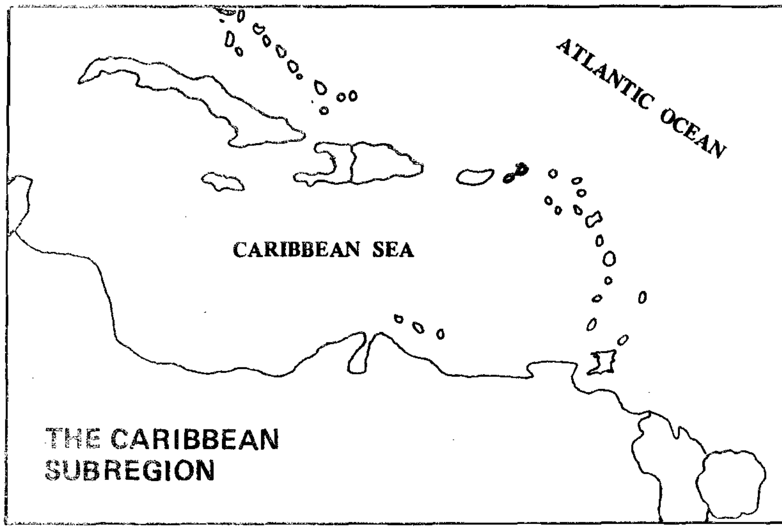
CARIBBEAN DEVELOPMENT AND CO-OPERATION COMMITTEE



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

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Subregional Headquarters for the Caribbean

CARIBBEAN DEVELOPMENT AND CO-OPERATION COMMITTEE (CDCC)

THE CARIBBEAN IN THE CONTEXT OF THE GLOBAL ECONOMIC CRISIS

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

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PREFACE

This paper has its origin in the preparations for the extraordinary session on Latin America and Caribbean development convened by the Economic Commission for Latin America and the Caribbean (ECLAC) at the behest of the President of Mexico, in recognition of the "... complexity, magnitude, and relative novelty of the problems we are jointly facing ..." in the global economic crisis. Accordingly, the President asked ECLAC, which has "... a historic legacy and great tradition of clear and independent thinking ..." to re-evaluate its developmental policies and to provide "a current conceptual framework relevant to the problems of the region".

The call for a re-evaluation of the developmental policy framework is justified by the rapid changes occurring in the global economy, the consequent economic shocks suffered by Latin American and Caribbean countries since the early 1970s, and the extreme difficulties which they all are experiencing in adjusting to those shocks.

Of concern also is the suspicion that the adjustment process in the region, which is having to take place in an environment of stagnating world trade and rapidly changing patterns of production and of demand, is proceeding at a pace which is slower than that of many of its international competitors, so that its relative standing as a region is being eroded. Moreover, there is concern that some of the policies which have been pursued in the past have rendered the economies less resilient in the face of global changes, that might have been anticipated.

For the Caribbean members of the Caribbean Development and Co-operation Committee (CDCC)[1] concerns are particularly acute, since the availability of hard currency, and therefore earnings from the export of goods and services, determines to a large extent the level of economic growth. The ECLAC/CDCC office has accordingly been monitoring economic performance and the process of structural adjustment in the region, while at the same time implementing a programme of co-operation designed to meet some of their more pressing needs.

The original notes which were prepared by ECLAC/CDCC were intended to provide a Caribbean input into the preparations for the extraordinary session. They attempted to outline some of the policy constraints faced by the smaller island economies in the Caribbean, and to provide a brief sketch of some of those policies which have recently

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[1] It is not the intention to argue that a separate economic discipline applies to small states, but rather to suggest that for certain structural reasons they have fewer options in determining a developmental path than might otherwise be the case.

been enunciated by various Caribbean governments and institutions. The notes have subsequently been revised to incorporate the views of some Caribbean economists[2] and to include the main themes of relevance to the Caribbean which emanated from the session itself.

By way of illustrating the impact of the crisis on Caribbean economies, data are also included from research conducted within the Caribbean office of ECLAC particularly a recently completed study entitled "An Evaluation of Economic Performance of CDCC countries for the Period 1974-1984"[3]. Subsequent developments highlighting attempts to adjust to the crisis are also adumbrated.

Time and space do not permit a discussion of the impact of the economic crisis upon the delivery of social services, and the social and institutional measures which will be needed to complement the current economic policies, if they are to be sustainable. These issues are however considered by ECLAC to be crucial and work has started to provide a better evaluation of the impact of the crisis on social services in the region, beginning initially with the health services.

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2 ECLAC/CDCC Meeting on Caribbean Development Issues and Policies, Port of Spain, Trinidad and Tobago, 14 November 1986.

3 "An Evaluation of Economic Performance of CDCC Countries (1974-1984)" LC/CAR/G.182, dated 1 March 1986.

INTRODUCTION AND SUMMARY

1. During the past fifteen years, the global economy has consolidated itself as truly global. It has at the same time been in rapid and profound change and has created a series of crises in those countries, or within those sectors least able to perceive the direction of change, and to adjust to it. The Caribbean represents one such area of crisis.

2. The impact of the global economy was felt in the Caribbean in a number of ways, and as early as 1974 for those most seriously affected by the oil price increases[4]. By the early 1980s, however, all countries of the region had been suffering adversely from a series of global economic developments which included:

(a) Oil price shocks of 1973-74, and 1979-80;

(b) A reduction in the demand for raw materials and other exports of Caribbean countries consequent upon deflationary adjustment policies and rapid technological changes in the developed countries;

(c) The impact of high interest rates upon the debt and its servicing;

(d) The contraction of those economies in the region benefitting from the petroleum trade and the consequent spinoff activities; and

(e) A shift in the terms of trade against raw materials exporters as a result of the continued sluggishness of the industrial countries, but also and more significantly because of the reduced intensity of raw materials inputs into industrial output, a shift which has disadvantaged raw materials producers and favoured efficient manufacturers and other possessors of high technology.

3. The structure of Caribbean economies has been evolving in various ways during the period under review.

4. Agriculture has recorded a decline in its contribution to GDP, now contributing on average 15%, from about 18%. The sector has shown a decline not only in its capacity to sustain export earnings but also to meet domestic food needs, so that the food import bill has grown and the region has become a net importer of food.

5. Manufacturing has stagnated, for the region as a whole, averaging about 13% of GDP over the ten-year period. The broad aggregates, however, disguise a shift in orientation, from a focus on local and

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[4] Some of the data series have accordingly tried to provide information from 1974, although the main emphasis in subsequent tables has been for the period 1980-1985.

regional markets to third country exports, in an attempt to reduce their reliance on the stagnating regional economies. It has also concealed the growth of manufacturing in some of the smaller countries.

6. Minerals producers in the region have suffered from the uncertainties attendant in the global economy, with a structural shift away from raw materials consumption underlying the more familiar cyclical changes. Rapid price rises for petroleum and other raw materials in the early seventies were followed by a second price rise for petroleum in 1979-1980, although this fillip was a short duration and not extended to bauxite/alumina prices which had started to decline by the late seventies. Earnings from both raw materials have declined significantly since.

7. Services have grown in importance over the survey period, particularly tourism which is now a major activity, and is being actively encouraged in most countries. Other services which have shown a significant capacity to generate income have, however, suffered from the vicissitudes of the international economy, particularly those linked to the petroleum economy, and financial services which are vulnerable to changes in foreign legislation.

8. Given the trends in global demand and in domestic performance, deep seated structural problems have surfaced in most Caribbean economies, with chronic deficits being recorded in the fiscal and external accounts, rapidly increasing debt, and high levels of unemployment.

9. Domestic economic policy has been oriented to reducing imports and increasing exports, the former having a severe contractionary effect in the absence of immediate increases in exports. Efforts are also being made to reduce the fiscal deficit, although this is particularly difficult in the light of stagnating revenues, the difficulties in contracting government services below a given minimum in the smallest countries, and the increasing cost of servicing the debt. At the same time efforts are being made to restructure the productive sectors to increase output and employment and to make them more resilient in the external markets. This effort is being hampered by a lack of investment, both domestic and foreign, and a lack of sufficient and timely information about processes and markets.

10. External economic policy has been oriented primarily towards maximizing the returns from stagnating traditional exports by negotiating special arrangements regarding their supply and price, while at the same time negotiating favourable access conditions for potential new products which will ultimately replace them. Limited success has so far been achieved in the production of non-traditional items which are experiencing greater difficulty in penetrating export markets than had been anticipated. Rapid growth is however, being experienced in the assembly of garments in special enclave export processing zones.

11. Regional trade nevertheless continues to be accorded a high priority, since it remains one of the few options over which the countries of the region retain a major degree of control. It is seen as a complement to the export oriented policies since it has the effect of compensating for limited domestic markets, thus enhancing the capacity of regional producers to penetrate global markets. The full potential of the regional market is as yet not fully realized, since it is still limited in its geographic scope, it is currently suffering from inadequate payments arrangements, thus limiting the flow of trade, and revised policies are needed to facilitate a smoother flow and more effective use of productive factors within the region.

I. IMPACT OF THE ECONOMIC CRISIS ON THE STRUCTURE AND PERFORMANCE OF CDCC ECONOMIES

12. CDCC member countries are for the most part, small island developing states. Of the 20 members and associate members, all but three are islands, nine have land areas in excess of 1000 Km^2 but of these only Cuba, the Dominican Republic, Haiti, Jamaica and Trinidad and Tobago had populations of over 1 million persons in 1985 (Table 1.1).

13. There is a relatively wide variation in the size of CDCC member countries' economies as measured by their Gross Domestic Product (GDP), and in the relative incomes of their people as measured by per capita GDP. The following tentative analysis will try to illustrate these differences, and show how they have changed over time. Despite these differences, the economic structures are remarkably similar, as are the social and economic problems they all face.

14. In 1974, eight countries including all those now comprising the Organisation of Eastern Caribbean States (OECS) had a GDP at current factor cost of about US$50 million or less, Montserrat being smallest with almost US$10 million. By 1984, all OECS member countries had a GDP in excess of US$50 million with the exception of Montserrat, and two OECS countries had a GDP in excess of US$100 million.

15. In 1974, most of the other CDCC countries had a GDP ranging between US$ 100 million and US$ 1,000 million with only Trinidad and Tobago, the Dominican Republic, Jamaica and Cuba exceeding that figure. By 1984, the Bahamas, Barbados, Haiti, Suriname and the Netherlands Antilles had joined that group of countries exceeding US$1,000 million,

and three - the Dominican Republic, Trinidad and Tobago and Cuba - had exceeded US$ 8,000 million[5].

16. The relative income of Caribbean people varied accordingly, in 1974 ranging from Haiti with US$125 per capita in current prices to The Bahamas at over US$3,000. By 1985 this disparity had not changed US$7,800 per capita.

17. Growth of GDP also showed significant changes, from Trinidad and Tobago, a petroleum exporting country recording a real growth of 30% over the survey period to Jamaica, highly dependent upon imported petroleum for its energy, recording a decline in GDP of 15% over the same period (Table 2.1).

18. For the period 1980-1985, economic performance remained uneven, good growth performance being recorded for a number of countries, rapid growth recorded by Trinidad and Tobago in the seventies was not sustained in the first half of the decade of the eighties, reflecting the vagaries of the international petroleum market. Details of GDP performance for the period 1980-1985 are set out at Table 2.2.

II. DECLINING AGRICULTURAL OUTPUT

19. Despite a measure of insulation from the vagaries of the international market, due to special trading arrangements, the agricultural sector has been unable to sustain its contribution to export earnings, or to the domestic product.

20. Agriculture consistently contributes in excess of 10% of GDP in eleven of the twenty countries surveyed, and for four it contributes 20% or more of GDP. For the region as a whole the contribution of agriculture to the domestic product declined from 18% in 1974 to about 15% ten years later. The sector has shown a decline in its relative capacity not only to earn foreign exchange but also to satisfy domestic food needs, so that the food import bill has grown and the region as a whole has become a net importer of food.

21. Production of major agricultural export staples has tended to stagnate or decline over the survey period. Sugar production has shown a decline in Barbados (9%) Guyana (29%), Haiti (17%), Jamaica (50%), and Trinidad and Tobago (59%). It has remained constant in the Dominican Republic but increased in Belize (16%), Cuba (38%), and Saint Christopher/Nevis (42%). In the case of Cuba, however, note needs to

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[5] Differing national accounting practices in Cuba result in figures which are not directly comparable with other CDCC members. The figures are, however, useful for illustrative purposes and for an examination of Cuban performance over time.

be taken of the fact that production in 1970 exceeded the best year of the survey period.

22. While international demand for the primary products of developing countries has declined, particularly after the late seventies, CDCC countries, in the main, dispose of their sugar exports in preferential markets in the EEC, USA or CMEA[6]. Earnings were, therefore, neither as low nor as unstable as might have obtained if all sales were made at International Sugar Agreement prices. Emphasis in the analysis has, therefore, tended to focus on output since its decline is in the main attributable to organizational and production problems reflected in a failure to adapt and sustain productivity over time, rather than a response to the depressed world market. Similar comments also apply to some of the older banana exporting countries.

23. Banana exports have registered growth in Saint Vincent and the Grenadines (48%), and Saint Lucia (48%), they grew in Grenada up to 1979 but decreased thereafter to rest at slightly over the 1974 figure, but declined in Dominica (11%) and Jamaica (85%).

24. In the face of declining performance of traditional agricultural exports, non-traditional agricultural exports constitute a potential source of export growth for Caribbean countries, based primarily on favourable growing conditions, competitive labour rates and close proximity to a large market on the east coast of the United States. The Dominican Republic and Jamaica have already made some progress in penetrating this market which falls into three basic categories. The longest established is the production of indigenous foods for the "ethnic market" which comprises mainly Hispanic and Caribbean populations. The second category, which encompasses a large and lucrative though seasonal market, comprises the cultivation of off-season or winter vegetables. The third category is the year-round export of tropical products which have developed an international clientele, such as pineapple and coconut and its various by-products, aloe, cocoa butter, cut flowers, house plants and various spices. The possibility of processing and packaging a range of these products, either frozen or in cans, or in using them as raw materials for other final products, needs also to be included.

25. Difficulties and setbacks have, however, been experienced in penetrating this market, which is highly price competitive and quality conscious. Experience has shown that traditional methods of cultivation, and quality standards that are acceptable for the local market are often inadequate to satisfy the export markets. Some of the

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[6] In 1985 Cuba disposed of 76% of its sugar exports to CMEA countries at special prices, from which it received 97% of its sugar export earnings. The Dominican Republic was also highly dependent upon the US market for its sugar exports, as are most other Caribbean sugar producers, though to a lesser extent. Recent quota reductions in the US have therefore impacted unfavourably on these countries.

more successful current operations are joint ventures, often having close links with the distribution outlets in the export market.

III. UNCERTAIN PERFORMANCE IN MANUFACTURING

26. Manufacturing on average, accounted for about 13% of GDP for all CDCC countries at the beginning of the survey period. The larger countries had a more developed manufacturing sector with Cuba[7] (47%), the Dominican Republic (17%), Haiti (16%) and the MDCs of CARICOM, Guyana (14%), Jamaica (18%) and Trinidad and Tobago (15%), having a higher than average contribution to GDP. Significantly below the average in 1974 were the smaller countries - Dominica (5%), Grenada (5%), Saint Lucia (3%) and Montserrat (5%). By 1979, the relative contribution of the sector to GDP had not changed significantly and by 1984, the average for the region had increased marginally to 13.5%. Concealed within the aggregates, however, were changes by some of the Organisation of Eastern Caribbean States (OECS) countries which now tended to cluster around a 10% contribution compared with 5% at the beginning of the survey period, although in Antigua and Barbuda and Grenada manufacturing declined significantly. Other significant changes were recorded by Suriname, Trinidad and Tobago, and Cuba. In the case of Trinidad and Tobago which does not include refining in manufacturing, the decline of the sector from 15% to 7% of GDP is a reflection more of the inability of manufacturing to keep pace with the very rapid increase in GDP rather than an absolute decline in the sector itself, while in Suriname it increased from 6% to 14%. Over the period the contribution of manufacturing in Cuba declined by five percentage points.

27. Efforts to expand manufacturing between the 1960s to the mid-1970s in the CARICOM countries, and between 1970-1978 in Haiti and the Dominican Republic, were based on import substitution policies within the context of a free trade area in the former countries, or their domestic markets in the latter two. The range of products has been relatively narrow and produced on a small scale, concentrating on food processing, garments, footwear, furniture and consumer durables. They have depended on imported inputs and have not for the most part been competitive in price, surviving as a result of protection. Consequently, linkages between products have been few and the capacity to penetrate export markets limited.

28. Since the mid-1970s some new products such as steel, extruded plastics, building materials, and chemicals have been added to the product mix. Yet, in the ensuing decade little additional progress has been made in the sector, as the domestic economies have contracted in the face of difficulties in the global economy, and as inputs to the industries such as packaging have increased in price or become

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[7] See footnote 5.

unavailable due to foreign exchange shortages. Furthermore, CARICOM trade contracted due to the need to conserve foreign exchange and the industries have been rendered increasingly uncompetitive due to declining investment and outmoded plant and equipment. Similar patterns were evident in Haiti and the Dominican Republic as the domestic markets became saturated.

29. Concurrently, yet quite separately from the domestic manufacturing sector, the off-shore or export processing zones (EPZ) have developed in an attempt to produce for export markets, and circumvent some of the policy constraints which have sometimes rendered export production less attractive. The most notable export processing zones have developed in Haiti, the Dominican Republic, Barbados and Jamaica.

30. The export assembly industries account for 30% of total manufacturing in Haiti, growth accelerating from the mid-1970s when import substitution industries began to stagnate. The principal product groups are clothing, electronics and electrical equipment, and sporting goods. In the Dominican Republic the EPZs concentrate mainly on textiles and garments (60%), footwear and leather products (12%), cigars and processed tobacco, and electronic goods. The zones have recorded an annual growth rate in the value of exports of 20% between 1975-1980, and while the rate of growth since then has fluctuated the net value of exports exceeds the gross value of all other non-traditional exports. They provide employment for over 50,000 persons mostly women.

31. In Barbados industries dealing in textiles and clothing averaged 39% growth between 1968-1978, although firms assembling electronic components grew almost as fast. By 1979 electronics had begun to grow faster than the garments sector and by 1980 it was larger in absolute terms. By 1983 electronics dominated export performance while the textiles and garments sector started to decline. By 1986, however, the electronics industry was experiencing difficulty and was in decline.

32. In Jamaica, the Kingston Free Zone was inaugurated in 1976 mainly as a warehousing and trans-shipment facility, and by 1980 export sales remained relatively modest. In the next four years export sales grew by about 240% per annum on average. Free zone activity is predominantly in the apparel industry (90%) the remainder in agro-processing. The production of methanol is also a fast growing sector and as such has come up against varying industry lobbies to prevent its inclusion as a CBERA export. The free zone has had a rapid increase in output at a time when output has declined nationally and has provided increased employment at a time when sector employment has stagnated.

33. For some of the smaller states, such as Antigua and Barbuda, Dominica, Grenada and Saint Vincent and the Grenadines, exports to the U.S. comprise garments assembled from imported parts exclusively. Exports of garments to the U.S. in 1985 for the region as a whole amounted to US$455 million and while data are not available for 1985 in 1984, the exports of assembled products mainly garments and

electronics, and the main output of the free zones amounted to about 28% of total exports to the U.S.[8].

34. The contribution of the export processing zone to development, while not inconsiderable, is however limited since it is confined mainly to employment generation. Criticisms of such industries centre on the fact that they are volatile and shift rapidly whenever conditions in one locale deteriorate, or when costs become too high; and the fact that there is only limited integration into the domestic economy, so that intersectoral linkages are not established and the contribution to Gross Domestic Product is not maximized. The fact that investment seems only to be induced into areas which are relatively untouched by government policy should cause some reflection about these policies if it is the intention to induce foreign investment for the longer term.

35. Among the advantages listed for the EPZ is that:

(a) It provides a window on the export market giving putative exporters some exposure to the training and quality control standards which will need to be maintained;

(b) Ensures access to distribution facilities;

(c) Provides its own mechanisms for preserving and sustaining the market share; and

(d) Is sensitive to shifting market trends and advancing technologies.

The EPZ can also provide the policy maker with a controlled experiment as to the measures needed to induce foreign investment, and a practical test of the relative productivity of a territory. It might also provide a basis on which to build a more mature export industry as has been demonstrated by some of the Newly Industrialized Countries (NICs).

36. At the same time it has also been argued that domestic structural adjustment programmes may be so stringent in the short run that investment is stifled unless it is insulated by measures such as the export processing zones. They are seen therefore as an interim measure until the structural adjustment programme is more mature and a more consistent and favourable set of investment policies can be put into place.

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[8] Data derived from US Department of Commerce, and excludes the exports of petroleum from Trinidad and reexports of petroleum from The Bahamas.

IV. EXPOSURE OF THE MINERALS SECTOR

37. Being fully integrated into the international markets for petroleum and aluminium, Caribbean producers and processors of these minerals have been fully exposed to the uncertainties of the global market, and in recent years have suffered a steady erosion in the earning capacity of these industries.

38. The bauxite/alumina industry in the Caribbean more closely reflects the tempo of world trade and shifting comparative advantage than is the case of, say, the traditional agricultural products. The shifting fortunes in the bauxite/alumina industry, therefore, reflect the global demand for aluminium, which remained strong from 1974 to 1980 and declined thereafter. This trend, which was first assumed to be cyclical, may be structural in that the level of raw material input per unit of manufacturing output has been declining, and particularly so in relationship to aluminium where plastics are providing substitutes in many applications. Moreover, a further structural change has taken place in the bauxite industry which shifted new investment to those areas of production having bauxite deposits in close juxtaposition to cheap and abundant energy. Suriname is the only CDCC producer currently benefitting from this advantage although Guyana has the potential to do so for the future. Bauxite/alumina production as a result of these factors is declining in the region.

39. By 1984 bauxite production had ceased in Haiti and the Dominican Republic. Over the survey period it has declined in Guyana by 57%, in Jamaica by 42%, and in Suriname by 30%.

40. Alumina production has ceased in Guyana. It has declined by 39% in Jamaica and has remained more or less constant in Suriname, the only other producer of alumina in the subregion.

41. Crude oil production in Trinidad and Tobago declined by approximately 20% over the period, although Barbados, which first extracted petroleum in commercial quantities in 1974, has steadily increased its output over the period. By 1984, its production exceeded 50% of domestic consumption.

42. The petroleum sector in Trinidad and Tobago has, over time, rested on the production of indigenous crude, a large portion of which was exported; and refining, the inputs of which were composed in part of domestic crude as well as imports, the latter segment being US off-shore refining capacity and geared to supply the east coast of the United States. With changing energy policy in the United States to encourage conservation and discourage off-shore in favour of domestic refining, structural shifts in the industry also underlay the more obvious changes which occurred in the price of crude petroleum.

43. The output of domestic crude oil in Trinidad and Tobago remained constant between 1974 and 1980 declining steadily thereafter to 1983 though rebounding with a slight increase for 1984. Exports of domestic crude oil showed a similar trend, declining after 1980. Over the survey period the quantum of domestic crude refined locally has registered little change, while the off-shore component of the industry ceased after 1982. Reduced exports of refined products, however, now represent the product of domestic crude exclusively.

44. The contribution of the petroleum sector to GDP, which rested at 20% in 1972, increased to 43% by 1974 due to the effects of the first oil price increase. After remaining relatively constant until 1977, it declined in 1978 and 1979 whereupon it was boosted to almost 42% by the second oil price increases in 1980. Since that period the contribution of the sector has declined as a result of reduced petroleum output as well as reduced prices, to rest in 1984 at a figure below that which obtained at the end of 1973.

45. Export intermediate refineries had so clustered in the Caribbean by the mid-1970s that it contained the largest concentration of such facilities in the world[9]. Of this, CDCC countries had a net exportable capacity in excess of 2 million barrels per day (mbd) located at strategic deep water sites and exporting refined products to the United States. The major facilities were in The Bahamas (432 tbpd)[10], Netherlands Antilles (653 tbpd), Trinidad and Tobago (394 tbpd) and U.S. Virgin Islands (606 tbpd). If to this refining capacity is added trans-shipment capacity of 2.7 mbd, it is clear that the area provided a major conduit for petroleum products to the United States at the beginning of the survey period. By 1984 the situation facing off-shore facilities, refineries as well as trans-shipment facilities had changed drastically. In addition to conservation and the encouragement of domestic refineries, the sources of crude oil imports into the United States were shifted to favour non-OPEC producers and deep water facilities established in the Gulf of Mexico thus rendering off-shore trans-shipment facilities in the Caribbean obsolescent.

46. The largest refining facilities, located in the Netherlands Antilles, have registered declining output from the early 1970s, a decline which was arrested temporarily during the period 1975-1979. Thereafter, the decline continued so that by 1984, the largest refinery in Aruba (440) had closed and the continuation of the remaining refinery, was predicated on operation by Venezuela at reduced output. Reduced demand in the United States has also impacted unfavourably on the refinery in The Bahamas, production of which declined over the period, closing in 1985. Refinery throughput in the U.S. Virgin

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[9] Analysis of World Petroleum Refining - W. O. Mathius, Ottawa 1980, quoted from Koulen, P. "Evaluation of Price Structure of Petroleum Products in CDCC countries" (ECLAC/UNDP).

[10] Refinery capacity in thousands of barrels per day (tbpd)

Islands has also declined consistently from 1978, resting in 1983 at 40% of capacity. As mentioned, Trinidad and Tobago is no longer refining imported crudes.

V. THE TREND TOWARDS SERVICES ECONOMIES

47. Services accounted, on average, for slightly over 50% of GDP in 1974. The OECS countries generally display a higher than average contribution of services to GDP, notably being Antigua and Barbuda at 82%, although Saint Vincent and the Grenadines, Saint Lucia and Montserrat all average over 70%. Least oriented to services in 1974 was Guyana with a 36% contribution. By 1984 the average contribution to GDP had increased to 65% although the dispersion of the data was reduced, for example, the percentage of Antigua and Barbuda falling to 73% and in Guyana increasing to 46%. In all other countries, however, the shift towards services was noted.

48. Tourism is the single most important economic activity and the major source of hard currency for most Caribbean countries, with earnings amounting to nearly US$3 billion in 1985. It is also a major source of employment, although like many others, the industry has not established strong linkages with other domestic activities such as food production and furnishing and so does not maximize its contribution to the domestic product. It is being actively promoted by all CDCC countries except Guyana and Suriname. Since the industry depends on the disposable income of foreigners and is highly income elastic, tourism reflects, more than most other industries, the state of the economic activity in the countries from which the tourists originate. The industry is also very sensitive both to price and to socio-political conditions in the host country, since potential visitors have numerous alternative resort-type options adjacent to CDCC countries from which to choose.

49. Tourist arrivals CDCC countries increased to slightly over 50% between 1974 and 1984. Reported tourism earnings at current prices grew over the same period by about 150%.

50. The rapid growth in arrivals came to an abrupt halt by late 1980-1981 for all CDCC countries. A few countries such as The Bahamas, the Dominican Republic and Jamaica were able to resume growth by 1981 although not until 1984 was a clear pattern of renewed growth pervasive throughout the region and this has been sustained to the present time. Overall the period 1980-1984 reflected the depressed state of the world economy, arrivals increasing by only 11%.

51. While the bulk of tourists have tended to originate in North America, this characteristic was accentuated after 1980 with the rapid increase in disposable income in the United States. In addition to the slower economic recovery experienced by Western Europe, visitors originating in these countries had to contend with an appreciating U.S.

dollar, to which the currencies of all the major destinations in the Caribbean are tied, thus making Caribbean vacations relatively more expensive. At the end of the survey period, therefore, the Caribbea had become more dependent upon the United States for its tourists, tha had been the case in 1974.

52. A preliminary sampling of gross tourist earnings suggests that they followed closely on the trend set by arrivals. For the period 1974-1984, earnings are estimated to have increased by over 150%. The major gains were, however, accumulated between 1974-80 which averaged a growth in earnings of about 12.5% per annum. For the period 1980-1984 the annual growth had, however, fallen to less than 7%.

53. This trend has continued to 1986 although the decline in the value of the U.S. dollar should make Caribbean vacations once more attractive to other visitors.

54. Despite steady growth, however, the industry is not particularly well managed and will need to increase the operating efficiency particularly of the smaller hotels, as well as provide a more diversified product if it is to maximize its earnings and improve its viability.

55. Other services activities have grown however, such as off-shore banking, which in the Netherlands Antilles provides foreign revenues almost three times greater than foreign earnings from merchandise trade and provides 53% of the total revenues of the Government of the Netherlands Antilles. In The Bahamas, while the impact is not as great, the sector nevertheless makes a valuable contribution to the economy. Other Caribbean countries are also seeking to derive benefits from the provision of off-shore financial services.

56. Transportation services, such as ship registry and insurance, shiphandling, maintenance and repair, and trans-shipment facilities, are services from which the Netherlands Antilles also earns substantial returns, in 1985 net earnings from transportation services being more than twice the earnings from merchandise exports. More recent developments include computer services, whereby Barbados and Jamaica sell key punch and other data processing services to the United States. Another service industry with growth potential is that of health care, given the demographic profile of the U.S. population, and the emphasis on physical fitness, and it can be seen as an adjunct to the leisure industry which is already well established in the region.

57. While subject to rapid change and volatility, the Caribbean countries will continue to depend upon services as a useful source of employment and foreign earnings. Moreover, as the linkage between goods and services gets closer, the Caribbean will need to develop a range of services clustering around its export industries if it is to penetrate external markets, monitor their evolution and maximize the contribution of these industries to national development.

VI. THE ROLE OF THE PUBLIC SECTOR

58. Public sector involvement in development is often justified by the argument that as the process of development is not spontaneous, the impetus to it needs to be provided by the state. Whatever the merits of the assertion, it would be difficult to envisage a stable developmental process without a series of supporting measures which are considered to be the legitimate domain of the state. In this regard, there is little debate about the legitimate role of the public sector to provide a local and foreign environment which will permit its citizens to develop.

59. Domestically, this implies, as a minimum, a secure social environment with clearly defined rules that are consistent over time, a set of appropriate institutions through which the citizens may conduct their business, the provision of high standards of health, and education system that is supportive of the objectives of development, effective systems of communication, and the effective management of the economy.

60. In the international arena, it is recognized that the state has the legitimate responsibility to conduct its external policy so as to preserve the integrity and security of the country, and to enhance the climate in which external commercial activities will be efficiently conducted.

61. While the foregoing list of functions might be regarded as unduly restricted by some, it nevertheless allows a great deal of leeway for the determination of policy. It moreover encompasses a series of tasks which are already beyond the resources of most developing countries.

62. The share of government services in GDP increased over the survey period from an average of about 16-19%. Government accounted for a greater share of GDP in the smaller countries in 1974 - Dominica (24%), Saint Lucia (22%), Montserrat (23%) and this characteristic prevailed in 1984 although for Montserrat, an exceptional case, the share had actually declined to 15%.

63. For the larger countries, Suriname recorded the highest contribution of government services to GDP exceeding all other countries for which data are available. Throughout the survey period, Guyana also recorded a consistent and significant increase as did Jamaica up to 1981, though it steadily declined thereafter to rest at a figure only marginally greater than that which prevailed in 1974. Increases were also recorded in Trinidad and Tobago though the percentage remained relatively low in 1984.

64. Prevailing policy perceptions in the subregion assign to the public sector a major responsibility for economic development. This

often implies the provision of infrastructure, a comprehensive bureaucratic apparatus, as well as involvement in directly productive activities. Such involvement has been prompted by the desire to increase local ownership and control or to prevent non-viable enterprises from failing, particularly when they are large employers of labour. Repayment of debt, which for some countries is now larger, also makes increasingly heavy demands upon revenues. Other reasons for the increase have been the relatively recent accession to independence of many CDCC countries with a consequent broadening of government responsibility, especially in the smaller countries; and an unwillingness to pass on the full cost of (sometimes inefficient) public utilities to the consumer. These policies are sometimes reinforced by the competing political parties bidding for public office.

65. Some member countries have a more formal commitment to public ownership, as is the case of Cuba, where the preponderance of economic activity is state-owned or in Guyana, where the proportion approaches 80%. Participation by the Government of Trinidad and Tobago in the process of industrial development has increased over the survey period, with the need to find productive investments for rapidly growing public revenues, while in Jamaica, the level of state involvement increased early in the survey period though it has declined somewhat since 1980.

66. Perusal of the data relating to public finance indicates that for most CDCC countries, government expenditures consistently exceed revenues. At the same time revenues have not kept pace with expenditure increases, particularly after 1980, because of a generally stagnating economy, earnings, and sometimes inadequate tax-collection mechanisms. Needed tax reforms have until recently been postponed because of fears that in the short run, they will accentuate the trend towards declining revenues. This fear is often justified since indirect taxation is required to take a greater share of providing revenues, and they will decline whenever scarce foreign exchange requires a reduction in consumer imports.

67. The prevailing pressures to increase capital expenditures serve to ensure that all CDCC countries accumulate fiscal deficits but for the most part, recurrent revenues were unable to cover recurrent expenditures. The sole exception was Trinidad and Tobago which accumulated fiscal surpluses in all years from 1974 through to 1981, with the exception of 1979. From 1982, as a result of declining revenues from petroleum, Trinidad joined the remainder of CDCC countries to accumulate deficits.

68. For the remainder of the decade, Caribbean countries will need to devise ways to maximize the delivery of essential public services, given the contracting revenues available to them. They will need to delimit the role of the public sector to the effective provision of essentials and to ensure that state policies are carefully selected so as to be consistent with goals.

69. The material and human constraints now being faced by the public sector are severe, attested to by the fact that most Caribbean governments are unable to meet their recurrent expenditures from their recurrent revenues (Table 3.1).

70. An automatic expansion of the public sector can no longer be assumed, and in the scenario of stagnating economies, governments now face constraints on their capacity to increase revenues, so that for the future it is likely that various measures will be explored to reduce the size of the public sector.

71. While it is generally recognized that there are many areas where the state needs to ensure that services are provided to the public, it is no longer universally assumed that the public sector need itself provide them. It has the option to subcontract these tasks to outside operators, often at a saving while having a greater supervisory role in ensuring the quality of the product or service. It is also generally accepted that there is a greater likelihood that inefficiency in the public sector will go unpenalized, and at public expense, for longer than in cases where it will have an essentially supervisory role.

72. A growing body of literature and of practice is being accumulated internationally and in the region on issues such as the economics of privatization; the checks and balances which may be used to overcome those abuses which may inhere in private sector monopolies; the distinction which can be made between the funding and the provision of a service; and the benefits which may accrue to strapped budgets from divestment. These new attitudes are encouraging a fresh and undoctrinaire look at the ways open to the public sector to achieve commonly accepted objectives without wasting its resources, the scarcest of which is managerial, in the actual task of implementation.

73. A reappraisal is also being made of the scope and type of planning which might be most effective in developing economies, especially those that are open, and therefore require speed and adaptability in their response to rapidly shifting global trends. Because of the complexity of issues and the levels of uncertainty inherent in global economic activity, there has grown a disenchantment with "traditional planning" and a new focus on "economic management". In effect, the latter in its best case is mainly a recognition of the need to be more selective in its focus on key policy issues; to plan its strategies; to ensure that its incentive policies are consistent with goals; to secure a consensus between the various economic actors, both within the state apparatus, and in its dealings with the private sector; to manage the public investment programmes effectively; and to monitor and adjust the economy to the rapidly changing environment in which it operates.

74. Since the growth and even the survival of the economy is dependent upon trade, it is essential that the economy remains internationally competitive. The public sector has the responsibility to ensure that the necessary discipline is exercised by all the economic actors, including itself, so that competitiveness is adjusted and sustained

over time. This will in turn enhance the flexibility and adaptability of the economy to unforeseen external events, and ultimately limit the extent to which external actors can intrude to influence domestic policy. In the current economic crisis where structural transformation is necessary, it also has a role to play in sustaining the main export enterprises while they move along the learning curve and become competitive in international markets.

75. A perusal of the balance of payments of CDCC countries shows that for most countries there is a persistent deficit on the current account of the balance of payments, a factor which constrains economic growth in most countries and emphasizes the crucial importance of effective export performance if Caribbean economies are to grow (Table 4.1).

VII. TRADE POLICY FOR A CHANGING WORLD ECONOMY

76. The policy debate relating to the efficacy of the "open" or "closed" model of economic development, together with its corollary export promotion versus import substitution has continued in the Caribbean as it has elsewhere. Whatever the intrinsic merits of the case, and it may be argued that it is a false dichotomy, it is more difficult to sustain the case for closure in the subregion than might be the case elsewhere, due to the small size of Caribbean countries.

77. Small size implies a limited domestic market and a relatively narrow natural resource base. In the Caribbean, domestic markets are small, so that in most cases they are unable to absorb the output of modern enterprises, given the prevailing technologies. Moreover, resource endowments are narrow, so that at least in the initial stages, there will be an emphasis on relatively few productive activities. The situation is complicated by the fact that as most of the countries share similar assets and weaknesses, there is a tendency for them to possess a comparative advantage in similar activities. On the supply side therefore, they need to export a large part of their output, and they consequently export a similar range of goods and services which have to compete in the same markets, either in the developed countries or within the region.

78. On the demand side, the corollary is that while Caribbean countries export a narrow range of products they need to import the bulk of what they consume. Since this openness is a historical fact, there is a tendency by those advocating closure, to assume that it is determined by the political and consitutional arrangements of the past, and not by geography, and that it is therefore amenable to correction

by political actions. Consequently, this reliance[11] on trade has not changed significantly in recent years.

79. For the smaller countries the CIF value of imports often exceeds 80% of GDP. Conforming to this pattern are the following countries: Antigua and Barbuda; Belize; Dominica, which has moved from 70% in 1974 to 82% by 1984; Saint Lucia, which recorded a decline over the period though still resting at 89%; and, Saint Vincent and the Grenadines. Exceptions are registered for Montserrat, which declined from 80% in 1974 to 65% in 1984; Grenada increasing its dependence from 57% in 1974 to 69% in 1984; and, Saint Christopher/Nevis, moving from 68% to 79%. The Netherlands Antilles, however, provides the classic example of a small trading country which with a buoyant refining industry in 1980 had imports valued at five times the value of GDP.

80. Among other countries, declines in trade dependence were registered by Barbados, the Bahamas, Guyana, Suriname and Trinidad and Tobago, the latter showing a significant decline from an average of 68% for the years 1970-73 to average 38% for the period 1981-83 and to fall further to 23% in 1984.

81. The three largest countries showed the lowest dependence on imports, Cuba at 28%, Haiti 21% and the Dominican Republic at 18%.

82. All CDCC countries showed a reliance upon a few products for merchandise export earnings, which were derived mainly from sugar, bananas, bauxite/alumina, petroleum, coffee or cocoa. Dependence upon few export commodities was not, moreover, confined to the smallest states. Sugar sales in 1985 accounted for a high proportion of exports in Cuba (74%) and the Dominican Republic (21%) while coffee earned 22% of export earnings in Haiti. Among CARICOM countries the pattern was similar. At the end of the survey period petroleum products accounted for 82% of exports from Trinidad and Tobago, bauxite/alumina for 68% in Jamaica, 76% in Suriname and 43% in Guyana. Sugar accounted for 46% of export earnings in Belize, 35% in Guyana and bananas for 50% in Saint Lucia, 44% in Dominica and 21% in Saint Vincent and the Grenadines. In Barbados, this dependency had shifted from primary commodities to manufactures, since electrical components in 1984 accounted for 57% of merchandise earnings although by 1986 this dependence had declined due to the collapse of that industry.

83. Exports of goods have not managed to keep pace with the demand for imports, and the merchandise trade deficit widened for the region between 1980-1985, by about 70%. All countries accumulated large and persistent deficits on merchandise trade account with the exception of Trinidad and Tobago (details are provided at Tables 5.1 - 5.3).

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[11] For illustrative purposes this dependence is defined as the relationship between imports (CIF) and GDP.

84. While it is clear that effective development will diversify the range of outputs, it is also likely that a part or all of that new output will also need to be exported, so that in sum, a large proportion of output will need to be competitive on the international markets. Import substitution is therefore, either a very limited or a very expensive option, the inefficiencies of which cannot for long be disguised. It is nevertheless recognized that in appropriate instances, production for the regional market might sustain an operation until it is strong enough to compete in the more competitive global markets. The capacity of the state to recognize the constraints placed upon small islands, and to choose appropriate policies so as to permit the development of an efficient economy, is therefore crucial. This extreme openness carries with it a high sensitivity to external change and continually places the exporting country in a response posture to developments over which it has no control. This in turn requires a high degree of flexibility in planning and policy, both at the level of the state and of the enterprise.

85. Deriving from the practical realities which they face, Caribbean states have assiduously sought to provide as effective an institutional framework as possible within which to conduct its international trade. A number of special trade arrangements have accordingly been agreed with the main trading partners in the United States, the European Economic Community and Canada.

86. The Caribbean Basin Economic Recovery Act (CBERA) which governs the terms under which most[12] Caribbean countries trade with the United States came into effect in August 1983. It provides duty free access for goods produced by beneficiary countries for a twelve-year period with the exception of some goods deemed to be specially sensitive such as textile and apparel articles, leather goods not eligible under the General System of Preferences (GSP), canned tuna, petroleum and petroleum products, and watches and watch parts with materials from a non-MFN country.

87. Although few in number, the exclusions were nevertheless important in consequence, and have nullified much of the additional benefit which might have been derived over the GSP, since 87% of Caribbean exports had entered the U.S. market free of duty under the GSP. Moreover, the origin criteria were substantially the same as under the GSP, with additionality limited to the option of cumulating the inputs of other CBERA participants. The exclusions therefore, placed limitations on participants in those areas in which they were likely to have the greatest potential for trade expansion. Concessions were therefore found necessary in February 1986, to increase the quotas under Article 807 for garments assembled from cloth cut or woven in the United States, when it became clear that the hoped-for expansion in trade was not being realized.

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[12] Currently all CDCC members are participants in the CBERA with the exception of Cuba, Guyana and Suriname.

88. Since the CBERA came into effect, some products have shown an increased market penetration, such as furniture, electronics, seafood, winter fruits and vegetables, and garments. Some of the traditional exports have not fared as well, particularly sugar, since the existing quota arrangements had not been rescinded by the new act, and indeed quotas were significantly reduced. As a consequence, the overall value of trade with the U.S. has not grown under the CBERA, although some non-traditional exports have shown promise.

89. Most notable of the non-traditional exports have been electronics and garments, both of which have developed quite rapidly in some Caribbean countries in the enclave type of manufacturing arrangement, sometimes in free trade zones. These activities, which had started to grow in the 1970s, are not necessarily linked with the CBERA, and while making a useful contribution to employment, contribute only limited added value, and virtually no linkage within the economy itself.

90. It had been assumed by both parties to the agreement that increased market access would stimulate increased investment, which is the crucial need if the respective economies are to regain any momentum. A technical group to advise Caribbean governments estimated that private sector capital inflows of US$1,720 million would be needed in the CARICOM group, while US$543 million and US$242 million would be needed for the Dominican Republic and Haiti, respectively. In order to induce such investment, it was proposed that the existing double taxation agreements with the U.S. would need to be modified to include the reinvestment of profits, tax sparing clauses, greater flexibility in depreciating capital and tax deferrals. No modifications to taxation agreements have, however, been made under the CBERA, although bilateral investment treaties were briefly mooted. In February 1986, it was agreed that funds accumulating in the Puerto Rican Development Bank under Law 936[13] could be used for investment in the other Caribbean countries and it was hoped that this would speed up the development of twin plants whereby Puerto Rican firms would subcontract some of their inputs to other Caribbean countries.

91. It is still too soon to arrive at any definitive conclusions, although it seems that the expectations relating to new investment flows are not being realized, and that economic reactivation and transformation will not be possible without a rapid growth in investment.

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[13] Law 936 provides that profits accumulated by US companies operating in Puerto Rico will be exempt from tax if held locally and reinvested in that country, and an estimated US$8 billion have accumulated over time. While there have been attempts to repeal the law, a successful lobby was mounted to retain it on condition that a portion of these funds, an estimated 10% held in the Government Development Bank, would be used in the Caribbean in "twin-plant" arrangements.

92. The Lomé Convention which came into force in April 1976, and to which the English-speaking Caribbean countries and Suriname are signatories, was originally envisaged as an arrangement to protect established marketing arrangements for traditional exports of participating countries, particularly to the United Kingdom on its accession to the EEC. It also extended duty free access for most originating products to the EEC. Other elements of interest included mechanisms for stabilizing export earnings, and for fostering industrial, financial and technical co-operation.

93. Since the first Lomé Convention was signed it has been revised twice, the Lomé III Convention being signed in December 1984, and valid for a period of five years. Perhaps the most significant departure from previous conventions is the provision of a section dealing with investments, capital movements, establishment, and services since the arrangements for access have been largely unexploited because of inadequate supply. The new provisions are therefore a recognition of these supply constraints and an attempt to encourage EEC investment into the region.

94. A new agreement - CARIBCAN - is also in the process of being implemented between CARICOM member states and Canada. Its provisions are likely to include duty free access for all originating products, so defined to qualify a product having a local value added of 60% of the ex-factory price, with inputs from Canada to count as a part of the local value. Exceptions to the duty free provision relate to areas of potential production in the Caribbean, in textiles, clothing, footwear, luggage, handbags, leather garments, lubricating oils, and methanol. There is not likely to be a clause relating to investment promotion, despite a request, although provisions are likely to be made for trade promotion and training.

95. In summary, the special trading arrangements are an attempt in the first instance, to protect traditional exports, secondly to secure market access for as wide a range of potential exports as possible, and latterly to formalize some arrangement which would foster investment and increased output, and also make provisions for marketing assistance. The efforts have been partly successful in that traditional exports which were no longer comparative and which were under pressure from substitutes were given a longer adjustment period in which to switch production to alternative products. The adjustment process has not been smooth, and has, in some cases been hindered by arranged prices in excess of those prevailing in the market since some producers were reluctant to switch from products which had once more become remunerative.

96. Increased access to markets has highlighted the production constraints, and in those products having export potential brought home the reality of having to fight a continuous battle against various non-tariff barriers, and the complexity of marketing and distribution faced by very small producers. Investment provisions conceived in the

framework of joint ventures are intended to try to circumvent these constraints, as well as to relieve a general paucity of domestic investment. Yet the trading arrangements which were in some cases unilateral, and not legally binding, were subject to arbitrary readjustment so that the element of risk was not significantly reduced for potential investors. Moreover, there is cause to believe that some domestic regulations act as a disincentive to investment, both local and foreign, and might in fact encourage capital flight. The encouragement of an effective investment regime within the ambit of CARICOM might, however, encourage Caribbean investors to pursue the rational option of diversifying their investment portfolios while retaining the benefits of such investment for the region as a whole.

VIII. THE ECONOMIC CRISIS AND ITS IMPACT ON THE EXTERNAL DEBT

97. One of the most obvious and dramatic manifestations of the economic crisis faced by Caribbean countries is its growing external debt. For a variety of reasons, the international developments of the past decade have not impacted upon all Caribbean countries in the same ways, neither have all the countries had, at their disposal, the same options nor the same policy responses to them. For instance, the OECS countries have at their disposal fewer means to cope with economic downturns, so that adjustment has been almost automatic and sudden, and ameliorated primarily by transfusions of Official Development Assistance (ODA).

98. In many of the member countries of the OECS, ODA has traditionally been necessary in order to meet the recurrent costs of government as well as to initiate capital development. In the case of the former this was previously financed by United Kingdom grants-in-aid, but in recent years greater recourse is being made to the local banking system, and to a lesser extent to the Eastern Caribbean Central Bank (ECCB); and the International Monetary Fund (IMF).

99. Capital programmes have been financed by grants from the traditional donor countries, mainly through the CGCED, and soft loans from the Caribbean Development Bank (CDB), the European Development Fund (EDF), Trinidad and Tobago and Venezuela.

100. It should be noted that while efforts need to be made to increase revenue, the base from which this must be extracted is small and fragile, and in any case the performance is not bad, the ratio of government revenue to GDP being on average over 25%. The situation in fact provides a good example of the diseconomies of scale faced by small states, as there is a level beyond which the apparatus of government may not be easily compressed. Only through increased productive activity can the dilemma be resolved.

101. While the very smallest countries have been spared the worst effects that a large external debt would have on current and future

economic development, it is nevertheless becoming a source of concern for these countries, and is growing. While the overall magnitudes may not seem to be large for the debt or debt service payments (Tables 6.1 and 6.2 respectively) a better indicator of the relative magnitude of the debt is provided when it is compared to the GDP (Table 6.3). The difficulty in servicing the debt in any one year is also better illustrated when it is compared to the export earnings for that year (Table 6.4).

102. At the same time these countries have limited flexibility in rearranging their repayments schedules since the debt is owed primarily to international financial institutions which have so far shown limited flexibility in rearranging their debt schedules.

103. All Caribbean countries have not been spared the worst effects of the debt crisis, however, the larger and hitherto more "credit-worthy" of them have accumulated sizeable external debts, which in 1985 reached 72% of GDP for the Dominican Republic, 177% of GDP for Jamaica, and 239% of GDP for Guyana. In order to service the debt in the same year the Dominican Republic was required to earmark 17% of its export earnings, Haiti was required to earmark 19%, Cuba over 32% and Jamaica almost 37%[14].

104. The current debt crisis has its genesis in the mid-1970s and reflected a decision by governments to use external financing, which was then available at negative real interest rates, to cushion the shocks caused by rapid oil price increases, and hopefully to allow effective demand to be maintained while increasing economic growth. By the early 1980s greatly increased interest rates created severe problems for debtor countries, problems which were increased when the banks decided to reduce their exposure and so curtail lending in the region. Subsequently, although interest rates have fallen they remain at high real rates and any amelioration of the debt service burden has been nullified by weak demand and rapidly eroding terms of trade for the raw materials exported from the region. The continuing curtailment of domestic demand in order to generate surpluses to meet debt obligations has the effect of postponing the reactivation and transformation of the economies in the region.

105. Some positive conceptual and practical developments have taken place in the treatment of the debt issue such as: the recognition that development needs to be sustained and not curtailed by net financial flows; the growing acceptance that external finance should be linked in some way to a country's main export commodities; a series of rescheduling arrangements which have reduced the short-term debt service burden; and a secondary market for the purchase of discounted debt certificates or for them to be converted into equity.

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[14] For Cuba the discussion relates to earnings from goods and services in freely convertible currencies, and debt contracted in freely convertible currencies.

106. Despite these developments, the debt continues to be a major obstacle to economic activation and transformation, especially at a time when massive investment, and particularly investment which is foreign exchange intensive, is required to transform these economies. Moreover, interest rates are still high in real terms despite the decline in nominal rates; and the smaller debtors which have reduced bargaining power, are subject to more stringent credit conditions than the major debtors, despite the fact that in relative terms the burden of the debt is extremely severe.

IX. REGIONAL INTEGRATION - A DEFENSE AGAINST THE GLOBAL CRISIS?

107. A major argument for Caribbean regional integration derives from the belief that a widening of the protected Caribbean market will compensate for some of the disadvantages of very small size. Paramount among these disadvantages is an acute vulnerability to the rapid and unpredictable changes in the global economy. An evaluation of Caricom performance, however, shows only limited success in meeting this objective, due to some weaknesses in the structure of production of member countries, as well as some institutional weaknesses in the integration movement itself, notably a lack of adequate arrangements to finance regional trade.

108. Common historic and cultural bonds have traditionally existed between the English-speaking Caribbean countries deriving from common constitutional practice, close proximity and some limited institutional co-operation[15]. Such was the perceived strength of these bonds that a Federation was established in 1958 with the expectation that it would provide the most viable basis on which the several small islands could face the future. The Federation was, however, not long lived and was dissolved in 1962.

109. While the political and constitutional implications of Federation were not acceptable to all members, the idea of economic co-operation was more generally accepted so that a number of regional institutions developed soon after. The Caribbean Free Trade Association (CARIFTA), and the East Caribbean Common Market (ECCM) were formed in 1968. In 1969 the Caribbean Development Bank was formed and commenced operations in 1970 and in 1973 the Caribbean Community and Common Market (CARICOM) were established.

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[15] For the purposes of this discussion, the thirteen states, members of CARICOM are being treated except in that section relating to the widening of the integration movement.

110. While the central focus of CARICOM remained trade and economic co-operation through the workings of the Common Market, and with the ultimate goal of economic integration remaining, two additional aspects were included, functional co-operation and the co-ordination of foreign policy.

111. During the life of CARIFTA intraregional trade among its members increased from 5% to 10% of total trade. CARICOM, however, came into being at a time when member countries began to face great instability in their external accounts due to rapidly increasing petroleum prices, and subsequently, declining prices for their export commodities. Despite the provisions made for a common external tariff, for the joint development of agriculture, the establishment of regional industrial programming, for the movement of capital and for a harmonized scheme of fiscal incentives, the integration movement faced severe impediments since many of the mechanisms agreed were only partially implemented, and intraregional trade declined, with intra-CARICOM imports falling by 25% between 1981 and 1985.

112. Since CARICOM production was based on the assembly of articles which had traditionally been imported but now using imported inputs, they were still significant users, and often net users of foreign exchange. Moreover, excess capacity had developed in the region so that as trade contracted with the general decline of the economies, the contraction was exacerbated by the implementation of quotas and other non-tariff barriers in an attempt to preserve foreign exchange and protect domestic manufactures.

113. As a consequence of developments over the past decade, the regional integration movement faces a number of challenges which it must meet if it is to continue to contribute to the economic development of the region. Briefly stated, it must in the short run find the means to resuscitate intraregional trade, but in the longer run it must incorporate policies to stimulate the rapid growth of extraregional trade. It must reactivate those mechanisms agreed in principle, but which have not been implemented in practice, which would allow the stimulation of regional agricultural development, the resuscitation of the textiles industry, and the rationalization of the industrial sector. It must adopt measures that will stimulate regional investment.

114. In so far as the structure of the movement is concerned, it will need to satisfy the smaller states that measures are being taken to provide a more equitable balance between the costs and benefits of intraregional trade, it will need to devise a more effective decision-making machinery, and ultimately, it will need to face the question of widening the membership from the current 5.5 million persons to include other Caribbean countries.

115. CARICOM has started to move to meet the challenge; the creation of an export credit facility to resuscitate CARICOM trade has been agreed by member governments, to be activated by mid-1987; the integration mechanisms are not seen as an alternative to structural adjustment but as a complement to it, and the Nassau Accord on Structural Adjustment was agreed under the auspices of the CARICOM Heads of Government Meeting in 1984. It is recognized that regional trade will need in future to develop with a greater openness to the external market, and the existing fiscal incentives are being revised to make them more broadly applicable, more competitive, and more easily understood. It has been agreed in principle that the Common External Tariff (CET) should form the principal means of protection, that it should be designed to encourage regional production and therefore be structured to keep the costs of production and the necessary services inputs low, and that national quantitative restrictions should be de-emphasized. It was also agreed that export promotion efforts should be increased and that exchange rates should be adjusted to maintain the competitiveness of the region.

116. Applications by Suriname, Haiti and the Dominican Republic for membership or for observer status in CARICOM are longstanding. Suriname was granted liaison status in 1973, and has participated in a number of meetings of functional committees since then. Application for membership was received from Haiti in 1974, subsequently changed to observer status in 1982, the same year in which a similar request was received from the Dominican Republic. At present these three applicants have observer status in the meetings of Standing Committees of Ministers of Health, Education, Agriculture and Labour, and joint technical groups have been established to identify areas of greater collaboration. While the subject of widening is being given serious study by the secretariat, the internal difficulties experienced in the Common Market have hindered further progress in this direction, and prompted some governments to advocate solving the existing internal problems before widening the grouping.

117. Despite the difficulties being experienced by regional integration movements worldwide, and in this respect CARICOM is not an exception, it nevertheless remains one of the few options over which the participating developing countries have a great measure of control. Since it has the capability to increase the size of the home market, it has been able to assist the development process in the past and could assist Caribbean countries to reactivate their economies, increase their bargaining capacity, and penetrate export markets, if appropriate policies are devised for the future.

Table 1.1

CDCC COUNTRIES - SELECTED INDICATORS

	Area Km(2)	Pop. '000 1985	GDP<1>/ capita 1974	GDP<1>/ capita 1985	Average growth<4> 1980-85	life expectancy 1985
Antigua/Barbuda	440	79	689	2244	6.00	72
Bahamas	13940	234	3362	7822	4.73	69
Barbados	430	252	1296	4894	0.29	72
Belize	22960	159	614	1110	1.16	66
Cuba<2><3>	110860	10097	1524	2690	6.07	75
Dominica	750	78	378	1132	5.64	74
Dominican Republic	49000	6261	639	712	1.83	64
Grenada	340	96	346	961	3.11	69
Guyana	214970	806	538	584	-2.88	66
Haiti	28000	5451	125	368	1.16	55
Jamaica	10990	2227	1038	858	-0.87	73
St. Christopher/Nevis	270	43	634	1469	2.86	63
Saint Lucia	620	136	448	1245	2.97	69
St.Vincent/Grenadines	340	119	310	933	4.87	70
Suriname	163265	393	1100	2360	0.34	65
Trinidad/Tobago	5130	1187	1778	6538	-2.04	69
British Virgin Islands	150	12	...	7101	5.22	..
Montserrat	100	12	886	3118	3.45	63
Netherlands Antilles	993	264	...	6110	...	71
U.S. Virgin Islands	344	111	...	9280	...	69

Source: ECLAC; IBRD; CDB.
<1> GDP in US$ at market prices
<2> Global Social Product in Pesos
<3> Refers to 1975
<4> Average growth of GDP at constant prices

Table 2.1

CDCC COUNTRIES GROSS DOMESTIC PRODUCT AT FACTOR COST
(Constant pri :s in national currency millions)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Antigua/Barbuda	154	145	132	142	153	166	176	193	194	206	220	235
Bahamas <1>	622	662	696	719	764	786	758	726	776	929	1012	1019
Barbados	640	627	655	679	712	769	802	787	748	751	778	780
Belize	101	111	111	117	124	126	129	131	130	131	132	135
Cuba<2>	...	...	...	...	18910	19202	19109	22173	23024	24153	25921	27168
Dominica	89	93	97	84	95	79	92	99	100	103	107	109
Dominican Republic	1984	2085	1173	2270	2351	2816	2973	3079	3148	3194	3205	3135
Grenada	96	102	106	111	115	117	125	134	141	137	135	140
Guyana	941	1032	1050	1013	990	996	992	989	886	804	821	829
Haiti	4009	4053	4210	4235	4447	4786	5108	4961	4781	4827	4847	5106
Jamaica	2170	2155	2013	1980	1986	1957	1851	1889	1893	1931	1924	1853
St. Christopher/Nevis	...	...	...	71	72	78	81	86	92	88	91	92
St. Lucia	...	146	148	157	178	184	183	184	192	197	207	219
St. Vincent/Grenadines	...	67	71	74	84	91	96	103	109	114	118	121
Suriname	632	569	628	730	810	797	771	814	830	847	844	811
Trinidad/Tobago	1799	1924	2126	2377	2565	2701	2899	2795	3007	2771	2417	2346
British Virgin Islands	...	...	...	24	26	29	34	34	35	37	39	39
Montserrat	...	28	28	27	30	32	35	37	38	36	37	39

SOURCE: Economic activity in Caribbean countries-various issues; data supplied ECLAC
<1> ECLAC estimates
<2> Global social product

Table 2.2

CDCC COUNTRIES GROWTH OF G.D.P. 1980-1985
(Percentage change)

	1980	1981	1982	1983	1984	1985	Av.80-85
Antigua	6.0	9.7	0.5	6.2	6.8	6.8	6.00
Bahamas	-3.6	-4.2	6.9	19.8	8.9	0.6	4.73
Barbados	4.3	-1.9	-5.0	0.4	3.6	0.3	0.29
Belize	2.4	1.6	-0.8	0.8	0.8	2.3	1.16
Cuba<1>	-0.5	16.0	3.8	4.9	7.3	4.8	6.07
Dominica	16.5	7.6	1.0	3.0	3.9	1.9	5.64
Dom. Rep	5.6	3.6	2.2	1.5	0.3	-2.2	1.83
Grenada	6.8	7.2	5.2	-2.8	-1.5	3.7	3.11
Guyana	-0.4	-0.3	-10.4	-9.3	2.1	1.0	-2.88
Haiti	6.7	-2.9	-3.6	1.0	0.4	5.3	1.16
Jamaica	-5.4	2.1	0.2	2.0	-0.4	-3.7	-0.87
St.Kits/N	3.8	6.2	7.0	-4.3	3.4	1.1	2.86
St. Lucia	-0.5	0.5	4.3	2.6	5.1	5.8	2.97
St. Vinct	5.5	7.3	5.8	4.6	3.5	2.5	4.87
Suriname	-3.3	5.6	2.0	2.0	-0.4	-3.9	0.34
T'dad/Tob	7.3	-3.6	7.6	-7.8	-12.8	-2.9	-2.04
Br V Is	17.2	0.0	2.9	5.7	5.4	0.0	5.22
Montserrt	9.4	5.7	2.7	-5.3	2.8	5.4	3.45

Source: ECLAC derived from national data

Table 3.1

CENTRAL GOVERNMENT REVENUE & EXPENDITURE ON CURRENT ACCOUNT
In national currency (millions)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Antigua\Barbuda	-1	1	-7	-11	-7	-10	-4	-9	-18	-13	-11	-9
Bahamas	10	7	8	4	9	-25	36	38	12	-4	9	17
Barbados	-1	24	-3	5	41	38	38	19	15	49	16	21
Belize	5	10	6	3	9	..	..	4	-9	-13	47	
Dominica	-4	-3	-1	-12	-7	-15	-13	-6	-5	0	1	2
Grenada	-5	-2	-4	1	-2	-1	-2	-1	3	7	1	-15
Guyana	-50	169	-81	-77	-86	-123	-185	-269	-186	-330	-624	-412
Haiti	...	...	...	...	...	...	...	...	-837	-802	-861	-679
Jamaica	-3	-105	-232	-310	-386	-405	-587	-175	-380	-325	-1016	-1065
St. Christopher/Nevis	4	4	4	1	2	2	...	-2	-5	-5	-5	-12
St. Lucia	3	3	5	8	13	7	3	..	..	-8	-3	-5
St. Vincent/Grenadines	-4	0	2	3	-2	-6	-3	2	3	-1	13	23
Suriname	5	32	4	-46	-31	..	20	-51	-81	-202	-217	-314
Trinidad/Tobago	594	926	1156	1818	1600	1879	3319	3446	1079	325	344	556
British Virgin Islands	..	..	..	...	...	4	3	3	4	2	1	0
Montserrat	-1	-1	0	1	-1	0	1	3	1	1	0	1

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

Table 4.1

EXTERNAL BALANCE ON CURRENT ACCOUNT
In national currency (millions)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Antigua\Barbuda	-20	-29	-17	-26	-6	-54	-97	-136	-102	-19	-41	-70
Bahamas	-70	59	67	66	42	17	-14	-74	-63	-35	-48	-50
Barbados	-98	-84	-128	-103	-63	-48	-75	-172	-83	-102	35	34
Belize	-32	-39	-50	-38	-32	-59	-26	-24	-18	-30	-15	-32
Cuba<1>	11	-161	-487	-543	-523	-139	-46	51	297	263	-212	-140
Dominica	-7	-9	-7	-9	-12	-25	-55	-58	-10	-9	-16	-4
Dominican Republic<2>	-245	-78	-247	-132	-315	-360	-675	-415	-456	-441	-223	-317
Grenada	-8	-12	-2	-12	-12	-40	-36	-63	-91	-81	-75	-81
Guyana	-17	-32	-351	-251	-72	-208	-256	-475	-426	-468	-373	-349
Haiti<2>	-36	-40	-47	-82	-84	-92	-140	-225	-160	-177	-182	-191
Jamaica<2>	-167	-283	-303	-35	-87	-143	-175	-337	-388	-480	-297	-401
St. Christopher/Nevis	...	...	-3	-1	-1	-3	-10	-9	-12	-17	-11	-12
St. Lucia		-24	-18	-31	-63	-75	-90	-107	-82	-89	-102	-105
St. Vincent/Grenadines	...	...	-3	-15	6	-14	-36	-22	-27	-23	-12	-23
Suriname	-41	-85	-24	-145	-82	-66	-104	-219	-274	-292	-80	-44
Trinidad/Tobago	407	599	449	331	187	51	946	751	-1839	-2462	-1344	-156
Montserrat	...	-3	-3	1	-3	-6	-10	-14	-13	-7	-7	-7
Netherlands Antilles	...	-67	154	97	-47	34	-8	110	342	143	164	

Source: Economic Activity in Caribbean countries - various issues; data supplied ECLAC; IMF/IBRD
<1> Balance on current account in freely convertible currencies
<2> In millions of U.S. dollars

Table 5.1

CDCC COUNTRIES - MERCHANDISE TRADE (US$m)
exports - f.o.b.

	1980	1981	1982	1983	1984	1985
Antigua/Barbuda	59.5	51.4	49.3	37.8	37.2	37.0
Bahamas <1>	135.1	151.8	181.6	210.0	236.6	285.1
Barbados	228.8	193.0	258.2	322.1	393.2	353.9
Belize	110.8	119.0	91.0	77.6	93.1	90.0
Cuba <2>	3967.0	4224.0	4940.0	5535.0	5462.0	5983.0
Dominica	10.1	19.7	25.1	27.8	26.1	
Dominican Republic	962.0	1188.0	768.0	785.0	868.0	739.0
Grenada	17.4	19.0	18.5	18.8	16.7	22.5
Guyana	389.1	344.7	251.5	193.3	217.6	214.1
Haiti	216.0	150.0	174.0	186.0	199.0	223.0
Jamaica	962.7	973.9	767.4	685.7	745.3	568.6
St. Christopher/Nevis	24.1	25.3	21.0	18.7	20.5	18.7
St. Lucia	46.0	41.2	41.6	47.5	47.8	52.0
St. Vincent/Grenadines	21.0	29.8	34.3	41.8	54.2	63.7
Suriname	514.4	469.8	425.1	363.7	361.6	311.6
Trinidad/Tobago	4077.0	3760.8	3071.8	2023.0	2106.3	2160.5
British Virgin Islands	1.2	2.0	1.2	3.1	3.1	3.2
Montserrat	1.2	2.2	2.6	4.6	3.2	2.9
Netherlands Antilles<3>	146.1	147.3	115.6	51.9	75.9	75.6

Source: ECLAC; IBRD.
<1> Excludes the oil trade
<2> Pesos (m)
<3> Based on cash flows

Table 5.2

CDCC COUNTRIES - MERCHANDISE TRADE (US$m)

Imports - c.i.f.

	1980	1981	1982	1983	1984	1985
Antigua/Barbuda	126.2	137.8	139.4	108.9	131.8	147.5
Bahamas <1>	676.5	432.9	664.5	591.3	717.3	808.76
Barbados	524.6	575.5	553.7	624.6	662.2	610.9
Belize	120.9	117.7	102.2	99.3	111.2	102.4
Cuba <2>	4627	5114	5537	6222	7204	7905
Dominica	53.2	49.7	47.5	47.1	55.3	
Dominican Republic	1520	1452	1257	1282	1257	1286
Grenada	60.3	70.2	77.6	74.2	70.7	81.6
Guyana	396.1	440	280.4	248.3	214.3	262.2
Haiti	319	358	296	324	325	345
Jamaica	1171.3	1472.6	1381.1	1281.1	1183.2	1143.6
St. Christopher/Nevis	44.8	47.6	44.3	51.4	51.9	53.6
St. Lucia	123.8	129.2	118.1	106.8	118.5	125
St. Vincent/Grenadines	57.2	58.2	63.6	70.4	76.6	85.5
Suriname	504	563.2	511.8	446.5	342.9	296
Trinidad/Tobago	3177.5	3124.5	3697.1	2510.9	1915.7	1552.9
British Virgin Islands	40.5	49.8	58.5	67.1	69.6	72
Montserrat	16.5	18.9	20.3	20.1	17.5	18.3
Netherlands Antilles<3>	903.7	868.8	921	833.3	788.9	832

Source: ECLAC; IBRD.
<1> Excludes the oil trade
<2> Pesos (m)
<3> Based on cash flows

Table 5.3

CDCC COUNTRIES - MERCHANDISE TRADE (US$m)

Merchandise trade balance

	1980	1981	1982	1983	1984	1985
Antigua	-66.7	-86.4	-90.1	-71.1	-94.6	-110.5
Bahamas<1>	-541.4	-281.1	-482.9	-381.3	-480.7	-523.7
Barbados	-295.8	-382.5	-295.5	-302.5	-269.0	-257
Belize	-10.1	1.3	-11.2	-21.7	-18.1	-12.4
Cuba <2>	-660.0	-890.0	-597.0	-687.0	-1742.0	-1922
Dominica	-43.1	-30.0	-22.4	-19.3	-29.2	-29.2
Dominican Republic	-558.0	-264.0	-489.0	-497.0	-389.0	-547
Grenada	-42.9	-51.2	-59.1	-55.4	-54.0	-59.1
Guyana	-7.0	-95.3	-28.9	-55.0	3.3	-48.1
Haiti	-103.0	-208.0	-122.0	-138.0	-126.0	-122
Jamaica	-208.6	-498.7	-613.7	-595.4	-437.9	-575
St. Christopher/Nevis	-20.7	-22.3	-23.3	-32.7	-31.4	-34.9
St. Lucia	-77.8	-88.0	-76.5	-59.3	-70.7	-73
St. Vincent/Grenadines	-36.2	-28.4	-29.3	-28.6	-22.4	-21.8
Suriname	10.4	-93.4	-86.7	-82.8	18.7	15.6
Trinidad/Tobago	899.5	636.3	-625.3	-487.9	190.6	607.6
British Virgin Islands	-39.3	-47.8	-57.3	-64.0	-66.5	68.8
Montserrat	-15.3	-16.7	-17.7	-15.5	-14.3	-15.4
Netherlands Antilles <3>	-757.6	-721.5	-805.4	-781.4	-713.0	-756.4

Source: ECLAC; IBRD.
<1> Excludes the oil trade
<2> Pesos (m)
<3> Based on cash flows

Table 6.1

EXTERNAL DEBT - CDCC COUNTRIES (US$m)
Debt outstanding at end of period <1>

	1980	1981	1982	1983	1984	1985
Antigua/Barbuda	45.5	76.6	84.4	88.7	57.6	75.8
Bahamas	98.0	159.5	228.1	233.9	212.8	193.2
Barbados	81.9	129.7	143.5	173.6	182.6	222.1
Belize	49.2	56.6	63.1	68.4	70.0	87.9
Cuba<2>	3227.0	3170.0	2669.0	2790.0	2989.0	3259.0
Dominica	17.7	24.1	34.3	40.1	42.7	45.0
Dominican Republic	1851.2	2035.7	2316.0	2924.6	3024.4	3184.1
Grenada	14.4	26.2	33.7	48.4	48.4	49.6
Guyana	559.4	639.0	683.4	699.2	694.5	742.7
Haiti	290.0	372.0	410.0	551.0	607.0	599.0
Jamaica	1734.0	2212.0	2690.0	2920.0	3207.0	3355.0
St. Christopher/Nevis	10.0	11.4	11.4	12.0	17.1	19.8
St. Lucia	18.2	20.4	25.5	27.4	26.2	28.7
St. Vincent/Grenadines	17.0	19.2	20.5	22.0	22.6	29.3
Trinidad/Tobago	436.6	447.9	557.5	646.2	838.8	954.0
Montserrat	1.5	2.0	2.4	2.7	3.6	3.7

Source: IMF; IBRD; ECLAC
<1> Public sector incurred or guaranteed.

Table 6.2

EXTERNAL DEBT - CDCC COUNTRIES (US$m)

Debt Service payments

	1980	1981	1982	1983	1984	1985
Antigua/Barbuda	6.7	7.0	10.6	10.2	7.4	11.0
Bahamas	29.3	54.5	44.2	40.8	54.9	51.6
Barbados	11.0	14.0	17.0	21.0	23.0	30.0
Belize	1.6	2.3	3.9	4.0	5.0	14.3
Dominica	0.6	1.1	1.4	2.6	4.1	4.2
Dominican Republic	153.7	229.1	256.5	221.4	167.0	220.0
Grenada	1.6	1.5	2.4	2.6	7.2	10.4
Guyana	69.5	79.6	47.6	52.1	38.5	25.0
Haiti	15.0	16.0	17.0	23.0	36.0	64.0
Jamaica	263.0	437.8	408.4	371.4	394.8	448.4
St. Christopher/Nevis	0.5	0.6	0.7	0.7	1.1	1.5
St. Lucia	1.4	1.3	2.0	1.8	2.0	2.5
St. Vincent/Grenadines	...	1.5	1.5	1.7	2.3	3.2
Trinidad/Tobago	199.2	74.5	75.8	179.0	145.8	180.8
Montserrat	0.1	0.1	0.1	0.2	0.4	0.4

Source: ECLAC, IBRD, CCLAC, IBRD, CDB.

Table 6.3

EXTERNAL DEBT - CDCC COUNTRIES (US$m)
Debt as a percentage of GDP<1>

	1980	1981	1982	1983	1984	1985
Antigua/Barbuda	50.0	74.2	72.1	65.9	37.3	42.8
Bahamas	8.4	12.9	16.2	13.4	10.8	9.3
Barbados	9.5	13.6	14.4	16.4	15.9	18.3
Belize	34.5	36.1	42.7	44.4	44.5	46.1
Dominica	33.2	42.6	57.1	60.8	58.2	59.6
Dominican Republic	31.8	33.6	36.9	47.6	56.6	71.6
Grenada	24.2	35.1	43.7	58.7	53.9	51.6
Guyana	143.1	181.0	206.3	224.5	226.7	239.1
Haiti	20.5	26.2	28.6	34.7	34.2	29.8
Jamaica	66.8	86.3	83.5	84.6	144.5	177.6
St. Christopher/Nevis	26.2	24.4	21.6	23.5	31.5	34.4
St. Lucia	18.1	18.9	21.9	22.5	20.0	19.9
St. Vincent/Grenadines	34.8	31.5	29.4	29.1	28.2	34.7
Trinidad/Tobago	6.8	6.4	6.6	7.8	10.5	10.8
Montserrat	7.0	8.5	9.2	9.4	11.8	11.4

Source: Data derived by ECLAC
<1> GDP at current market prices

Table 6.4

EXTERNAL DEBT - CDCC COUNTRIES (US$m)
(Debt service ratio <1>)

	1980	1981	1982	1983	1984	1985
Antigua\Barbuda	6.3	6.5	9.3	9.2	5.0	8.9
Bahamas	2.6	4.8	3.9	3.3	4.2	3.4
Barbados	1.9	2.4	2.8	2.8	2.9	3.8
Belize	1.4	2.3	4.4	4.3	4.8	14.4
Dominica	4.1	4.8	4.9	7.9	10.1	14.1
Dominican Republic	12.1	15.1	22.5	17.8	12.2	16.7
Grenada	4.1	3.7	6.3	6.8	17.9	20.3
Guyana	17.0	21.7	18.0	23.1	15.6	10.2
Haiti	4.9	6.7	6.3	8.0	12.0	18.7
Jamaica	18.5	29.2	29.3	27.9	28.6	40.9
St. Christopher/Nevis	1.1	1.0	1.4	1.7	2.3	2.9
St. Lucia	1.8	1.9	2.8	2.5	2.3	2.7
St. Vincent/Grenadines	...	3.4	3.1	3.1	3.3	4.1
Trinidad/Tobago	5.8	2.2	2.5	6.8	5.5	6.2
Montserrat	4.1	2.4	3.5	2.6	8.3	9.8

Source: IMF; IBRD; ECLAC; OECS/EAS

<1> Debt service as a percentage of earnings from exports and services