies oriented toward low inflation and fixed exchange rates. In all cases, price increases were smaller than in the previous year and were modest, reflecting low inflation in their major trading partners and domestic policy priorities oriented to moderate increases in local costs.

Inflation control had latterly become a central objective in Jamaican macroeconomic policy. Some success was achieved in inflation control, especially in the first half of the survey period, where the index increased on average by 1.1 per cent per month for the first six months. The pace quickened, however, to average 3.4 per cent per month for the remaining six months. Fiscal and monetary policy require scrutiny in this assessment. The former is discussed elsewhere, but a fiscal deficit equivalent to -6.83 per cent of GDP was incurred in 1993, if amortization costs were included, or a surplus of 3.2 per cent of GDP, if they were not. Increased taxes, especially a 2.5 per cent increase in the General Consumption Tax, would also have influenced the inflation rate. Money supply (M_1) grew by 40 per cent in the same period[7]. The exchange rate, nominally floating, depreciated by 26.6 per cent between July and December 1993, although some of this jump may have reflected previously suppressed underlying changes.

In Trinidad and Tobago, inflation increased mainly because of a change in the exchange rate regime. The change was made in the second quarter to introduce a floating exchange rate and had the immediate consequence of a 36 per cent depreciation in the nominal exchange rate. Prices rose in the second and third quarters, at 5.1 and 3.5 per cent respectively compared with 1.5 per cent in the first quarter. By year end they had begun to moderate, however, with a 3 per cent increase in the fourth quarter. Price increases were most notable in the category of food items.

Unemployment

Table X

UNEMPLOYMENT RATES

	1989	1990	1991	1992	1993
Barbados	15.3	15.0	17.1	23.0	24.5
Jamaica	18.0	15.3	15.4	15.7	16.3
Trinidad/Tobago	22.0	20.0	18.5	19.7	19.8

Source: National data
Data for Trinidad and Tobago relate to period January-September 1993.

In Barbados, unemployment increased over 1992, both for men and for women. As in most other Caribbean countries, unemployment among females, at 27.7 per cent, was greater than for males, at 21.5 per cent, but in Barbados the differential was somewhat less than the norm. The participation rate increased in the survey year, to 66.5 per cent, with the rate for males being 74.3 compared to 59.8 per cent for females. Among those not in the labour force, 44 per cent were retired, 24 per cent were home makers, 18 per cent were in school and 5 per cent were voluntarily idle.

In Jamaica, the unemployment rate continued the steady increase noted since 1990. In the survey year, the average number of jobs did not change significantly from the previous year, but the increase in population of working age served to increase the unemployment rate. The job-seeking rate also increased, from 6.1 to 7.1 per cent, while simultaneously the labour force participation

[7] Money supply grew by 3.7 per cent in the OECS countries and by 2.4 per cent in Barbados.

rate continued to fall, a trend observed since 1988. Female employment increased significantly with new services jobs, while male employment contracted commensurately with the loss of jobs in the goods producing, especially agricultural, sectors. The unemployment rate for females, nevertheless, remains more than twice that of men, at 22.4 per cent and 10.9 per cent, respectively.

The rise in unemployment in Trinidad and Tobago reflected the twin effects of increased numbers of unemployed people and a decline in the labour force. Sectorally, jobs were lost in agriculture and construction, including electricity and water, while jobs were created in the category entitled, "other services", and in transport, storage and communications. The rationalization of the public sector and adaptation to a more open trading regime explained the bulk of job displacement. Unemployment remained most severe among the young. The 15-19 cohort recorded a 45 per cent unemployment rate. Females, at 23.5 per cent continued to have a higher rate of unemployment than males at 17.7.

EMPLOYMENT POLICIES

After a period in which it seemed to be dormant, employment policies have resurfaced as a priority at the national and international levels. This focus comes from two distinctly different directions. The first places emphasis on productivity and follows logically from the renewed awareness of the human factor in the development process. Ample evidence suggests that the main contributor to growth and development springs from human qualities, rather than, say, bounteous raw materials. Consequently, the development focus should be on upgrading the level of performance of those who are employed but also of all labour, especially those not currently contributing to the economy, the unemployed.

The second focus on unemployment springs from concern about equity, since the most disadvantaged persons are the unemployed. This is especially true of those countries which are unable to provide a safety net for the unemployed in the form of unemployment insurance.

The issue of employment has been placed under the global spotlight largely because of the difficulty being experienced, by many of those who shape the global agenda, in reactivating it. It was given some prominence in the United States, although concern about it has for some time been evident within the EU and the Nordic countries. Of course, it has been of perennial concern to the developing countries. Various multilateral organizations have also attempted to address the issue, most recently the United Nations Development Programme (UNDP) which dedicated its 1993 edition of the Human Development Report to this issue. Understandably, unemployment comes to the fore in a time of global recession, although this focus by the developed countries might be ephemeral once their economies are reactivated. On the other hand, increased trade has already created severe employment dislocations in developed and developing countries alike and these dislocations are generating new sources of friction in international negotiations. For example some rich countries claim that trade is causing their unemployment, that trade with poorer countries is unfair, because developing country workers are "exploited".

Others claim that something significant has changed in the labour market and that labour input per unit of output has been significantly reduced, because of new technologies. The argument is that technology is "job replacing." They go as far as to say that a much higher level of structural unemployment will need to be accepted in the future and that new social arrangements need to be made to share work. Essentially this view seems to be saying that productivity increases are negative. It has mutated into an international dimension, in NAFTA where pressures are being put to equalize pay scales to prevent the migration of jobs to low-wage areas[8] or calls within the International Labour Organisation (ILO) to establish certain common global standards applicable to all workers. Those advancing the "job-replacing" view bolster their argument by the observation that the level of structural unemployment[9], tends to be increasing over time. Yet of greater interest is the wide variation in structural unemployment rates evident between countries of roughly equal standards of living[10].

Those disputing the job-replacing thesis argue that this gap is to be explained by labour policy, primarily the cost of labour, including fringe benefits, and the degree of labour mobility. The latter is conditioned by labour market practices and the level, appropriateness and availability of training. They also argue that while technology is "job displacing" it is also job creating. They also argue that productivity should not be sacrificed to job security. This view puts further emphasis on the need to increase labour mobility and retraining. Employment pessimism has already begun to dissipate in the United States by the remarkable speed with which unemployment has fallen to 6 per cent and emphasis has turned to finding ways to absorb more of the labour force without stimulating inflation. Pessimism might, however, remain for somewhat longer in Europe, which must face some extensive changes in its labour regime.

The debate is not insignificant for the Caribbean, since it might shed some light on a policy dilemma arising from chronically high rates of unemployment. It is even more relevant as the economies are opened to global trade, since inappropriate labour policies will be further penalized, though appropriate policies will be quickly rewarded. On the other hand, arguments to limit market access and slow the pace of trade liberalization are being justified on the grounds of high unemployment. The issue, therefore, has ramifications for domestic and foreign policy in the region.

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[8] Average wages in the United states are seven times that of Mexico. This measure says nothing about productivity of the respective workers so that labour costs per unit of output could be significantly less.

[9] The measure of structural unemployment is that rate of unemployment remaining at the peak of the economic cycle. It is similar to the "hard core unemployed", except that the former is caused specifically by structural shifts in production, say reduction of the defence industry, while the latter also includes those who for social and other reasons are "unemployable". A more rigorous definition of "full employment" would be the minimum rate of unemployment sustainable without creating excess demand for labour and setting off a spiral of wage and price inflation.

[10] In Japan at the peak of the economic cycle it was 2.1 per cent, in the USA 5.3 per cent, in Germany 6.2 per cent, in Canada 7.5 per cent, in France 8.8 per cent. In Trinidad and Tobago, unemployment averaged 10 per cent for the period 1980-1982 at the peak of the oil boom, though inflation was also high. For some other Caribbean countries it might be higher and over 20 per cent.

Despite the emphasis which has been placed on people, and the major effort which has been directed to employment policies, high levels of unemployment and underemployment still coexist in many countries with labour shortages and unused resources, such as land. Various measures have been tried in the past to create new employment, but the effect has been mostly to inflate the public payroll with non-productive employees and this has proven to be unsustainable. Strenuous efforts have also been made to preserve real wages and existing jobs, but these initiatives have sometimes caused whole sectors to become uncompetitive, since they have been unable to adapt to changing technologies or changed external markets. This trend has in turn fed the demand for protection. Deregulation and reduced protectionism will put a premium on productivity and a better functioning labour market, the consequences of which will only be manageable in conjunction with improved education, increased skills training and better work attitudes. This is the single most pressing issue for planners.

Labour market policies have only lately and reluctantly entered the public dialogue and not surprisingly the debate has been acrimonious. It is clear that despite considerable effort and goodwill, past labour policies in the Caribbean have not been optimal. Those intended to reduce inequity among workers have often had the opposite effect since unemployment, which is the greatest form of inequity, increased as a result. Policies have often been unsustainable, especially those trying to use make-work schemes to reduce unemployment, since the employment created did not generate wealth to sustain it. Other policies have actually been counter-productive, especially those that concentrated on improving the remuneration and working conditions of the employed, since they have served to increase barriers to entry into the labour market for those who were unemployed. Greater attention needs to be paid in the short term to issues of supply demand and price in the labour market. For the longer term, training and increased productivity provide the only lasting means of increasing the returns to labour. The issue becomes more urgent with economic liberalization, since workers now have to compete on a global market for their services.

Recently, in preparation for the forthcoming World Summit for Social Development, a Caribbean Preparatory Meeting was held which made some interesting pronouncements and proposals for increasing productive employment in the Caribbean[11]. Some of these are excerpted below.

> "The persistence of high unemployment and the increasing incidence of underemployment have been amongst the most daunting and intractable socio-economic problems facing the Caribbean sub-region for most of its modern

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[11] Report of the Second Caribbean Meeting preparatory to the World Social Summit. (ECLAC: LC/CAR/G.431)

history. Most recently, these problems have been aggravated as a result of economic recession and the adoption subsequently of stabilization and structural adjustment programmes which have taken insufficient account of their social costs[12]".

The meeting identified four objectives which would need to be met to secure productive employment, as follows:[13]

(a) "To set the creation of productive employment as a central objective and an explicit aim of macroeconomic policies and to seek to reinforce international cooperation to that effect".

(b) "To provide a supportive policy environment and appropriate institutional framework for the development and growth of enterprises, in particular small- and medium-sized enterprises".

(c) "To improve the efficient operation of labour markets, with a view to facilitating labour mobility, enhancing the overall quality of employment and enabling workers to move from low productivity to higher productivity jobs".

(d) "To take advantage of opportunities at the community level which could generate employment and incomes and contribute to poverty reduction".

It also identified six pre-requisites for the expansion of productive employment[14].

"The first is that the structural adjustment programmes being pursued by a number of Caribbean countries must address the need to restructure their economies and bring them onto a sounder footing of economic growth".

"The second is that while growth is a necessary pre-condition for the generation of productive (quality) employment, it is not a sufficient condition. Also important is the acknowledgement (backed by appropriate action) that the social dimensions of economic policies do matter, not only because of the dislocation which occurs when such issues are ignored, but also because the desired economic growth and transformation cannot take

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[12] Report of the Second Caribbean Meeting op. cit, Page

[13] Report of the Second Caribbean Meeting op. cit, Page

[14] Report of the Second Caribbean Meeting op. cit, Page

place without the building-up of human resources through education, health and training".

"The third is that the long-term sustainability of the efforts mentioned depends on securing the broadest possible consensus among all actors in society on the needed policies, on the existence of adequate social-safety nets, on a general perception that the burden of adjustment is being borne equitably and that there are prospects for early benefit".

"The fourth is that the increased generation of quality jobs requires adjustments and changes to be made the existing institutional, legislative and policy-framework as well as to the development of human resources. This is a long-term proposition".

"In the meantime, immediate and direct programmes of employment creation are required which are targeted at socio-economic groups or geographic areas which are most affected by unemployment. These opportunities by their nature may not meet the requirements to be fully classified as quality employment and hence should be seen only as temporary or transitional solutions. There is therefore the need for a dual-track approach to employment generation combining elements of both long-term and immediate solutions".

"The fifth is a recognition that the challenge of employment generation in the new economic environment is not one for governments only, but for all social actors. That fact notwithstanding, and while there may a reduced role for governments in direct employment creation, there is an expanded one in providing the necessary legal, institutional and policy framework which is conducive to job-creating growth".

"The sixth is improved economic and social policy management facilitated by the availability of an adequate technical and administrative capacity in both the public and private sectors to manage the necessary reforms at the national level".