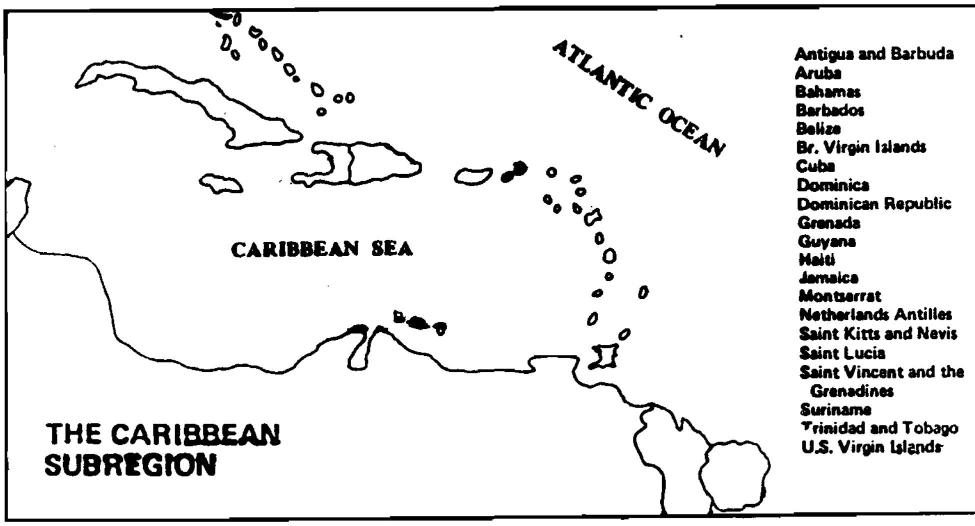
CARIBBEAN
DEVELOPMENT
AND
CO-OPERATION
COMMITTEE

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Subregional Headquarters for the Caribbean

CARIBBEAN DEVELOPMENT AND COOPERATION COMMITTEE

*OVERVIEW OF ECONOMIC ACTIVITIES IN THE CARIBBEAN*

*- 1990 -*

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

# PREFACE

This overview is essentially a short-term evaluation of economic performance of Caribbean countries. The paper, nevertheless, tries to provide the reader with a somewhat longer-term perspective by including a five year data series on the major sectors being evaluated.

All the studies in this series have placed Caribbean economic performance squarely within the context of the global economy. This format has been chosen in recognition of the inescapable link which exists between global acts and regional consequences. Accordingly, the very painful and sometimes faltering efforts which Caribbean countries are making to restructure their economies are partly due to a number of adverse developments in the world economy in the early 1980s, some of which had their genesis in actions taken a decade earlier.

Yet even while the region is still trying to cope with the adjustments required by the 1980s, it is incumbent upon the policy-maker to try to anticipate the changes which will be necessary in the 1990s. If the past teaches lessons for the future, then surveys such as this might help to explain not only what went before but they might also provide pointers of things to come.

This is the first attempt to supplement the economic overview with explicit information about social development in the Caribbean. The effort responds to comments from readers that an exclusive focus on economic indicators does not provide sufficient information on the quality of peoples lives, neither does it say enough about the orientation or efficiency of government policy towards that objective.

The review of social indicators will differ somewhat in format from the review of economic indicators, since information on the former is less comprehensive and less current. Accordingly, no attempt has been made to record annual changes in the sector, but rather to provide a brief sketch of the "state of the art", drawing from all the available data, but mainly highlighting data and concepts contained in the recent edition of the UNDP Human Development Report 1991.

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# *INTRODUCTION*

In conformity with the pattern established in recent years, those smaller Caribbean countries dependent on earnings from tourism and bananas continued, for the most part, to record strong economic performance. At the same time, the larger countries continue to experience stagnant or contracting economies as a consequence of weak demand for their exports (minerals, manufactures and most agricultural staples) and deflationary domestic policies necessary to adjust their economies and repay debt. One notable modification to this pattern is that the tourism market faltered for the first time since 1981, so that some of the less-competitive Caribbean destinations actually received fewer arrivals in 1990. This is perhaps a harbinger for the future, since the tourism sector is expected to show reduced performance in 1991.

The international agenda was dominated by two main issues in 1990. The first juxtaposed the competing tendencies of global free-trade with managed trade increasingly in the context of regional trading blocs. The international trading system which continued its consolidation and integration remained at one and the same time a source of dynamism and of insecurity for the international community. This was due in part to its magnifying effect, for good or for ill, on domestic economic policies which as a result infused them with increased urgency. The progressive movement towards greater multilateral trade, which has produced the stimulus for increasing global integration, was met by growing countervailing tendencies, usually in the form of coalescing regional blocs. Yet the motivation for trading blocs was not always identical. On the one hand, the trade bloc was seen by some as a means to manage the pace of adjustment demanded by global trends. For others, the bloc was justified as a lever to accelerate the growth of free trade and ultimately of globalization.

This competing set of views on trade was played out before the backdrop of the inconclusive Uruguay Round of the GATT. A negative outcome for the current Round threatens to further polarize the contending factions and set in train contingency and retaliatory measures, in the form of hardened positions in the European Community and the growth of the putative trading blocs in the Western Hemisphere and Asia.

The dismantling of the Council for Mutual Economic Assistance (CMEA) was also to be seen in this context since the grouping found the price of global isolation, even with the security this provided against unexpected shocks, too high in terms of material benefits foregone vis à vis the rest of the world. It is still not clear whether the former CMEA countries will be able to adjust sufficiently in the medium term to become global players, whether they will find some shelter within the orbit of the EC, or failing that, whether they will find the cost of adjustment too painful and revert to a sheltered grouping. Whatever the outcome, the massive task of re-entering the global economy faced by these countries is certain to create shocks, not only for the peoples of Eastern Europe but for others outside of Eastern Europe as well.

The second major issue falling within the global spotlight had its genesis in the invasion of Kuwait by Iraq. The initial disruption in the petroleum market impacted on the price of petroleum and increased uncertainty in a global economy which was on the downside of its trade cycle. The "Gulf Crisis", which turned out to be of shorter duration and lesser direct consequence than had been expected before the fact, may be remembered more for its indirect effect upon business confidence providing the "last straw" which pushed the Western economies into recession, the duration and severity of which it is still not possible to discern.

## *GLOBAL DEVELOPMENTS*

The steady growth in world output continued in 1990, yet the rate of increase has been declining since 1988, resting at just over 2 per cent by year end. Major factors influencing the decrease were centered on tight money policies designed to dampen inflation in the industrial countries; and for the developing countries, the continued decline in the rate of growth in world trade, declining prices for non-oil commodities and high interest rates. Other notable factors were contracting output in the Soviet Union and Eastern Europe and the shock effects of the rapid spike in oil prices, notably, in September and October of 1990.

**Table I**

**OUTPUT<1>**

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Global Output | 3.0 | 3.3 | 4.1 | 3.0 | 2.1 |
| Industrial countries | 2.7 | 3.4 | 4.4 | 3.4 | 2.6 |
| U.S.A. | 2.7 | 3.4 | 4.5 | 2.5 | 1.0 |
| Japan | 2.5 | 4.6 | 5.7 | 4.9 | 5.6 |
| Developing countries | 4.0 | 3.9 | 4.2 | 3.0 | 2.2 |
| Newly Ind. countries | 11.0 | 12.1 | 9.5 | 5.5 | 6.3 |
| Latin America | 4.1 | 3.0 | 0.5 | 1.6 | -0.4 |
| Debtors<2> | 3.5 | 2.5 | 1.9 | 1.6 | -0.7 |

Source: I.M.F. World Economic Outlook.
<1>Annual changes in real GDP, in per cent.
<2>Countries experiencing recent debt-servicing problems

As has been true since 1988, the industrial countries have recorded faster growth than the developing countries, the former growing at an average of over 2.5 per cent, while the latter recorded growth of just over 2.0 per cent. Yet within the overall aggregates is concealed a wide disparity in performance, both in the industrial as well as in the developing countries.

In the industrial countries, pace-setters were once again Japan and Germany, the latter benefitting after the unification from pent-up demand in its Eastern provinces to record a 4.5 per cent increase in output. Growth in the United States continued to decelerate averaging just over 1 per cent for the year, with output actually contracting in the fourth quarter. This was due in large part to the twin impacts of increased oil prices and the climate of uncertainty created by developments in the Persian Gulf area. Growth in Canada and the United Kingdom was also modest, at just over 1 per cent, though somewhat better performance was recorded by France and Italy.

Growth rates also diverged widely among the developing countries, the leaders being once again the Newly Industrialized Countries (NICs) of Asia, at over 6 per cent followed by Africa and the Middle East with more modest growth. The developing countries of Europe, which is to say mainly the Eastern European countries, recorded a sharp drop in output of almost 4 per cent, while Latin America showed a slight decline in output. Those countries experiencing recent debt-servicing problems as a group recorded an almost 1 per cent decrease in output.

**Table II**

**INFLATION AND INTEREST RATES**

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Inflation<1> | | | | | |
| Industrial countries | 2.4 | 3.0 | 3.3 | 4.4 | 4.8 |
| U.S.A. | 1.9 | 3.6 | 4.1 | 4.8 | 5.1 |
| Developing countries | 31.5 | 41.4 | 70.6 | 104.6 | 104.8 |
| Newly Ind. countries | 1.8 | 2.3 | 4.7 | 5.4 | 8.1 |
| Latin America | 87.8 | 130.9 | 286.4 | 538.2 | 635.6 |
| Interest rates<2> | | | | | |
| Industrial countries | 7.7 | 8.0 | 8.1 | 8.1 | 8.1 |
| U.S.A. | 7.7 | 8.4 | 8.8 | 8.5 | 8.8 |

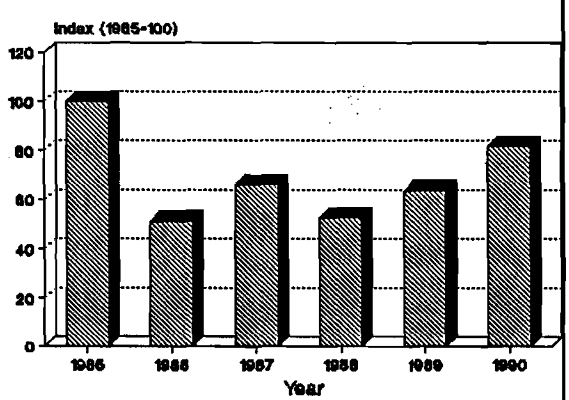
Source: I.M.F. World Economic Outlook.
<1>In per cent.
<2>Long-term interest rates, in per cent.

The battle against inflation continued to be paramount in the policy priorities of the industrialized countries, although in the United States concerns were surfacing about declining output towards the end of the year. Nevertheless, inflation continued to increase steadily, with an increase of almost half of one percentage point, continuing on a trend which started in 1986. Exceptions to the rule were Canada and the United Kingdom where prices in fact slowed their rate of increase. Inflation, nevertheless, remained high in the latter country at 5.9 per cent, being exceeded only by Italy among the major industrial countries.

Interest rates have been the major tool used in the battle against inflation in the developed countries. Yet high interest rates are also a reflection of the scarcity of capital, so that there are limits to which interest rates can fall in any one country without significant capital outflows. Long-term interest rates continued, for the third successive year, to be in excess of 8 per cent with the United States maintaining an almost 1 per cent premium, no doubt cognizant of the need to attract foreign inflows to finance its deficit.

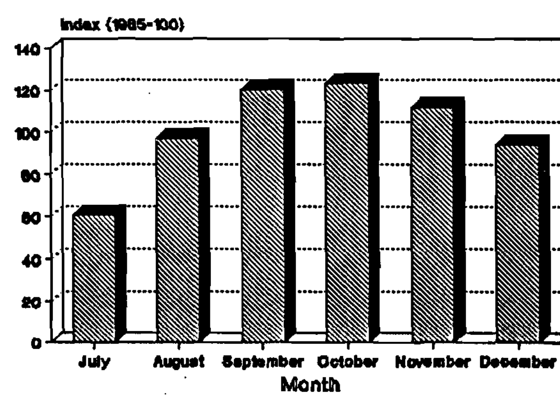
For the developing countries, inflationary pressures continued, with prices doubling again in 1990. Yet significant disparities continued to exist among these countries, with the NICS of Asia recording a modest 8.1 per cent compared to Latin America with inflation of over 600 per cent. Even within this bloc the small Caribbean countries recorded single-digit rates of inflation, but had no significant input in the overall weighting, which was influenced by Peru, Nicaragua, Brazil and Argentina all having four-digit rates of inflation. Various stabilization programmes have been attempted, usually with the ultimate objective of reducing fiscal deficits, but in most cases initial successes in the battle against inflation have not been sustained.

**Figure 1**
Index of Petroleum Prices
Annual Average Crude Price




Source: I.M.F.

**Figure 2**
Index of Petroleum Prices
Monthly Average Crude Price




Source: I.M.F.

World trade, which reached a peak of growth in 1988 continued to decelerate, growing by just over 5 points in 1990. The slowing down was evident in both the volume and value of trade and applied to both developed and developing countries. Slowest growth was, nonetheless, recorded by the export values of developing countries, for while export volumes increased by 5 per cent, values lagged somewhat behind at only 1.3 per cent. At the same time, their import volumes grew more slowly and the prices that they had to pay for imports remained somewhat higher than the prices they received for their exports. Accordingly, the terms of trade of the developing countries as a whole fell slightly.

Looking further within the group, however, one notes major divergences in the terms of trade between the oil and non-oil exporters, with the former having a large improvement in their

Table III

**WORLD TRADE INDICATORS<1>**

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| World Trade Volume | 4.9 | 6.7 | 9.1 | 7.3 | 5.4 |
| Export volumes | | | | | |
| Industrial countries | 3.1 | 5.1 | 8.8 | 7.0 | 6.3 |
| Developing countries | 8.3 | 12.1 | 10.9 | 6.7 | 5.0 |
| Import volumes | | | | | |
| Industrial countries | 8.9 | 7.0 | 9.0 | 8.1 | 5.5 |
| Developing countries | -3.0 | 7.2 | 10.6 | 8.6 | 4.1 |
| Export values<2> | | | | | |
| Industrial countries | -2.0 | 0.9 | 2.0 | 4.9 | 4.6 |
| Developing countries | -25.5 | -1.3 | -0.9 | 10.2 | 1.3 |
| Import values<2> | | | | | |
| Industrial countries | -10.1 | 0.2 | 0.5 | 5.1 | 5.1 |
| Developing countries | -10.8 | -3.0 | 2.6 | 7.7 | 1.5 |
| Terms of trade | | | | | |
| Industrial countries | 9.0 | 0.7 | 1.4 | -0.2 | -0.5 |
| Developing countries | -16.4 | 1.8 | -3.4 | 2.3 | -0.2 |
| Fuel exporters | -46.7 | 9.4 | -18.4 | 10.7 | 11.0 |
| Non-Fuel exporters | 0.8 | -0.9 | 1.7 | 0.1 | -3.3 |

Source: I.M.F. World Economic Outlook.
<1>Annual changes in per cent
<2>In S.D.R. terms

terms of trade. Steady though notable price increases in the first half of the year gave way to large increases in the second half as a result of the crisis in the Persian Gulf. On the other hand, export prices for some non-oil commodities such as food, tropical beverages and minerals[1] declined and so contributed to a 3 per cent decline in the terms of trade of non-oil exporters. This decline in the terms of trade continued a trend since 1980 with non-oil commodities declining by 40 per cent over the manufactures from industrial countries during the decade.

The current account deficit of the industrial countries widened slightly in 1990, influenced mainly by the increase in oil prices. Within the group, the imbalances existing between the United States and Japan continue to be reduced slightly as has been

[1] Excluding aluminium.

**Table IV**

**BALANCE OF PAYMENTS ON CURRENT ACCOUNT<1>**

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Industrial countries | -25.1 | -54.8 | -52.4 | -82.4 | -95.8 |
| U.S.A. | -145.4 | -162.3 | 128.9 | -110.0 | -97.0 |
| Japan | 85.8 | 87.0 | 79.6 | 57.2 | 47.5 |
| Germany FRG | 39.7 | 45.8 | 50.4 | 55.4 | 48.9 |
| Developing countries | -41.8 | 1.7 | -14.0 | -15.9 | -4.8 |
| Newly Ind. countries | 23.2 | 30.4 | 27.8 | 21.3 | 13.1 |
| Latin America | -16.7 | -10.4 | -10.8 | -8.9 | -10.1 |
| Debtors<2> | -33.9 | -16.2 | -18.6 | -17.9 | -19.6 |

Source: I.M.F. World Economic Outlook.
<1>Includes official transfers
<2>Countries experiencing debt-servicing problems

the trend since 1986, the surplus of Japan falling by 2.5 per cent of GDP and the deficit of the United States falling by 1¼ per cent of GDP. Nevertheless, the imbalances of these countries, and those of the Federal Republic of Germany, continued to be an irritant in global trade relations and to fuel protectionist pressures, one manifestation of which is the formation of global trading blocs. Current account surpluses fell in the Federal Republic of Germany in 1990 and can be expected to continue to do so, as that economy turns inward to restructure and develop its eastern provinces.

For the developing countries as a whole, the current account deficit was narrowed, mainly because of the transition from deficit to large surplus for the oil exporting countries. For the non-oil exporters, the deficit however widened noticeably. The substantial surpluses of the NICs were somewhat diminished due to reduced external demand, higher oil prices and strong domestic demand in conjunction with increased openness to imports. They also became net earners of investment income for the first time, both developments perhaps reflecting their transition to a new stage of development. Latin American countries and particularly those having debt servicing problems incurred increased deficits.

Capital inflows which started to increase in 1989 continued to do so in 1990. This was true for the developing countries as a whole as well as for Latin America. Yet the composition of financial flows changed significantly as commercial banks continued to implement debt reduction schemes and generally reduced their

**Table V**

**LATIN AMERICA - RESOURCE FLOWS AND DEBT**

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Net capital inflows<1> | 9.9 | 15.1 | 5.5 | 10.1 | 17.9 |
| Net payments | 32.7 | 31.4 | 34.3 | 37.4 | 36.8 |
| Transfer of resources | -22.8 | -16.3 | -28.8 | -27.3 | -18.9 |
| Total external debt<2> | 399.4 | 426.0 | 417.9 | 417.5 | 422.6 |
| Debt service ratio<3> | 36.7 | 30.3 | 29.1 | 28.6 | 26.4 |
| Oil exporters | 33.9 | 27.8 | 29.1 | 27.5 | 22.8 |
| Non-oil exporters | 39.4 | 32.7 | 29.1 | 29.7 | 30.2 |

Source: ECLAC, Preliminary Overview 1990
<1> In billions of U.S. dollars
<2> In millions of U.S. dollars
<3> Interest as a per cent of exports of goods and services

exposure in the countries with large debts[2]. Accordingly, official credits were expected to comprise 45 per cent of outstanding debt by the end of 1991.

In Latin America the increase in inflows is to be explained in part by increased credits to Chile and Mexico, but in the main by considerable accumulation in arrears in unpaid debt and service charges, notably in Argentina and Brazil. Total accumulated arrears for the region are estimated to be US$30 billion[3]. It is also worth noting that net transfers continue to be negative for the region as a whole, though the outflow has been staunched somewhat since 1988.

The external debt of Latin America has started to inch upward once more, as a consequence of the aforementioned factors, arrears, increased access for Chile and Mexico and the falling value of the dollar causing non-dollar denominated debt to increase. A number of notable new bilateral initiatives by the United States, through the Enterprise for the Americas Initiative, and by the United Kingdom and Canada, hold out the promise of further debt relief to supplement existing initiatives, many of which are tied to adjustment programmes.

[2] There were, nevertheless, exceptions to the rule as Chile and Mexico were able to obtain significant new commercial credits.

[3] ECLAC, Preliminary Overview 1990.

The debt-servicing burden for the Latin American region has in fact fallen overall, although the aggregate has been biased by the impact of oil price rises and increased export earnings for the oil exporting countries. In fact, the debt-service ratio for the non-oil exporters has increased slightly.

With progress being made in the resolution of the commercial and bilateral debt problems, it is notable that no similar progress has been made regarding the debt owed to the international financial institutions. As this debt becomes an increasing proportion of the whole, it is inevitable that the spotlight will be turned on this facet of the problem in the near future.

## *REGIONAL DEVELOPMENTS*

**Macro-economic overview**

**Table VI**

**PERCENTAGE CHANGE IN G.D.P.**
(At constant prices)

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Antigua/Barbuda | 9.7 | 9.0 | 7.7 | 5.2 | 2.8 |
| Barbados | 5.1 | 2.5 | 3.5 | 3.5 | -3.1 |
| Belize | 2.6 | 13.3 | 7.9 | 5.1 | ... |
| Cuba<1> | 1.2 | -3.5 | 2.3 | 1.0 | ... |
| Dominica | 6.8 | 6.8 | 7.9 | -1.1 | 6.2 |
| Dominican Republic | 3.2 | 7.9 | 0.7 | 4.1 | -5.1 |
| Grenada | 5.5 | 6.0 | 5.8 | 5.7 | 5.2 |
| Guyana | 0.2 | 0.7 | -3.0 | -5.1 | -3.5 |
| Haiti | 1.0 | -0.5 | 1.9 | 0.7 | -0.6 |
| Jamaica | 1.7 | 6.2 | 1.5 | 4.6 | 3.8 |
| St.Kitts/Nevis | 6.2 | 7.4 | 9.8 | 6.7 | 2.5 |
| St. Lucia | 5.9 | 2.0 | 6.8 | 3.5 | 3.7 |
| St. Vincent | 7.2 | 6.4 | 8.6 | 7.2 | 6.6 |
| Trinidad/Tobago | -1.0 | -6.1 | -3.4 | -0.2 | 0.7 |
| Netherlands Antilles | -5.2 | -2.9 | 7.4 | 1.5 | 7.0 |
| Puerto Rico | 3.5 | 4.2 | 4.4 | 3.9 | 2.2 |

SOURCE: Derived from national data
<1> Global social product in 1981 prices.

Caribbean countries recorded a mixed economic performance in 1990. For CARICOM countries, it was mainly a year of growth, though the pace of growth has been slowing since 1988. There were, however, some notable exceptions to this generalization: Barbados, which registered a fairly steep decline in G.D.P. after seven years of steady growth; Dominica, which reversed its G.D.P. contraction in 1989, caused by a hurricane, to resume robust growth; Guyana, whose G.D.P. has contracted for the third successive year; and Trinidad and Tobago, which showed incipient growth after six years of decline.

**Figure 3**
Agriculture
Rate of growth of sector-1990

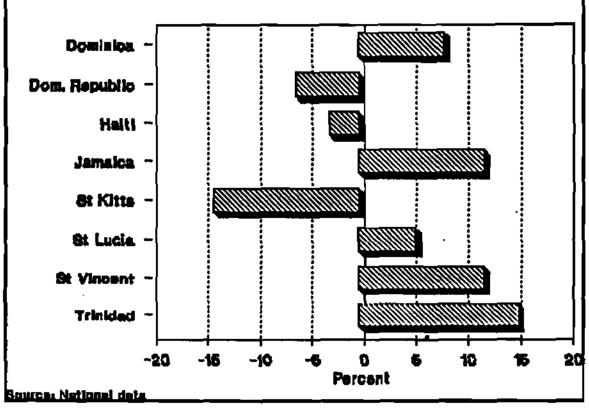
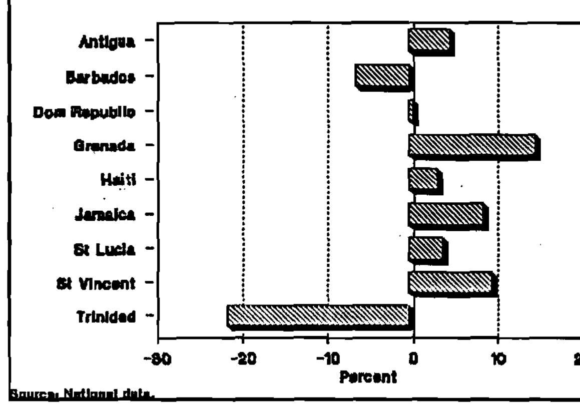



**Figure 4**
Tourism
Rate of growth of Sector-1990




For the larger non-CARICOM countries, economic performance was not as good with falling output in all cases, except in Puerto Rico, which recorded fairly slow growth. In the case of the Dominican Republic, the decline in output was quite significant so that GDP per capita reverted to 1977 levels. In Haiti, contraction was small following years of equally marginal growth, so that economic performance could most accurately be described as being in a state of stagnation throughout the decade. As was the case in some of the smaller CARICOM countries, growth in the Netherlands Antilles was strong.

**Agriculture** led growth for many CARICOM countries, an unusual occurrence in this survey year. Output was up in both domestic and export agriculture, although in the latter sub-sector growth was led by the robust performance of the banana industry, where good prices were supplemented by a 12 per cent increase in output. This provided the stimulus for the two countries registering fastest G.D.P. growth in the region, Saint Vincent and the Grenadines and Dominica, and accounted for the expanded sector in Saint Lucia. In Jamaica, export agriculture showed an increase over the previous year with growth in sugar and banana exports, but the bulk of the sizeable growth in the sector was contributed by domestic agriculture. The buoyancy of domestic agriculture was also notable in Trinidad and Tobago, where it grew by over 18 per cent.

For CARICOM countries, sugar production stagnated though earnings were up by 12 per cent. The decline in performance of the economy of Saint Kitts and Nevis was due to the decline in the sugar industry which fell by 33 per cent, leading to an overall contraction of the agriculture sector of 14 per cent. In Guyana, the agriculture sector suffered from a variety of setbacks so that output declined in both domestic and export sectors.

Agriculture also declined in Haiti and the Dominican Republic. In both cases, bad weather conditions were in part to blame. In the Dominican Republic export agriculture, mainly sugar, tobacco and coffee, declined, but domestic agriculture also declined. The sector suffered from a shortage of working capital, declining international competitiveness and, in the case of sugar, shortages of labour to harvest sugar-cane.

**Tourism**, the other major source of export earnings, recorded a mixed performance across the region, varying from Dominica, (growing from a small base) Grenada, Jamaica, and Saint Vincent and the Grenadines, all with double digit growth, to contraction in Barbados, the Dominican Republic, Haiti and Trinidad and Tobago[4]. The industry has not grown as quickly as in previous years, because of the twin effects of Gulf hostilities and recession in the United States and United Kingdom markets. Nonetheless, it performed better than had been feared. These factors are, however, expected to continue to impact negatively on the sector in early 1991.

**Figure 5**
Manufacturing
Rate of growth of sector-1990

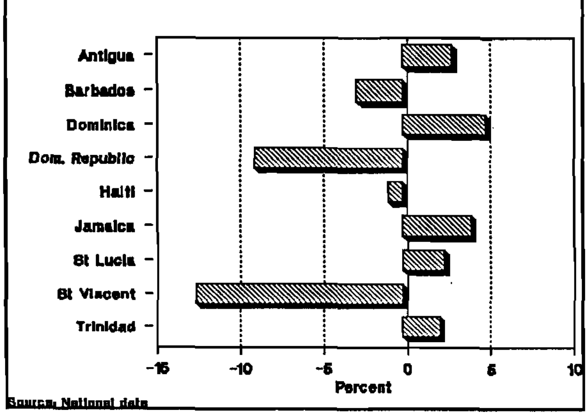
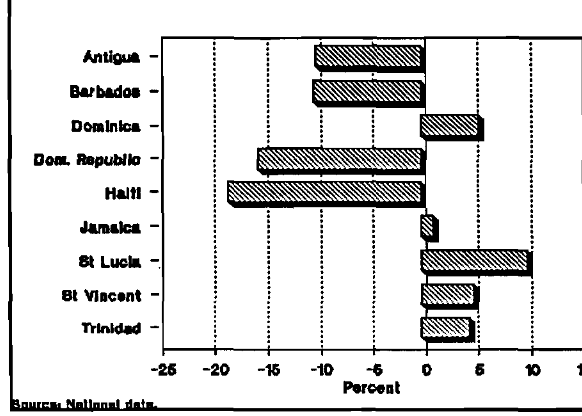



**Figure 6**
Construction
Rate of growth of sector-1990




[4] This might also apply to the Bahamas although no up to date G.D.P. measurements are available.

The performance of the **manufacturing** sector remains desultory, since in most countries it is neither sufficiently linked to other domestic activities nor well integrated into extraregional export markets. It is, therefore, particularly susceptible to adverse regional economic downturns, since surplus production is not exportable, and is vulnerable to external competition either in the case of import liberalization or imports by the informal sector.

Trinidad and Tobago and Jamaica provide good examples. Output declined in the assembly industries in Trinidad because of contracting domestic demand and many of them were unable to compete abroad. In Jamaica, domestic credit policies also restrained demand, while policies to liberalize the import sector are subjecting local products to increased competition. In Barbados the areas leading the decline of the sector were garments and electronic components.

In the Dominican Republic, manufacturing recorded a 10 per cent decline led by the reduction in sugar refining, but the sector suffered a number of internal difficulties relating to inconsistent energy and other inputs, price controls, inadequate credit and the contracting domestic market. In Haiti, manufacturing continued its steady decline from 17 per cent of GDP in 1980 to just over 14 per cent in 1990. The sector was bedeviled by local factors such as electricity shortages, domestic unrest and declining demand which was aggravated by domestic production incapable of competing with increasing contraband imports. Weak external demand and domestic uncertainty also adversely affected free-zone assembly operations.

In Puerto Rico, the only country in the region which has shown a steady increase in the manufacturing sector, from 47 per cent of domestic product in 1981 to 56 per cent in 1990, further growth was recorded in 1990, led by chemicals and machinery and metal products.

For the Organization of Eastern Caribbean States (OECS), the manufacturing sector contributed a small portion of G.D.P. so that the changes recorded were from a relatively low base, but reduced demand in the CARICOM market impacted negatively on many of them.

**Construction** provides a direct link between export earnings and domestic economic expansion. It is, therefore, in a pro-cyclical relationship to export earnings as these filter through to private housing construction. It is at the same time a stimulus to economic expansion in the case of improved or expanded infrastructure or in tourism investment. For some of the smaller countries it is also lumpy in the sense of requiring relatively large outlays over small defined periods of time. Accordingly, the completion of a large project in one year can be reflected negatively in the following year as a decline, as was the case in

Antigua and Barbuda in 1990, where the sector declined by 10 per cent.

In the Dominican Republic the case is somewhat similar, a 15 per cent decline in 1990 is to be seen in the context of a cumulative 50 per cent increase over the previous three years. Public expenditure reductions served to reduce infrastructure development and public housing activity.

The decline in Barbados was due to a number of factors, completion of projects and the deferment of new ones in the face of tight monetary policy. This caused commercial construction to be deferred and new construction of residential housing to shrink by 30 per cent. Construction in Grenada and Saint Lucia gained its impetus primarily from activities relating to improved or expanded infrastructure. Similar trends were noted in the Bahamas, where construction was sustained by some large Government projects while residential and commercial activity declined.

The **minerals** sector was fairly buoyant in the larger CARICOM countries, Trinidad and Tobago benefitting from a slight increase in crude output and petroleum price rises in the second half of the year, both factors working together to increase the contribution of the petroleum sector by 2.6 per cent. In Barbados, petroleum price rises triggered expanded domestic production, so that output was up by 16 per cent to satisfy 40 per cent of local needs. In Jamaica, minerals benefitted from generally expanded alumina production and sales to expand by 17.6 per cent. In the Dominican Republic and Haiti, the sector declined quite significantly, however, in the former case due to declining nickel prices and reduced productivity in the mines. Gold production was also down as was quarrying for the construction sector. In Haiti, reduced domestic demand was the major factor since the sector caters mainly to domestic housing and artisan activities.

**Macro-economic policy** in most Caribbean countries is intended to adjust their economic structures to better compete globally. These policies which are being carried out within the ambit of the International Monetary Fund (IMF) or independently, have two basic pillars. Fiscal policies, which are designed to eliminate public sector deficits and so orient credit into directly productive activities are, at the same time, intended to reduce excess demand and contain pressures on the balance of payments. In terms of policies designed to affect the balance of payments directly, efforts are directed at expanding earnings from the exports of goods and services and curtailing expenditures, by a variety of measures to restrain demand and to stimulate efficient domestic production . These policies are being implemented in the context of progressive de-regulation, to ensure that the system is more responsive to shocks, whether of external or domestic origin.

For most countries these policy guidelines were being met, though with varying degrees of success and in the presence of some contradictory policies. They were complemented in 1990 by favorable movements in the prices of some of the major exports which, in conjunction with increased output, helped to compensate for the slowing growth of tourism and in the case of the oil importers, increased petroleum prices in the last quarter of 1990. For the most part, credit was restrained and merchandise imports contained well below the prevailing rates of inflation. Accordingly, merchandise and current deficits on the balance of payments were reduced. Disciplined fiscal policy, for the most part, also achieved improvements in current accounts.

Exceptions were, however, noted in a number of cases where G.D.P. declined quite steeply and economic imbalances either appeared or widened significantly. In Barbados, fiscal deficits increased from 2.7 per cent of G.D.P. in fiscal 1989/90 to 7.8 per cent of G.D.P. in fiscal year 1990/91. In the face of declining export earnings severe pressures were placed on the external accounts and reserves declined. Debt repayments coming due in 1990 increased the debt service ratio from 14.6 per cent in 1989 to 25 per cent in 1990 and the pressure is expected to continue in 1991.

In the Dominican Republic, where de-regulation of the economy has not progressed as quickly as in some countries, imbalances which had been building up for some time were brought to a head by petroleum price increases in the second half of 1990. Urgent adjustment policies, therefore, became necessary. The external account, affected by the aforementioned oil price increases, was already weakened by declining export competitiveness, with a consequent fall in merchandise exports. This decline was reinforced by import compression policies which reduced the availability of imported raw material inputs. Import compression also impacted negatively on tax revenues and in the face of a 35 per cent increase in current expenditures, 33 per cent on wages and salaries, further pressure was put on the external balance. By the end of the year the exchange rate had been depreciated by 35 per cent and domestic prices rose by 100 per cent. G.D.P. contracted by over 5 per cent.

In Guyana, where renewed efforts were made to adjust the economy with the resumption of an IMF Structural Adjustment Facility, the outcome for 1990 was for the most part below the targets established. The overall fiscal deficit is estimated to be 56 per cent of G.D.P., with the current deficit increasing by 352 per cent in 1990. The merchandise trade deficit widened by 129 per cent due to reduced output and increased demand for imports. Increased demand was due in part to the fiscal deficit surfacing now more strongly as administered import controls are being dismantled. The exchange rate was accordingly subject to severe depreciation, in an effort to establish a market determined rate after a protracted period of controls. Inflation increased significantly from the previous year, which was 61 per cent and may have reached triple digit rates in 1990.

**Sectoral analysis**

Bananas

**Table VII**

BANANA EXPORTS

| | Value (US$m) | | | | | Volume ('000 tonnes) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1986 | 1987 | 1988 | 1989 | 1990 | 1986 | 1987 | 1988 | 1989 | 1990 |
| Belize | 5 | 7 | 8 | 12 | 9 | 13 | 21 | 26 | 31 | 23 |
| Dominica | 25 | 32 | 37 | 24 | 30 | 51 | 61 | 72 | 50 | 57 |
| Grenada | 4 | 4 | 5 | 4 | 4 | 8 | 8 | 9 | 9 | 8 |
| Jamaica | 9 | 19 | 16 | 19 | 38 | 20 | 34 | 28 | 42 | 61 |
| St Lucia | 53 | 42 | 66 | 58 | 69 | 112 | 85 | 128 | 126 | 134 |
| St Vincent | 18 | 18 | 31 | 30 | 41 | 38 | 35 | 62 | 66 | 80 |

Source: IBRD, ECLAC estimates.

Banana production continues to be a relative success story for CARICOM producers, output increasing by 12 per cent with earnings growing even faster, at 29 per cent, due to favorable Green Wholesale Prices and exchange rate movements.

Jamaica recorded the greatest increase in export volumes, which were up by 45 per cent. This follows a 50 per cent increase in 1989 and is part of a production increase which is targeted to reach 100,000 tonnes by 1993. Fruit quality, which caused some concern in 1989, was improved slightly in 1990, and together with price and exchange rate effects worked together to increase earnings by 100 per cent. Saint Vincent and the Grenadines and Dominica also recorded increases in export volumes of 21 per cent and 14 per cent, respectively. In Saint Vincent and the Grenadines the expansion of output was achieved at the expense of some loss in the quality of fruit and productivity, as marginal lands were put into cultivation to take advantage of near term price increases. In the case of Dominica, favorable climatic conditions and investment inflows permitted the rehabilitation of the industry to proceed quickly while price increases also served as a stimulus to increased output.

Performance was not, however, positive in all countries, with output and earnings contracting in Belize and Grenada. In the former country unfavorable climatic conditions, a cold spell and subsequently unseasonable heavy rains, combined with plant disease to reduce export values by 27 per cent, a setback after several years of steady growth. In Grenada the reduction in exports is attributable to sub-standard fruit, caused by crop disease, but there has also been a shift away from land committed to banana cultivation towards less intensive tree crops.

The CARICOM banana industry continues to face an uncertain future with the impending single EC market. If the hopes for retaining preferential access are realized, more time will be available for rationalizing the industry, to trim it to an efficient optimal size. Yet recent price increases seemed to have had the effect of moving the direction of change away from more intensive cultivation of the most productive land, towards a focus on maintaining the volume of products.

<u>Sugar</u>

Complete data are not yet available for all Caribbean countries. In the Dominican Republic there was quite a precipitous decline in sugar exports and earnings. Declines originated in the cultivation and harvesting of sugar-cane which suffered from shortages of field labour and poor sucrose content. The difficulties were exacerbated by electricity shortages in those refineries not having their own generators, shortages of imported inputs and deteriorating machinery and infrastructure. Given the importance of the sugar industry to manufacturing and agriculture, its decline served to reduce activity in both sectors and contribute to the decline of the G.D.P.

**Table VIII**

**SUGAR EXPORTS**

| | (Value US $m) | | | | | (volume '000 tonnes) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1986 | 1987 | 1988 | 1989 | 1990 | 1986 | 1987 | 1988 | 1989 | 1990 |
| Barbados | 31 | 36 | 34 | 26 | 34 | 99 | 70 | 68 | 52 | 66 |
| Belize | 32 | 31 | 33 | 36 | 43 | 99 | 79 | 75 | 77 | 95 |
| Cuba<1> | 4069 | 3987 | 4087 | 3914 | ... | 6697 | 6479 | 6975 | 7119 | ... |
| Dominican Republic | 134 | 127 | 123 | 157 | 145 | 449 | 553 | 514 | 491 | 365 |
| Guyana | 83 | 80 | 68 | 73 | 70 | 214 | 205 | 171 | 170 | 129 |
| Haiti | 4 | 5 | 3 | 1 | 1 | 11 | 7 | 7 | 7 | 4 |
| Jamaica | 62 | 74 | 92 | 65 | 86 | 143 | 133 | 153 | 132 | 146 |
| St. Kitts/Nevis. | 9 | 11 | 12 | 12 | 9 | 26 | 23 | 23 | 22 | 14 |
| Trinidad/Tobago | 23 | 21 | 27 | 31 | 30 | 58 | 50 | 55 | 57 | 62 |

Source: IBRD; ECLAC estimates.
<1>In Cuban pesos.

For the CARICOM countries the results for 1990 seemed to provide a pause in the steady contraction of the sugar industry, as export volumes for the region as a whole remained roughly the same as the year before. Export earnings grew for the CARICOM countries, as a whole at 12 per cent and for most countries selling incremental increases to Europe, due to the strengthening of the United Kingdom pound and the European Currency Unit vis à vis the United States dollar. Looking more closely at individual country performance one notices fairly substantial increases for four producers, with concomitant steep declines in output for Guyana (-24 per cent) which is in the throes of a restructuring exercise and Saint Kitts/Nevis (-37 per cent).

The contraction in sugar production and exports in Guyana has been rapid, to stand in 1990 at about half of the volume exported in 1981. Export volumes contracted by 24 per cent between 1989-1990 alone, due to industrial relations and managerial problems experienced by the sector. Fortunately, however, pricing and marketing arrangements were able to contain the decline in earnings to 4 per cent. Guyana was unable to meet its sugar quotas to the European Community and the United States of America for the second consecutive year.

The secular decline in output in Saint Kitts and Nevis was accelerated by hurricane damage to plantations in 1989, with consequent severe decline in output of 37 per cent, from the 1990 crop. The reduced output, which is about half of the break-even point for the industry, has dealt a severe blow to its long-term survival in that country.

While land under cultivation continues to decline in Barbados, output and earnings increased due to exchange rate movements and domestic measures to increase efficiency and yields from the land under cultivation. In Jamaica export volumes increased by about 11 per cent with export values increasing by about 32 per cent. The performance, while respectable and reflecting the continued recovery of sugar cane lands after Hurricane Gilbert, was below target, due to mechanical difficulties in the refinery and climatic conditions which reduced sucrose content. In Belize, output was up 22 per cent, though earnings lagged since incremental increases had to be sold in the less lucrative world market. In Trinidad and Tobago output was also up though earnings declined.

Minerals

Total production and exports of the bauxite industry in Jamaica grew by 14 per cent and 16 per cent, respectively, in 1990. This represented the highest level of performance since 1981. The sale of crude bauxite in fact declined by 7 per cent in volume and by 18 per cent in value due to shipping and payments difficulties experienced with the Union of Soviet Socialist Republics (USSR) market and the adverse domestic climate which reduced mining. The

**Table IX**

BAUXITE/ALUMINA EXPORTS

| | Value (U.S.$ m) | | | | | Volume ('000 tonnes) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1986 | 1987 | 1988 | 1989 | 1990 | 1986 | 1987 | 1988 | 1989 | 1990 |
| | | | | | Bauxite | | | | | |
| Dominican Rep. | 0 | 4 | 2 | 1 | 1 | 0 | 328 | 207 | ... | ... |
| Guyana | 82 | 84 | 80 | 77 | 71 | 1402 | 1410 | 1274 | 1317 | 1387 |
| Jamaica | 97 | 116 | 105 | 126 | 103 | 2900 | 3711 | 3494 | 4190 | 3886 |
| | | | | | Alumina | | | | | |
| Jamaica | 205 | 221 | 307 | 432 | 611 | 1600 | 1572 | 1575 | 2145 | 2889 |

Source: National data

shortfall in bauxite production was amply compensated for by output of alumina which increased by 35 per cent in volume and 42 per cent in value. This output exceeded the best previous record achieved in 1974.

In Guyana, output of bauxite was up by 5 per cent, though below target for the year. Output was hindered by industrial disputes and depleting capital stock while bauxite earnings were further depressed by low world market prices.

The industry, which is highly sensitive to petroleum prices was accordingly apprehensive about third and fourth quarter price increases and instituted measures to contain unit costs, measures which are likely to be beneficial for the future. Prospects for 1991 are not, however, as good as they were for the survey period, due to large global inventories and slowing global output, factors which are likely to further depress prices.

**Crude petroleum production** increased in Trinidad and Tobago by about 1 per cent, while refinery throughput also increased, mainly in the production of gasoline, gasoil and kerosene. Fertilizer output also increased slightly. But the benefits from the sector were magnified by petroleum price increases in the latter months of 1990. Accordingly, earnings from the sector were considerably higher. In Barbados, rising petroleum prices stimulated increased crude production which was sufficient to meet 40 per cent of domestic needs.

In the Dominican Republic the output of minerals declined for the third consecutive year, by almost 11 per cent in 1990, mainly due to declining nickel and gold production. Weak external prices contributed to the decline, as did petroleum price rises, but the domestic disequilibrium which affected most productive activities also had their impact in the minerals sector.

Tourism

Table X

STOPOVER TOURIST ARRIVALS
(Thousands)

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Antigua | 166 | 177 | 195 | 198 | 206 |
| Bahamas | 1375 | 1480 | 1475 | 1575 | 1562 |
| Barbados | 370 | 422 | 452 | 461 | 432 |
| Belize | 94 | 99 | 164 | 220 | 222 |
| Cuba | 282 | 293 | 309 | 310 | ... |
| Dominica | 24 | 27 | 32 | 35 | 45 |
| Dominican Republic | 785 | 911 | 1116 | 1300 | ... |
| Grenada | 57 | 57 | 62 | 69 | 82 |
| Guyana | 47 | 60 | 71 | 67 | ... |
| Haiti | 112 | 122 | 122 | 122 | ... |
| Jamaica | 664 | 739 | 649 | 715 | 841 |
| St.Kitts/Nevis | 55 | 65 | 70 | 72 | 76 |
| St. Lucia | 112 | 112 | 125 | 133 | 138 |
| St. Vincent | 42 | 46 | 47 | 50 | 54 |
| Suriname | 29 | 27 | 21 | 21 | ... |
| Trinidad/Tobago | 191 | 202 | 188 | 194 | 172 |
| Aruba | 181 | 232 | 278 | 344 | 433 |
| British Virgin Is. | 146 | 173 | 176 | 176 | 161 |
| Montserrat | 16 | 17 | 18 | 17 | 17 |
| Netherlands Antilles | 567 | 632 | 685 | 751 | 832 |
| US Virgin Is | 470 | 555 | 543 | 493 | 523 |
| Puerto Rico | 1696 | 2035 | 2281 | 2450 | 2645 |
| Guadeloupe | 246 | 293 | 329 | 255 | ... |
| Martinique | 183 | 234 | 280 | 312 | 281 |

Source: CTO; 1990 data are provisional.

Preliminary indications are that tourism continued its steady growth in 1990, though the rate of increase in arrivals and expenditure was somewhat slower than achieved in the previous year. The main non-CARICOM destinations such as Puerto Rico, the Netherlands Antilles, the United States Virgin Islands and Aruba, all recorded growth, although data are not yet available for Cuba and the Dominican Republic. In all cases cited above, earnings grew faster than arrivals.

For the CARICOM countries tourist arrivals continued to increase, stopovers by 3 per cent and cruise-ship arrivals by 6 per cent. In the former category, growth was less than half of the previous year but somewhat better than had been anticipated, based on the poor performance achieved in the first quarter and fears that instability in the Gulf would have on fourth quarter arrivals. In fact these fears were substantiated since growth slowed significantly in December, though this was too late to materially affect the outcome for 1990. Gulf instability is, however, expected to have its full adverse impact in the first quarter of 1991.

Despite the overall picture of growth, the performance of individual countries varied quite widely, declines in stopovers being recorded for the British Virgin Islands down 9 per cent, the Bahamas down almost 1 per cent, Barbados down 6 per cent, Martinique and Trinidad and Tobago also recorded declines. Double digit rates of growth were recorded for Aruba up 25 per cent, Dominica up 13 per cent, Grenada up 19 per cent, Jamaica up 18 per cent, and the Netherlands Antilles up 11 per cent, while more modest growth was recorded by other countries.

Preliminary indications are that arrivals from the United States continued to increase by about 4 per cent for the Caribbean region as a whole. The main beneficiaries of the expanded market were Grenada, showing a 72 per cent increase due mainly to newly-established direct air links via Puerto Rico; Jamaica 18 per cent and Saint Lucia 12 per cent. Arrivals from the United Sates declined to Barbados, by 7 per cent, and to the Bahamas. Fewer arrivals came from this source towards the end of the year, owing to the twin effects of recession and the impact of the Gulf crisis.

Arrivals from Canada seem not to have grown substantially overall, only Grenada making significant gains, while Barbados and St Lucia received fewer Canadian visitors, 12 per cent and 2 per cent, respectively. Robust growth continues from Western Europe, although the rate of increase has not been as fast as 1989. Jamaica, up 25 per cent, Grenada, up 16 per cent and Trinidad and Tobago which improved by 14 per cent, made the most notable gains, while losses were incurred by Saint Lucia and Barbados, down 11 per cent and 8 per cent, respectively. For the longer term the European market is likely to soften further as long travel trips from that continent are declining.

The number of cruise-ship visitors arriving into CARICOM ports increased by 6 per cent, almost double the rate of growth of stopovers. The main beneficiaries of this increase were Trinidad and Tobago, Grenada and the Bahamas, Jamaica, Saint Kitts and Nevis and Saint Vincent and the Grenadines, however, received fewer cruise passengers than in 1989. The improved cruise-ship performance is thought to have resulted from aggressive marketing and pricing and the gains made in 1990 are likely to be retained in 1991 as winter cruises, normally scheduled for the Mediterranean, are likely to be diverted to the Caribbean because of the Gulf War.

**Table XI**

**CRUISE PASSENGER ARRIVALS**
(Thousands)

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Antigua | 122 | 153 | 199 | 208 | 227 |
| Bahamas | 1496 | 1434 | 1505 | 1645 | 1854 |
| Barbados | 145 | 229 | 295 | 337 | 363 |
| Grenada | 114 | 127 | 134 | 121 | 183 |
| Jamaica | 278 | 292 | 368 | 444 | 386 |
| St.Kitts/Nevis | 27 | 31 | 54 | 37 | 34 |
| St. Lucia | 59 | 84 | 78 | 104 | 102 |
| St. Vincent | 38 | 66 | 59 | 75 | ... |
| Trinidad/Tobago | 19 | 16 | 12 | 16 | 28 |
| Montserrat | 9 | 10 | 11 | ... | ... |

Source: CTO

External trade

For the CARICOM countries as a whole external trade performance improved in 1990 with merchandise exports increasing faster than imports and a consequent decline in the merchandise deficit. Given the steady increase in services earnings, the current deficit was also reduced. The major single factor in this transformation was the performance of Trinidad and Tobago whose trade accounts for almost one-half of regional merchandise exports and one-fifth of its imports.

Among the non-CARICOM countries, the strong external performance of Puerto Rico was somewhat offset by the weak merchandise performance of the Dominican Republic and the Netherlands Antilles. Buoyant earnings from services in both countries, nevertheless, reduced the impact on the current account. In Haiti imports and exports declined, with the overall picture one of stagnation.

Merchandise trade

**Exports** for the region fluctuated quite widely. In the CARICOM countries as a whole, exports were up by an estimated 23 per cent, the most notable performance being recorded by Trinidad and Tobago, mainly as a consequence of the increase in petroleum prices, since output increased only marginally.

Given the increased performance of bananas and alumina, the export performance of some of the other high achievers --such as Dominica, with earnings from bananas and soap products up 26 per

Table XII

MERCHANDISE EXPORTS

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Antigua | 30.9 | 29.0 | 30.1 | 31.6 | 33.2 |
| Bahamas<1> | 293.7 | 273.1 | 273.6 | 259.2 | 300.9 |
| Barbados | 290.7 | 161.3 | 177.1 | 187.2 | 147.5 |
| Belize | 74.5 | 86.9 | 95.1 | 94.0 | 104.1 |
| Cuba<2> | 5321.5 | 5401.0 | 5518.3 | 5392.0 | ... |
| Dominica | 44.6 | 49.3 | 57.0 | 46.3 | 58.2 |
| Dominican Republic | 722.1 | 711.3 | 893.5 | 924.0 | 704.0 |
| Grenada | 28.7 | 31.6 | 32.8 | 28.4 | 26.6 |
| Guyana | 210.4 | 240.6 | 211.4 | 184.0 | 209.8 |
| Haiti | 190.8 | 210.1 | 180.4 | 148.3 | 139.0 |
| Jamaica | 589.7 | 709.2 | 822.0 | 999.7 | 1140.2 |
| St.Kitts/Nevis | 25.1 | 28.0 | 27.4 | 28.9 | 19.0 |
| St. Lucia | 82.9 | 77.3 | 119.1 | 109.1 | 127.3 |
| St.Vincent | 63.9 | 52.3 | 85.3 | 74.6 | 78.7 |
| Trinidad/Tobago | 1368.0 | 1414.7 | 1470.0 | 1550.1 | 2022.5 |
| Montserrat | 2.3 | 3.5 | 2.3 | 1.6 | 1.8 |
| Netherlands Ant. | 85.1 | 106.8 | 153.5 | 257.5 | 213.4 |
| Puerto Rico | 13047.9 | 13970.9 | 15428.7 | 17931.6 | 20866.2 |

Source: ECLAC; IBRD.
<1>Excludes oil trade
<2>In Cuban pesos

cent, Jamaica up 14 per cent benefitting from increases in alumina banana and sugar sales and Saint Lucia up 17 per cent benefitting from banana sales-- was consistent with sectoral performance. This was also true of declines in earnings in Saint Kitts and Nevis, due to reduced sugar exports, and Grenada with reduced banana, nutmeg and mace exports, the latter caused by the breakdown of marketing arrangements with Indonesia. The export of fresh fruit and vegetables from Grenada also declined. Declines in Barbados were also notable and caused by reduced exports of electrical components and garments.

For the non-CARICOM countries, only Puerto Rico recorded increases in exports, mainly of manufactured goods. A decline of over 30 per cent was notable in the Dominican Republic, where both traditional and non-traditional exports declined. This was due to a variety of domestic difficulties including electricity outages and supply bottlenecks for industrial inputs. Declines in exports from the Netherlands Antilles were due mainly to the decline in re-exports of petroleum.

**Table XIII**

**MERCHANDISE TRADE BALANCE (US $m)**

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Antigua | -281.7 | -245.8 | -280.5 | -316.2 | -325.0 |
| Bahamas<1> | -607.0 | -743.8 | -664.4 | -809.0 | -735.7 |
| Barbados | -311.9 | -356.7 | -404.9 | -490.0 | -556.0 |
| Belize | -35.7 | -41.4 | -64.1 | -96.7 | 83.6 |
| Cuba <2> | -2274.6 | -2211.0 | -2061.1 | -2732.0 | ... |
| Dominica | -11.1 | -17.4 | -30.5 | -60.8 | -59.6 |
| Dominican Republic | -630.0 | -881.0 | -714.5 | -1040.0 | -1103.0 |
| Grenada | -52.2 | -57.5 | -59.4 | -72.5 | -82.9 |
| Guyana | -49.6 | -21.5 | -1.2 | -27.6 | -63.3 |
| Haiti | -112.5 | -101.1 | -103.5 | -111.0 | -97.5 |
| Jamaica | -383.6 | -525.1 | -622.2 | -821.1 | -710.5 |
| St.Kitts/Nevis | -37.7 | -51.5 | -65.3 | -73.0 | -83.0 |
| St. Lucia | -71.9 | -100.8 | -101.9 | -164.6 | -144.0 |
| St.Vincent | -23.3 | -46.3 | -37.0 | -52.9 | -59.1 |
| Trinidad/Tobago | -115.9 | 254.2 | 283.9 | 347.5 | 794.0 |
| Montserrat | -18.3 | -21.7 | -24.3 | -29.4 | -40.7 |
| Netherlands Ant. | -655.1 | -754.9 | -823.1 | -842.1 | -1019.8 |
| Puerto Rico | 1469.4 | 957.8 | 906.2 | 916.6 | 1729.9 |

Source: National data

**Imports** for CARICOM countries were up by about 2.5 per cent, a much more modest increase than in years past and also more modest than the growth of exports. Notable increases in imports were, however, recorded by Montserrat, in the throes of reconstruction after hurricane devastation, and to a lesser extent Dominica for the same reason. For most other countries the increases in imports were less than the rates of inflation, a fact more noteworthy for the energy-dependent countries because of energy price rises in the latter part of the year.

For the non-CARICOM countries imports were for the most part compressed, by 8 per cent and 9 per cent in the Dominican Republic and Haiti respectively, though in the former case the decline did not match the decline in exports.

As a consequence, **the balance on merchandise trade**, while remaining in deficit for most countries, in fact lessened for many and the positive balance for Trinidad and Tobago doubled. If treated as a single economy the merchandise deficit of the CARICOM countries would have been reduced by 25 per cent. For Haiti the merchandise deficit also contracted., by 12 per cent, although for the Dominican Republic it widened by 6 per cent.

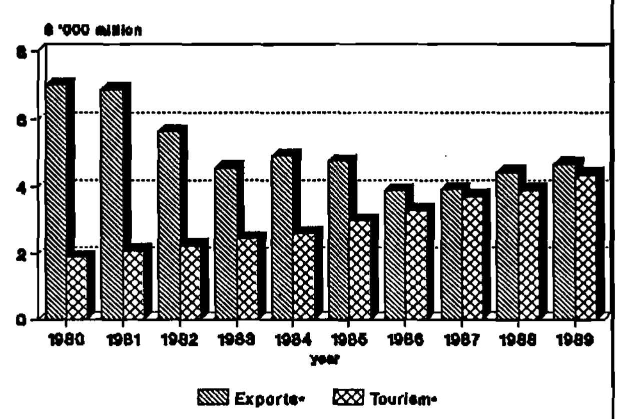
**Table XIV**

**BALANCE OF PAYMENTS - CURRENT ACCOUNT (US$ m.)**

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Antigua | -128.1 | -70.7 | -55.8 | -68.4 | -58.3 |
| Bahamas | -24.3 | -68.5 | -128.3 | -160.6 | -184.6 |
| Barbados | -16.4 | -11.0 | 2.4 | -43.5 | -44.5 |
| Belize | -5.9 | -18.4 | ... | -30.0 | -10.9 |
| Cuba <1> | -1961.0 | -1318.4 | -380.1 | ... | ... |
| Dominica | 5.4 | 3.0 | -3.9 | -37.0 | -28.8 |
| Dominican Republic | -236.0 | -441.0 | -219.0 | -283.0 | -266.0 |
| Grenada | -1.6 | -27.7 | -23.6 | -33.8 | -35.9 |
| Guyana | -152.3 | -138.9 | -86.7 | -35.4 | ... |
| Haiti | -144.9 | -146.0 | -169.7 | -179.6 | -170.6 |
| Jamaica | -214.4 | -162.6 | 73.1 | -256.9 | -313.5 |
| St.Kitts/Nevis | -2.0 | -2.3 | -2.0 | 9.3 | -17.4 |
| St. Lucia | 1.7 | -5.3 | 0.9 | -47.8 | -21.4 |
| St.Vincent | 5.9 | -15.4 | -2.7 | -18.1 | -8.4 |
| Trinidad/Tobago | -603.7 | -270.8 | -151.5 | -66.8 | 404.4 |
| Netherlands Antilles | 40.4 | -50.5 | 26.7 | -43.5 | -89.4 |
| Puerto Rico | -1442.5 | -2620.6 | -3501.5 | -3915.6 | -3401.0 |

Source: National data

**Figure 7**
Merchandise and Tourist earnings




Source: ECLAC, CTO
*Excludes Cuba and Puerto Rico

The current account deficit, which provides a better indicator of external performance for the predominantly services oriented countries in the region, fell by a greater amount in the CARICOM countries than the merchandise balance. Notable, however, was the increase in the current deficit by major tourist destinations such as the Bahamas and Barbados, both suffering relatively poor tourist performance. In Jamaica the increased deficit was caused not by a decline in the travel account, into which payments increased by 22 per cent, but by the reduced reinsurance payments experienced in comparison to the two previous years and increased outflows of dividends, primarily by the mining companies.

Current account deficits were significantly reduced in the non-CARICOM countries. In the Dominican Republic, earnings from free-zones are counted as services, and these were up by 36 per cent. Together with tourism earnings, also growing rapidly, the services balance helped to mitigate the poor performance on merchandise trade.

While complete figures on tourism earnings are not available for 1990, a comparison of trends in merchandise exports and tourism earnings shows the steady advance in tourism earnings in comparison with the wide fluctuations in merchandise earnings. Moreover, by 1989 merchandise earnings for the region were about to be overtaken by tourism earnings. This fact demonstrates as graphically as a perusal of the composition of G.D.P. the degree to which Caribbean economies, even some of the larger ones, have become services-oriented.

External debt

**Table XV**

**EXTERNAL DEBT (US$ m.)<1>**

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Antigua/Barbuda<2> | 180.7 | 231.8 | 243.2 | 255.5 | 264.7 |
| Bahamas | 215.5 | 192.7 | 171.3 | 219.7 | 269.6 |
| Barbados | 291.3 | 353.4 | 394.9 | 383.6 | 418.0 |
| Belize | 97.7 | 113.1 | 124.1 | 128.4 | 133.0 |
| Cuba<3> | 4985.0 | 5657.0 | 6606.0 | 6165.0 | ... |
| Dominica | 56.6 | 65.1 | 64.8 | 70.6 | 83.1 |
| Dominican Republic<4> | 3812.0 | 3899.0 | 3883.0 | 4090.0 | 4300.0 |
| Grenada | 54.2 | 66.9 | 69.4 | 69.3 | 83.0 |
| Guyana<2> | 1542.3 | 1735.9 | 1777.9 | 1801.1 | 1801.9 |
| Haiti | 696.0 | 752.0 | 778.0 | 803.0 | 861.0 |
| Jamaica | 3575.0 | 4013.6 | 4001.7 | 4038.9 | 4152.4 |
| St. Kitts/Nevis | 19.3 | 21.3 | 26.9 | 31.9 | 35.2 |
| St. Lucia | 31.5 | 27.9 | 41.3 | 51.7 | 58.4 |
| St. Vincent | 29.6 | 37.8 | 44.9 | 50.4 | 54.5 |
| Trinidad/Tobago | 1897.7 | 2082.2 | 2011.8 | 2097.4 | 2102.1 |
| Montserrat | 3.0 | 3.4 | 3.5 | 3.4 | 2.7 |

Source: ECLAC derived from national sources
<1> Public sector incurred or guaranteed.
<2> Includes arrears
<3> Relates to convertible currency debt; in millions of pesos.
<4>Includes private debt.

The external debt for the CARICOM countries grew by about 2.6 per cent, slightly slower than for the previous year. In those cases where significant increases in the debt were recorded, they illustrated the lumpiness of large infrastructural outlays in small economies. Major growth in the debt was recorded by the Bahamas and Dominica, due to investments in the electricity, water and sewerage sectors in the former and to electricity, and port expansion in the latter. In Grenada the increase was due to a bilateral loan to support the capital budget, with activity focusing mainly on infrastructure. The debt increase in Barbados was incurred primarily in response to a widening in the current account fiscal deficit itself, caused in part by a wage increase in the public service. This increase moves the external debt of Barbados from 26 to 28 per cent of G.D.P. The debt service ratio also widened from 15 to 25 per cent. Slight increases were also noted in the Dominican Republic, up 5 per cent, and in Haiti, up by 7 per cent.

Debt service continues to be a major problem for some countries, notably Guyana and Jamaica. In Guyana arrears in the repayment of multilateral debt which had been accumulating for many years were eliminated, so that lending for structural adjustment could be resumed. In Jamaica two reschedulings were held and Canadian bilateral debt was cancelled, in line with Canadian debt policy extended to the region as a whole. Accordingly, the Jamaican debt service ratio which stood at 26.5 per cent at the end of 1990, has fallen quite quickly since 1987 when it stood at 47.5 per cent. Minor rescheduling of debt was also arranged by Antigua and Barbuda and Grenada.

<u>Fiscal account</u>

After a decade of effort to establish greater fiscal discipline in the region, significant results have been achieved though difficulties still remain in some countries. Fiscal performance for 1990 was mixed, for while balances improved in some countries, in others a deterioration was evident, notably in Guyana, where the deficit more than quadrupled in 1990. For while revenues increased by 65 per cent, expenditures outstripped them at 105 per cent growth. The deficit also widened significantly in Barbados due in part to the aforementioned increase in personnel emoluments in the public sector. Revenues also fell, by over 3 per cent, only income and property tax revenues not declining. In Grenada the deficit was reduced significantly, mainly by increased revenues from import duties and the value added tax. The only other country still having a deficit, Trinidad and Tobago, nevertheless managed to reduce it, by almost 40 per cent in line with the trend beginning in 1988.

Both Antigua and Barbuda the Bahamas managed to accumulate a surplus in 1990 after deficits in 1989, due to contained current expenditures and more rapid increases in revenues, income taxes up in the case of Antigua and Barbuda and increases in stamp, property

**Table XVI**

**FISCAL BALANCE ON CURRENT ACCOUNT**
In national currencies (millions)

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Antigua/Barbuda | 27 | 24 | 18 | -1 | 20 |
| Bahamas | 12 | -9 | -5 | -23 | 15 |
| Barbados | 43 | -21 | 13 | -21 | -90 |
| Belize | 6 | 10 | 22 | 16 | 15 |
| Dominica | 8 | 14 | 22 | 16 | 10 |
| Dominican Republic | 745 | 1380 | 2263 | 3168 | 3479 |
| Grenada | -8 | -15 | 10 | -41 | -12 |
| Guyana | -111 | -913 | -426 | -501 | -2266 |
| Haiti | 27 | -101 | -32 | -117 | -114 |
| Jamaica | 655 | 1590 | 958 | 2172 | 2169 |
| St.Kitts/Nevis | 5 | 4 | 4 | 12 | 11 |
| St. Lucia | 22 | 33 | 65 | 52 | 62 |
| St. Vincent | 15 | 13 | 13 | 11 | 24 |
| Trinidad/Tobago | -135 | 234 | -397 | -365 | -235 |
| Montserrat | 1 | 1 | 1 | 4 | 6 |
| Netherlands Antilles | 172 | 81 | 16 | 20 | 3 |

Source: ECLAC, derived from national data.

and other services taxes in the Bahamas. In Saint Lucia, the current surplus increased by 20 per cent due equally to reduced expenditures, notably in personal emoluments and increased revenues from income taxes and service charges on imports.

Prices

Over the survey period the region as a whole was affected by the rising international inflation, to which the smaller countries' inflation rates are tied and from the third quarter, the rising price of imported petroleum. Some countries rebuilding after hurricane damage also recorded increased inflation as they faced some capacity bottlenecks. For the larger countries, inflation had its roots mainly in domestic policies.

As is customary, the greatest price rises were registered in the larger countries. The most notable increase was recorded in the Dominican Republic where a combination of factors, which included a 31 per cent increase in credit to the public sector, exchange rate adjustment, supply constraints for imports and petroleum price increases, all worked together to increase prices by 100 per cent. Jamaica, recorded a 22 per cent price rise but the indications are that price rises in Guyana were even greater. In both cases depreciation in the exchange rate and petroleum price

**Table XVII**

**CONSUMER PRICES**
Annual rates of growth (%)

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Antigua/Barbuda | 2.0 | ... | 3.4 | 5.3 | 6.9 |
| Bahamas | 5.4 | 5.8 | 4.5 | 5.3 | 4.7 |
| Barbados | 1.3 | 3.4 | 4.8 | 6.2 | 3.1 |
| Belize | 3.3 | 2.0 | 2.9 | 2.2 | 4.0 |
| Dominica | 3.0 | 2.9 | 5.7 | 6.3 | 10.9 |
| Dominican Republic | 9.7 | 15.9 | 44.4 | 45.4 | 100.0 |
| Grenada | 1.4 | -0.9 | 6.5 | 4.6 | 3.7 |
| Guyana | 8.2 | 29.4 | 43.1 | 61.3 | ... |
| Haiti | 8.5 | -10.4 | -0.1 | 7.4 | 16.3 |
| Jamaica | 14.8 | 6.7 | 8.3 | 14.3 | 22.0 |
| St.Kitts/Nevis | 0.4 | 2.6 | 0.2 | 6.6 | 3.7 |
| St. Lucia | 2.2 | 7.0 | 0.8 | 4.3 | 5.0 |
| St. Vincent | 1.2 | 2.0 | 2.1 | 5.7 | 9.2 |
| Suriname | 30.2 | 52.2 | 7.3 | ... | ... |
| Trinidad/Tobago | 7.1 | 10.8 | 7.8 | 11.3 | 11.4 |
| Br Virgin Is | 1.8 | 0.1 | 4.7 | 4.8 | ... |
| Montserrat | 0.2 | 2.7 | 3.6 | 1.8 | 6.8 |
| Netherlands Antilles | ... | 2.4 | 3.3 | 4.0 | 3.2 |
| Puerto Rico | -0.2 | 0.9 | 3.3 | 3.4 | 4.1 |

Source: ECLAC, based on national data.
Data for the Netherlands Antilles refer to Curacao and Bonaire

increases were significant factors. In Jamaica an additional factor was deregulation of energy prices, which would have had a one time effect on energy prices suppressed below their true market price. In Guyana various supply dislocations and shortages were also significant factors.

In Haiti where inflation is traditionally quite low, the large jump in prices is attributable to severe dislocations in production, particularly rural production with attendant food price increases. In the urban centers shortages were somewhat mitigated by illegal imports, although with a consequent impact on the commercial rate for foreign exchange. Petroleum price rises were also a further contributing factor. Other countries showing increases in inflation were Dominica and Montserrat, due to hurricane rebuilding and consequent supply bottlenecks.

Employment

**Table XVIII**

**UNEMPLOYMENT RATES (%)**

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Barbados | 19.0 | 18.9 | 17.3 | 15.7 | 14.7 |
| Belize | 15.1 | 15.0 | ... | ... | ... |
| Curacao | ... | ... | 24.4 | 21.1 | 19.8 |
| Jamaica | 23.7 | 21.0 | 18.9 | 18.0 | 15.3 |
| Trinidad/Tobago | 17.2 | 22.3 | 21.9 | 22.0 | 20.1 |
| Puerto Rico | 20.5 | 17.7 | 15.9 | 14.4 | 14.3 |

Source: ECLAC, derived from national data.

In Barbados the unemployment rate increased slightly over the survey period, due partly to the reduced activities in tourism and manufacturing. In Jamaica unemployment decreased, on the one hand due to the declining labour force, a trend evident since 1988 and on the other due to increased employment. Increased employment was evident in all sectors with the exception of agriculture, where it declined. Increases were, however, most evident in the services sectors, in commerce and other services, notable for female employment. In fact two-thirds of new employment in 1990 in Jamaica was taken by female workers while more than half of the new jobs were taken by youth (under 25 years old).

In Trinidad and Tobago unemployment is estimated to have fallen slightly, despite an increase in the labor force. Employment increased in services, in transport, storage and commerce, but declined in the sugar and petroleum sectors, agriculture, assembly industries, and personal services. Female unemployment was almost double that for men in Barbados and Jamaica.

## SOME COMMENTS ON THE SOCIAL ASPECTS OF DEVELOPMENT

This is the first attempt to supplement the economic overview with explicit information about social development in the Caribbean. The effort responds to comments from readers that an exclusive focus on economic indicators does not provide sufficient information on the quality of peoples' lives, neither does it say enough about the orientation or efficiency of government policy towards that objective.

### Table XIX

SOCIAL INDICATORS FOR SELECTED CARIBBEAN COUNTRIES

| | LIFE EXPECTANCY 1960 | LIFE EXPECTANCY 1990 | LITERACY 1985 | INFANT MORTALITY 1960 | INFANT MORTALITY 1989 | EDUCA-TION | HEALTH | WATER | SANITA-TION | HDI | RANK |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Antigua/Barbuda | ... | 72.0 | 95.0 | ... | ... | 4.6 | ... | 100 | ... | 0.832 | -4 |
| Bahamas | ... | 71.5 | 99.0 | ... | ... | 6.2 | ... | ... | ... | 0.920 | -6 |
| Barbados | 64.2 | 75.1 | 99.0 | 90 | 15 | 6.3 | 100 | 100 | ... | 0.945 | 11 |
| Belize | ... | 69.5 | 91.0 | ... | ... | 4.6 | 75 | 75 | ... | 0.700 | 7 |
| Cuba | 63.8 | 75.4 | 92.4 | 87 | 14 | 5.7 | ... | ... | ... | 0.754 | -2 |
| Dominica | ... | 76.0 | 94.0 | ... | ... | 4.7 | ... | ... | ... | 0.800 | 16 |
| Dominican Republic | 51.8 | 66.7 | 80.4 | 199 | 80 | 4.3 | 80 | 63 | 61 | 0.622 | 22 |
| Grenada | ... | 71.5 | 96.0 | ... | ... | 4.7 | 100 | ... | ... | 0.750 | 2 |
| Guyana | 56.1 | 64.2 | 95.4 | 126 | 73 | 5.0 | 89 | 61 | 87 | 0.589 | 33 |
| Haiti | 42.2 | 55.7 | 47.9 | 270 | 133 | 1.5 | 73 | 41 | 23 | 0.296 | 2 |
| Jamaica | 62.7 | 73.1 | 98.0 | 89 | 21 | 5.1 | 90 | 72 | 91 | 0.760 | 26 |
| St. Kitts/Nevis | ... | 67.5 | 90.0 | ... | ... | 6.0 | 100 | 100 | 100 | 0.719 | -16 |
| St Lucia | ... | 70.5 | 82.0 | ... | ... | 3.9 | ... | 67 | ... | 0.699 | 2 |
| St Vincent | ... | 70.0 | 82.0 | ... | ... | 4.6 | ... | ... | ... | 0.636 | 1 |
| Suriname | 60.1 | 69.5 | 92.7 | 95 | 40 | 4.0 | ... | 68 | 49 | 0.792 | -1 |
| Trinidad/Tobago | 63.6 | 71.6 | 95.0 | 67 | 18 | 6.1 | 99 | 96 | 99 | 0.876 | 6 |

Source: UNDP, Human Development Report 1991.

Life expectancy at birth, in years, for 1960 and 1990
Literacy relates to adult literacy rate (%) in 1985
Infant mortality relates to deaths per thousand of children under 5 years in 1960 and 1989
Schooling relates to mean years of schooling, in 1980
Health relates to percentage of the population with access to health services
Water relates to percentage of the population with access to safe water
Sanitation relates to population (%) with access to sanitary waste disposal facilities
H.D.I. relates to human development Indicator
Rank is derived from the sum of GNP rank minus the HDI rank

Since the social indicators, at least most of those now compiled, tend to change relatively slowly they are seldom collected on a regular basis by national governments. Consequently, the regular household surveys on which an annual evaluation of social trends would draw for information are the exception rather than the norm in the region. There are, however, indications that interest in social development is increasing and as more data are collected at the national level, they will be incorporated into the regional overview to provide a fuller picture of the state of development of Caribbean countries.

Until this is available, however, annual surveys of social developments using the format of the economic overview with dated material would be of limited usefulness and interest to the reader. As an alternative, and this is the approach taken for this survey, recent work in the field will be highlighted to give a better balance to the overall presentation and point the reader to sources which will supplement the information presented.

**Figure 8**

Human Development Index
Ranking of Caribbean countries

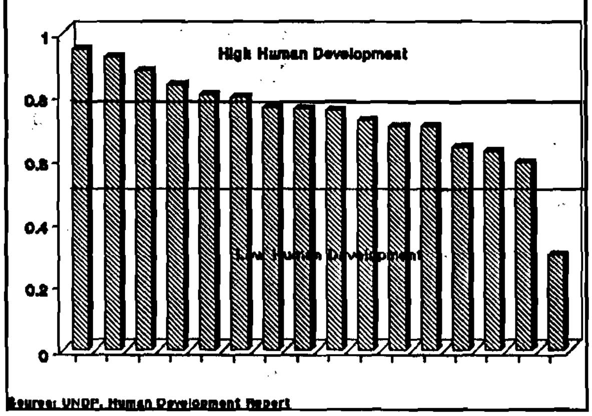
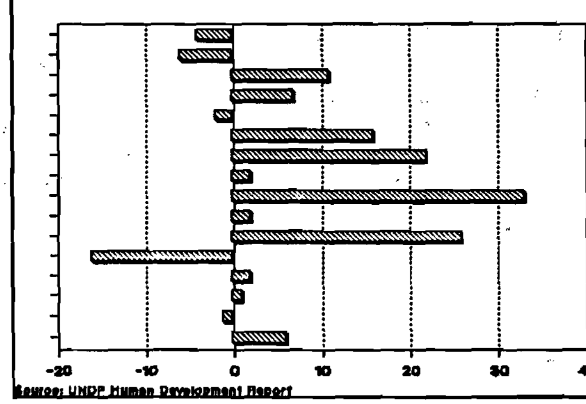



**Figure 9**

G.N.P. Ranking minus H.D.I. Ranking
Selected Caribbean Countries




The table of selected social indicators is compiled from the Human Development Report 1991[5] which itself draws on the data available from within the United Nations system. It is, therefore, the most recent and most comprehensive study of this type and is especially useful for the Caribbean in that it includes information for most of the smaller countries. The approach used is of interest because it helps to answer a number of questions, such as the place of Caribbean countries <u>vis-à-vis</u> both developed countries and other developing countries in the global ranking on social indicators. This has been made possible by the compilation of a Human

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[5] Human Development Report 1991. Published by the United Nations Development Programme (UNDP), Oxford University Press.

Development Index[6] based on measures of "longevity, knowledge and decent living standards"[7]. Countries defined as having a high human development are those with an index of above 0.8, while those having low human development score below 0.5.

From the data it can be seen that 5 of the 16 countries represented achieve a rating of high, while only one country falls into the category of low human development.

The index also illustrates that while there is a tendency for wealth, as measured by GDP per capita to correlate to a high HDI index, ranking on the index can exceed or fall short of the ranking which a country might attain for GDP per capita. The extent to which the HDI ranking exceeds the GDP ranking could be one indicator of the relative success of social policies. Figure 2 indicates that most of the countries surveyed rank higher on the Human development Index than on Gross National Product, some countries by significant margins. In fact two of the four countries making negative scores are already ranked in the category of high human development, while even the country showing low human development achieves a slightly positive score relative to GNP.

The tentative conclusion arising from this exercise is that, for the most part, Caribbean countries achieve fairly high scores in terms of human development, both in absolute terms as well as relative to the resources at their disposal. Nevertheless while the conclusions must remain tentative as methodologies and data accuracy are improved, the exercise is a useful first step in trying to make the exercise of social evaluation somewhat more rigorous.

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[6] The UNDP recognizes the imperfect nature of the index which is in the process of continuous refinement.

[7] Human Development Report 1991. Published by the United Nations Development Programme (UNDP), Oxford University Press.