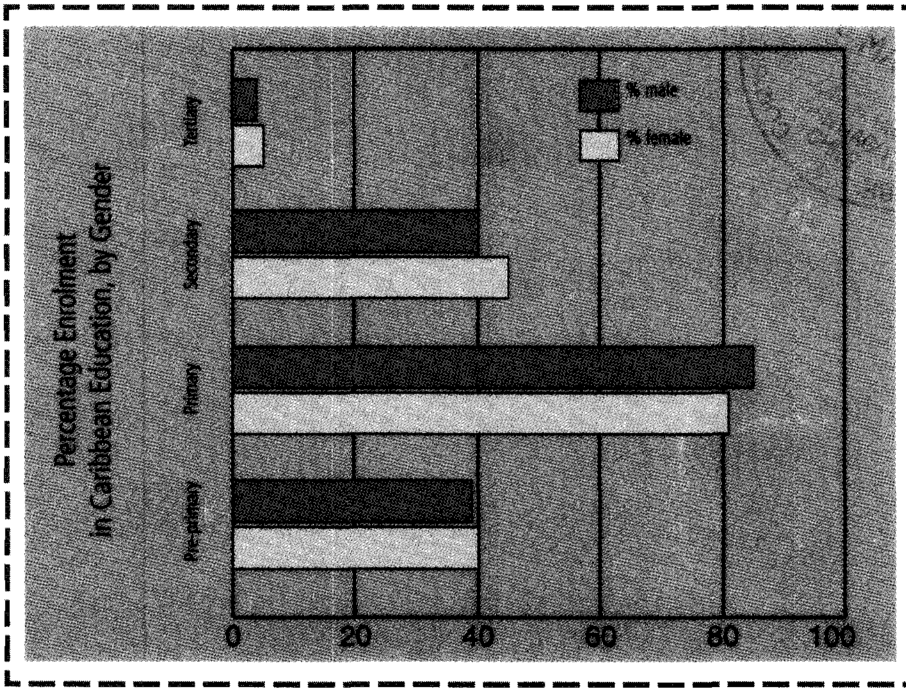
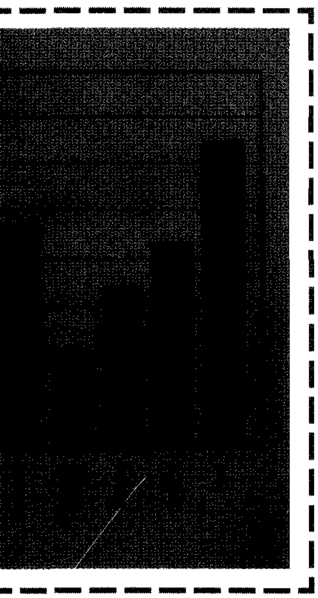
The Caribbean in the Decade of the 90s
Summary





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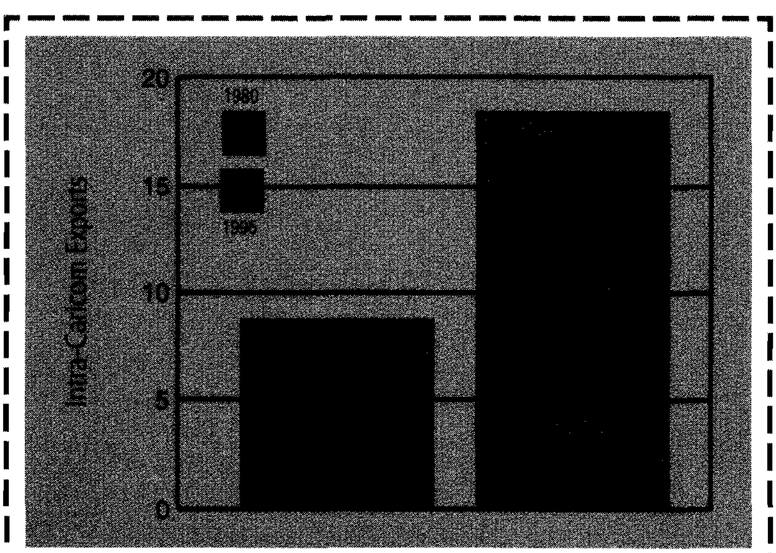

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- SUMMARY -

Table of Contents

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INTRODUCTION

The mostly small island States of the Caribbean display a number of characteristics which, although common, to some of the larger developing countries tend to put them at a greater disadvantage in their economic and social development efforts. Resource limitations and problems related to smallness and remoteness are among the main factors impacting on the economic performance, sectoral specialisation and vulnerabilities of the small island States. These countries are highly dependent on trade with the ratio of trade to GDP above 100 per cent, in many instances. Their markets are small and their exports are highly concentrated on a narrow range of products and services and markets. Their geographical location makes them particularly vulnerable to hurricanes and their fragile ecosystems are seriously threatened by pressures of population and economic activity within a limited land space. The development of these countries has been taking place in an increasingly integrated world economy, marked by progressively higher trade and financial flows and increasing competition.

Caribbean countries have undertaken major economic and social reforms in the 1980s and 1990s. These included macroeconomic reforms to correct the balance of payments and fiscal deficits, which had developed in the latter part of the 1970s and early 1980s, and to stabilize the economy. They also included trade and financial reforms to open the economies further and take advantage of the opportunities available in the increasingly liberalized world economy. In addition, increased focus continued to be put on issues related to social equity. Foremost among these were the efforts made to increase employment, improve access to health and education and alleviate poverty, especially in those Caribbean countries which had experienced slow growth or political instability in the decade under review.

Efforts were also made to improve gender equity in the subregion through the implementation of policies and programmes to improve the social and economic status of women. Migration and population growth continued to modify the characteristics of Caribbean population and put into sharper focus the need for improvement in the provision of social services, including education, health and social security. The adoption of the Small Island Developing States Programme of Action (SIDS POA) in 1994 focused the attention of governments in the subregion and the world community on the need to preserve the fragile environment of these mostly island States, and adopt sustainable development policies where economic, environmental and social issues are addressed simultaneously.

Chapter 1

GLOBAL DEVELOPMENTS

The integration of the world economy, which gathered momentum in the 1980s, continued in the 1990s through increased trade and financial flows and the establishment and strengthening of linkages related to the production and distribution of goods and services. Increased trade flows received a boost from the successful conclusion of the Uruguay Round of trade talks, the establishment of the World Trade Organization (WTO) and the beginning, in 1995, of the implementation of the General Agreement on Tariffs and Trade (GATT) 1994 Agreement. This new agreement extended international trade rules to new areas, such as trade in services and trade-related investment measures and intellectual property rights (TRIMS and TRIPS). It also covers the previously excepted areas of agriculture and textiles.

The growth of trade was also reinforced by the establishment or revival of many trade liberalisation agreements around the world, which were generally more comprehensive and more outward-oriented than earlier agreements. These included the establishment of the North American Free Trade Agreement (NAFTA) and the Southern Common Market (MERCOSUR) and the redynamisation and deepening of the Andean Community, the Central American Common Market CACM) and the Caribbean Community (CARICOM) in the Western hemisphere. The 1990s have also witnessed the establishment of a single market in Europe in 1992 and the launch of a common currency, the Euro, in that part of the world. Another significant trade agreement which came into being in the 1990s was the Asian Pacific Economic Forum (APEC) which, without a formal trade agreement, set a target of 2010 for trade liberalisation for its industrial member countries and 2020 for its developing member States. The failure to agree on an agenda for a new round of trade talks at the trade ministerial meeting, held in Seattle, United States, in November 1999, has somewhat set back the process of trade liberalisation, despite the fact that negotiations on the built-in agenda on services, agriculture and intellectual property rights were set to continue. The limited negotiations at the level of the WTO may give added impetus to the many regional trade agreements being pursued around the world.

In addition to trade liberalisation, there has been a substantial increase in financial flows during the decade. They were the result of liberalisation of both the capital and current accounts of the balance of payments of many countries. Successful macroeconomic reforms, including financial sector reforms, generally more flexible exchange rates, the abolition of exchange controls and a generally more welcoming environment to foreign investment have contributed significantly to the increase in capital flows. This increasingly integrated financial market tended to further complicate the conduct of fiscal and monetary policies. The speed with which the Asian crisis spread from Thailand to other Asian countries and then to Russia and Latin America and its effects on trade, financial flows and growth is an indication of new types of interdependence in the world economy.

Technology and technological innovations have continued to be a major contributor to the increasing integration of the world economy. The substantial reduction in the costs of transportation, communications and computing has facilitated the integration of national markets in goods, capital and services. The increasing tradability of the latter sector of the economy has largely been the result of technological innovations. The growing integration of the world economy has intensified competition which has, in turn, reinforced world integration. Competition has created both losers and winners, resulting in prosperity existing side by side with poverty and marginalisation.

In addition to the changes in the world economic environment, there have been major changes in international relations, with the continuation of the building of market economies in the formerly socialist economies of the Soviet Union and Eastern Europe, and the adoption of a democratic system of government in most of these countries and in many developing countries around the world. Even in those countries where democratic systems of government were long established, deficiencies in welfare-enhancing public policies and lack of accountability have raised the need for the reform of systems of governance. The 1990s witnessed the consolidation of the implementation of a system of economic policies which came to be known as the 'The Washington Consensus" and which include low barriers to trade, low fiscal deficits, financial deregulation, lower taxes and unified and competitive exchange rates, privatisation, the promotion of foreign direct investment and the creation of a legal and institutional framework to strengthen property rights[1]. These policies were later modified to include the reform and strengthening of institutions, such as the public service and the judiciary[2].

In the 1990s the world economy grew on average at a slower pace than in the 1980s. On average the developing countries continued to grow faster than the advanced economies. This faster growth was mainly accounted for by the Asian subregion which, despite the financial crisis of the late 1990s and the consequent slowdown of its economies posted a high average rate of growth for the decade. The continuation of tight fiscal and monetary policies in both advanced and developing countries have resulted in lower fiscal deficits in both sets of countries and a substantial lowering of the average rates of inflation, especially in the developing countries. The relatively high rate of inflation in the latter group of countries in the decade was mainly accounted for by the countries of Latin America.

The slow rates of growth in production did not create the required number of jobs to absorb the available labour force. Unemployment remained high in most developed countries and developing countries. Lower government expenditure on social services and inefficiencies tended to increase poverty and marginalisation. The issues related to social equity, including gender equity, employment generation, poverty eradication and the provision of adequate social infrastructure and social security systems, remained of major concerns in many parts of the world. Major world conferences on social development, population and women were held in the 1990s to adopt policies to deal effectively with these issues.

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[1] See Williamson, John. Latin American Adjustment: How much has happened? Washington DC, Institute of International Economics, 1990.

[2] These elements of reform came to be known as second generation reforms See Edwards, S. The disturbing underperformance of the Latin American economies, Inter American Dialogue Preliminary meeting, Washington, D.C., May 1996.

Environmental degradation, including air and water pollution, deforestation, waste disposal problems and unprecedented losses in biodiversity, have become increasingly visible at global, regional and national levels. The concept of sustainable development, which highlights the linkages between environmental degradation, social distress and economic performance, popularised by the publication of the Bruntland Report in the 1980s, has become a major focus of national development policies and international cooperation. The latter was demonstrated by the United Nations Conference on Environment and Development (UNCED) (1992) and its attendant treaties and the United Nations Global Conference on the Sustainable Development of Small Island States (1995).

Chapter 2

THE CARIBBEAN IN THE WORLD ECONOMY

Developments in Caribbean trade relations

Caribbean countries benefit from a number of preferential schemes, including the Caribbean Basin Initiative (CBI), CARIBCAN and the European Union/African Caribbean Pacific (EU/ACP) Lomé Convention. Under the CBI, Caribbean countries, together with Central American countries, have duty free access to the United States market for most commodities, except garments, footwear and petroleum products. Caribbean countries also benefit from special provisions under United States customs regulations on products made in the Caribbean of United States components.

Under Lome IV, the EU provides duty free access to its market to all ACP countries, including all CARICOM countries. All CARICOM exports enter the EU duty free and the agreement also provides for special regimes for bananas, rum and sugar. The United States also offers duty free sugar quotas to some Caribbean countries, mainly Barbados, Guyana, Jamaica, St Kitts and Nevis and Trinidad and Tobago. Under CARIBCAN, Canada offers duty free access to all Caribbean exports, except textiles, clothing, footwear, some leather products, lubricating oils and methanol. These schemes have been eroded somewhat, mainly because of the implementation of the Uruguay Round of trade talks, the coming into effect of NAFTA and the ruling by a WTO dispute panel against the European Union banana regime.

The preferences offered for sugar and bananas have had a positive impact on the economies of the Caribbean, as they served to maintain or increase employment and increase incomes and economic returns, in general, despite the fact that these countries are high cost producers of these commodities. This support which helped these industries to survive did not seem to have increased their efficiency or productivity, leading to further dependence on the subsidies provided by the preferential regimes. The resources put into these industries may have led to a less than optimal use of resources in the economy and discouraged the development of other activities to assist in the achievement of the long-standing objective of economic diversification.

The preferences under the United States customs codes 806/807 have contributed greatly to the creation of many of the export processing zones in the Caribbean, especially those of the Dominican Republic, Haiti and Jamaica, and have served to stimulate the development of some manufacturing industries in the subregion. However, since the export success of these zones was based on special preferences and trade is increasingly liberalized, this may not be sustainable in the long run. In fact, there are indications that the access granted to Mexico under NAFTA to the United States market may have eroded the advantages of Caribbean exports under both CBI and the United States customs code.

In the 1990s, Caribbean trade policies were heavily influenced by the implementation of the revised Common External Tariff (CET), the programme for the establishment of a single market and economy, and initiatives undertaken to create trade links between CARICOM and other groupings in Latin America and the Caribbean. The revision of the CET has brought down that tariff to a range of 0-20 per cent for all products, except agricultural commodities, which continue to attract a tariff of 40 per cent. Starting in 1997, CARICOM prepared a number of protocols to revise the Treaty of Chaguaramas, its basic agreement. Some of these protocols, when implemented, will greatly increase the openness of the countries to trade and investment from other members of the Community. One of them, Protocol II, and the most advanced in terms of implementation, will allow CARICOM nationals to establish business enterprises, provide services and move capital without restrictions within the subregion.

The further integration of factor markets, which is likely to come out of the implementation of Protocol II, will be conducive to a better allocation of resources in the subregion and enhance the capacity of the countries to absorb and deal with external shocks more effectively. Other protocols, which will significantly affect trade and investment in the subregion, include Protocol III on community industrial policy, Protocol IV on trade policy, Protocol V on agricultural policy, Protocol VIII on dispute settlement and Protocol IX on competition policy. These Protocols, when implemented, will greatly enhance the trade policy within the community and may impact positively on the community's external policies.

In addition to its efforts to create the single market and economy, CARICOM has also been pursuing policies to integrate its member countries further into the wider Caribbean and Latin America. In the 1990s, Suriname became a full member of the Caribbean Community (1993) and in 1997 Haiti was provisionally accepted as a member. Haiti is treated as a de facto full member of the Community. In addition, CARICOM signed free trade agreements with Venezuela and Colombia and, more recently, with the Dominican Republic in further efforts to integrate their economies in the wider Caribbean. The details of the latter agreement are still being negotiated. The CARICOM countries are also all, except the Bahamas, members of the WTO and are participating, except Cuba, in the negotiations of the Free Trade Area of the Americas (FTAA), with the view to interacting more within the increasingly liberalized world economy.

As part of the group of ACP countries, Caribbean countries are participating in the ongoing negotiations with the European Union for a successor to Lomé IV. The agreement reached between the parties is that the present system of preferences will continue until the year 2008. During this interim period a new EU/ACP agreement will be negotiated to take effect in 2009. Recognizing their limited financial and human resources capabilities, these Caribbean countries have created a Regional Negotiating Mechanism (RNM) to coordinate and articulate their positions in all international negotiations. CARICOM member countries are also members of the Association of Caribbean States (ACS), which includes all the countries of Central America, the Dominican Republic, Colombia, Mexico and Venezuela. The ACS seeks to promote cooperation and integration among its members in various areas, including trade and the environment. Some CARICOM countries have shown interest in the Caribbean Preferential Tariff Scheme which, when implemented, will give tariff preferences to goods originating from the participating ACS countries.

Trade performance and direction of trade

The relative economic stability in the subregion as a whole, the resumption of growth in the larger economies in the 1990s and the freer movement of goods within CARICOM have contributed to an increase in CDCC exports. Intra-CARICOM exports increased over the years from 8.7 per cent of the countries' total exports in 1980 to 18.4 per cent in 1996, indicating increased growth and further trade liberalization in the Community. The fact that the intra-CARICOM exports kept rising, despite the overall contraction of the subregion's exports in the 1980s, was an indication of the level of protection of the regional market. Intra-CARICOM imports also increased as a proportion of total imports, but much more moderately.

The destination of CARICOM exports changed very little in the 1990s compared to the 1980s, except for the notable increase of the proportion of CARICOM exports going to other members of the Community. The major destinations remained the United States and the European Union. The proportion of CARICOM exports going to other CARICOM countries represented 18.3 per cent in 1996 or a percentage which was slightly higher than that going to the European Union. The origin of CARICOM imports followed a pattern similar to that of exports. CARICOM received most of its imports in 1996 from the United States and the European Union. A new important feature of CARICOM's imports is the growing importance of imports from Asia. These imports represented 6 per cent of CARICOM imports in 1980, 7.7 per cent in 1990 and 14.1 per cent in 1996[3].

In the 1990s, CARICOM exports were still dominated by oil, bauxite, tourism services and agricultural products, such as bananas, sugar and cocoa. Revenue from sugar and bauxite has been on the decline in the 1990s, reflecting generally weaker prices and recurrent damage, caused by natural disasters in the case of sugar. In contrast, the average earnings of Caribbean countries from bananas increased significantly in the 1990s when compared with the 1980s.

Manufacturing represented an increasing, but still relatively small, share of Caribbean exports in the late 1980s and into the 1990s. The main products exported were household and electronic goods assembly, iron and steel, clothing, processed foods and petroleum-based products. However, the manufacturing sector exports were essentially oriented towards the regional protected market or the preferential United States market, in the case of offshore production. The latter production, especially textile and clothing, was on the decrease in countries such as Jamaica since the establishment of NAFTA, which has somewhat eroded the access conditions of that country to the United States market. More recently, with the implementation of economic reforms and the move towards more open markets, the manufacturing sector in the Caribbean, notably Trinidad and Tobago, has also started to target international markets especially those of the wider Caribbean and Latin America. However, Caribbean exports to these markets remain insignificant.

[3] ECLAC based on national data

TABLE 1: VALUE AND DISTRIBUTION OF CARICOM'S EXPORTS BY PRINCIPAL DESTINATIONS AND IMPORTS BY PRINCIPAL SOURCES

PRINCIPAL SOURCES	1990 (a)				1996 (b)				1990 (a)		1996 (c)	
	Dom. Exports	Re-Exports	Total Exports VALUE	%	Dom. Exports	Re-Exports	Total Exports VALUE	%	Total Imports VALUE	%	Total Imports VALUE	%
CARICOM'S Total Imports	**3861.4**	**226.2**	**4087.6**	**100.0**	**4395.9**	**262.1**	**4657.9**	**100.0**	**5065.2**	**100.0**	**6796.1**	**100.0**
Caribbean Community & Common Market	**473.3**	**29.4**	**502.7**	**9.5**	**817.9**	**42.0**	**859.9**	**18.5**	**466.1**	**9.2**	**634.6**	**9.3**
Caribbean Common Market	469.1	29.1	498.2	8.9	810.9	40.7	851.7	18.3	465.8	9.2	633.3	9.3
The Bahamas	4.3	0.3	4.5	0.6	6.9	1.3	8.2	0.2	0.4	0.0	1.3	0.0
Other Caribbean countries	311.3	6.0	317.3	8.4	368.7	10.7	379.4	8.1	176.7	3.5	174.0	2.6
Canada	168.1	6.7	174.7	1.8	232.6	5.7	238.3	5.1	273.0	5.4	228.9	3.4
United States	1619.2	42.5	1661.6	48.7	1678.2	117.2	1795.4	38.5	2087.4	41.2	3017.8	44.4
Latin American Integration Association	90.7	25.7	116.4	1.9	208.5	23.7	232.2	5.0	569.2	11.2	845.4	12.4
Central American Common Market	16.9	1.5	18.4	1.5	20.9	2.1	22.9	0.5	34.6	0.7	54.6	0.8
European Union	**799.6**	**41.3**	**840.9**	**16.5**	**820.1**	**19.0**	**839.1**	**18.0**	**783.5**	**15.5**	**955.7**	**14.1**
United Kingdom	502.8	33.2	535.9	7.2	438.9	13.1	451.9	9.7	434.2	8.6	392.4	5.8
Rest of EU	296.9	8.2	305.0	9.3	381.3	5.9	387.2	8.3	349.2	6.9	563.4	8.3
European Free Trade Association	154.0	0.2	154.3	2.4	91.7	0.3	92.0	2.0	87.3	1.7	54.4	0.8
Selected Asian countries (1)	**40.9**	**7.1**	**48.1**	**0.4**	**42.6**	**1.0**	**43.7**	**0.9**	**389.5**	**7.7**	**559.5**	**8.2**
Japan	32.5	3.6	36.0	0.4	38.2	0.4	38.6	0.8	231.7	4.6	329.4	4.8
Rest of selected Asian countries		8.5	12.0	0.00	4.5	0.6	5.1	0.1	157.8	3.1	230.1	3.4
Rest of the world	187.4	65.8	253.2	8.9	114.8	40.30	155.07	3.3	198.0	3.9	271.3	4.0

(1) SELECTED ASIAN COUNTRIES are: China, Hong Kong, India, Japan, Singapore, South Korea, Taiwan and Thailand
(a) Excludes data for Antigua and Barbuda which are not available
(b) Excludes data for Antigua and Barbuda, Guyana and Suriname which are not available
(c) Excludes data for Antigua and Barbuda, Grenada, Guyana, Montserrat, St. Vincent and the Grenadines and Suriname which are not available
1980-1990 excludes Re-export data for Montserrat which are not available
Source: CARICOM Secretariat

Exports of services, especially tourism, have emerged as significant foreign exchange earners in the Caribbean. Tourism has contributed significantly to the foreign exchange revenues of Antigua and Barbuda, Barbados, Bahamas, Jamaica, Saint Lucia and Saint Vincent and the Grenadines. In each of the countries, except for Jamaica, tourism revenues exceeded largely their revenues from the exports of goods in 1996. The construction, agriculture and manufacturing sectors have benefited significantly from the expansion of tourism in these islands. The building of new hotels and apartments and the use of local foods and local manufactures there, such as furniture and soaps, have had a generally positive impact on economic activities in the countries. Handicrafts have also benefited from the development of the tourism industry. These linkages between the tourism industry and other sectors of the economies, although still generally weak, varied among the countries and tended to be stronger in Barbados and Jamaica than in the smaller countries of the Organization of Eastern Caribbean States (OECS)[4].

At the end of the 1990s, Caribbean exports continued to be highly concentrated and vulnerable to price fluctuations and the trade policy changes in their main destination countries. Oil and petrochemicals continued to dominate the exports of Trinidad and Tobago while sugar, bananas and tourism remained the major exports of the OECS countries and Belize. Guyana continued to export mainly rice, sugar and bauxite, while Barbados remained heavily dependent on the exports of tourism services. In addition to bauxite, Jamaican exports are still dominated by tourism, clothing and assembly manufacturing.

Financial flows

In virtually all the countries in the Caribbean the ratio of gross investment to GDP continued to outpace the ratio of gross domestic savings to GDP by a substantial margin.[5] In CARICOM, domestic investment averaged 30.4 per cent in the period 1990-1996 while domestic savings averaged 22.8 per cent. This has resulted in chronic current account deficits. Current account deficits have tended to be higher in the OECS countries averaging 18.0 per cent of GDP in the 1990s. In the More Developed Countries (MDCs), current account deficits improved markedly averaging 0.36 per cent in the 1990s, reflecting the contractionary economic policies implemented in these countries. Trinidad and Tobago recorded a surplus on the current account in the 1990s estimated at 10.7 per cent of gross domestic product, but this came at the expense of investment.[6]

The chronic current account deficits led to external savings being the most dynamic component of financing domestic investment. Among these, foreign direct investment flows continued to play an increasing role in the economic development of many Caribbean countries, augmenting low domestic savings. Foreign direct investment to the subregion grew from US$689m. in 1990 to US2084m. in 1997, representing an increase of 202 per cent during the period under review. The largest recipient of FDI in the Caribbean has been Trinidad and Tobago, which accounted for 48 per cent of FDI in 1997, followed by the Dominican Republic with 20 per cent and Jamaica with 6.6 per cent of total inflows. In Guyana, inflows of net FDI have grown considerably since 1992 to account for 4.3 per cent of total flows in 1997. Net inward foreign direct investment also played an import though, to a certain extent, lesser role in the economies of OECS countries, accounting for approximately 8 per cent of flows to the

[4] For a discussion of linkages between tourism and agriculture in the Caribbean, see Sylvia Charles and Dawn Marshall, Management of Tourism Linkages in Management of Sectoral Linkages between Environment, Tourism and Agriculture in the Eastern Caribbean States, edited by Brian Challenger, Sylvia Charles and Doeke C. Faber (Maastricht: ECPDM, 1999).

[5] Owing to the lack of sufficient time series data, gross domestic product (GDP) and domestic savings are used rather than gross national product (GNP) and thus national savings. The difference between gross domestic savings (GDS) and gross national savings (GNS) is the net factor income from abroad. In the case of some Caribbean countries receiving remittances from nationals working abroad, gross national savings could be larger relative to gross domestic savings.

[6] The average gross domestic investment or percentage of GDP for the 1990s was 15.4 per cent. In the 1980s it was 22.3 per cent.

Caribbean. In 1997, net (inward) foreign direct investment to the subregion rose by 55.8 per cent, despite the financial crisis that started in South East Asia and eventually spread to other developing countries.

The lion's share went to Trinidad and Tobago (U$1000m.), mainly channeled into the petroleum industry (exploration, production and refining facilities and petrochemical firms).[7] In the Dominican Republic, foreign direct investment went into the export manufacturing industry, particularly the maquila industries in the export processing zones (EPZs). A host of factors, such as trade and financial liberalization, privatization and deregulation, introduction of liberal investment policies and fiscal incentives and the existence of abundant natural resources, have contributed to the sharp increase in net inward foreign direct investment to the Caribbean.

Remittances from Caribbean migrants in the United States, Canada, Europe and the Caribbean formed another significant part of these external savings and played an important role in the balance of payments and the overall development of Caribbean countries. The Dominican Republic, Jamaica, Haiti and the OECS countries, except Antigua and Barbuda, are the major recipients in the subregion. Remittances represented significant financial flows to these countries. For example, the Dominican Republic and Jamaica received US$361m. and US$306m. in 1993 in remittances. As a percentage of GDP remittances represented an average of 6 to 9 per cent for the OECS countries. In terms of merchandise exports remittances averaged over 100 per cent in Montserrat and Anguilla, 20 per cent in Jamaica and 9 per cent in Guyana[8] in the mid-1990s. Although remittances tend to be used largely for consumption purposes, there is evidence that they also finance housing and small businesses. Concessional development finance is another important element of external savings, which continued to play an important role in the financing of investment in Caribbean countries especially Haiti, the Netherlands Antilles and Guyana.

There appears to be a clear discernable pattern between growth in the economy and investment to GDP ratio. It was, however, odd that GDP growth declined to an average of 2.11 per cent in the OECS, while investment to GDP ratio increased to almost 36.4 per cent. The contraction in GDP growth was attributable to a substantial decline in GDP growth in Montserrat to a negative 6.6 per cent on account of the damage caused by the volcano to the country's economic infrastructure. In the MDCs, the economic growth rate rebounded significantly to 2.1 per cent with the investment ratio increasing further to 29.3 per cent. It appears, therefore, that countries with high economic growth on average tend to have relatively high investment to GDP ratios. It is interesting to note that the levels of gross fixed capital formation in the OECS countries have been comparable to those of South East Asian countries, but that the growth rates achieved were not as high. This is probably due to the lower efficiency of investment in the Caribbean[9].

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[7] Ibid. p 48.

[8] See ECLAC LC/CAR/G.543 The contribution of remittances to Social and Economic Development in the Caribbean.

[9] ICORs calculated in the late 1980s as gross investment over the exponential growth rates of real GDP for selected Caribbean countries were very high ranging from 7.4 to19.4, See CARICOM Development to the Year 2000, Challenges, Prospects and Policies, Commonwealth Secretariat and Caribbean Community, 1988.

Chapter 3

GOVERNANCE

In the Caribbean, including the Anglophone Caribbean, which has been depicted by several observers from both within and outside the region as "an area in which Westminster style democracy had succeeded, perhaps beyond expectations", there is widespread evidence of a growing concern about "the governance deficit" in all the countries of the region. From one perspective, the intensely positive depiction of the state of governance in the Anglophone Caribbean in the earlier period, appears to have ignored the not insignificant degree of experimentation with a range of political systems and ideologies, in addition to the coups d'etat, successful or otherwise, which now form an inescapable part of the contemporary political history of the region. On the other hand, the fact that, with only few exceptions, the original political system has been restored and, thereby, according to some, "entrenched", is cited as evidence of the resilience of the systems concerned and of the underlying democratic vocation of Caribbean peoples.

To date, there is no evidence of a widespread and fundamental rejection of the basic structures and content of constitutional law and practice or, more importantly, of the political processes of the countries of the Wider Caribbean. Within more recent times, urgent attention has been drawn, by bodies of the "regional establishment" as prominent as the West Indian Commission (WIC) established by CARICOM which reported in 1992, and by a range of regional and other scholars, to the faltering status of governance in the region. One of the major outcomes of these processes has been the stimulation, across the region, of a debate, as extensive as it is intensive, on the need for improved transparency and measures that might be employed to remedy the recognized and, in the view of some, the increasing governance deficit.

In the wider Caribbean, current initiatives in Venezuela betray what might indeed be viewed as a fundamental repudiation of the basic structures of governance, but this remains an isolated case. Significantly though, it is important to note that this rejection and revision of fundamental governance structures are taking place within the context of electoral politics with, at least, one of the major institutions, namely, the Presidency, remaining intact, though with vastly enhanced powers. In terms of the recognition of a governance deficit, most of the regional polities lie somewhere on the continuum spanned by this polity and the evolving Westminster model. In the Central American Republics, following decades of civil war in most of these countries, strenuous efforts are now being made towards the entrenchment of a "peace process" with governance issues necessarily high on the political agenda. In Haiti, the construction of a democracy continues to challenge the national society as well as the international community. This situation appears to be one in which all the socio-economic fundamentals need to be simultaneously addressed, if not achieved, as a prerequisite to the establishment of a governance regime, that satisfies the criteria of a modern polity. Referring once more to the Anglophone Caribbean specifically, the perceived governance deficit takes on an additional dimension in those States which constitute archipelagoes. In these instances, dissatisfaction with respect to the allocation of resources of all kinds is expressed in a manner that threatens to undermine even the territorial integrity of the States concerned.

From an analytical perspective, the "governance deficit" has been traced to, or at least closely associated with, the "openness" of Caribbean societies. The dimensions of this openness are readily appreciated by reference to, inter alia, the economic sphere, particularly, the structure, as well as the fundamentally extraregional thrust of economic activity. In the political sphere, there is ample evidence of the importation of ideas and modalities aimed at promoting a pattern and intensity of participation not provided for in the traditional Westminster system. As regards the cultural sphere, attention might be drawn to the wholesale importation, from the dominant cultures, of elements relating to lifestyles in all aspects. This importation of lifestyles has led to a range of new and intense demands, ultimately, on the political system through a transmission process involving economic and other subsystems. Unfortunately, structural, production and other constraints on the economic systems of these countries do not permit, from the point of view of the generation of resources, the processing of these demands into the policies and programmes desired by the citizenry, in general, and, in particular, to such significant groups as the youth. "Marginalization", "anomie", "disaffection" and "alienation" are terms that have recently become much more current in the exploration of the attitudes of a significantly large number of groups within Caribbean societies. Inevitably, restricted access to the economic sphere assuming the proportions of a crisis, while itself being a reflection of a major societal limitation, has also translated into a crisis in the political sphere.[10]

Constituting the policy environment in which Caribbean societies must grapple with the governance issue and informing this situation, are, inter alia, the recognised social ills, such as increasing poverty, unemployment, crime, drugs, the existence of a large mass of "alienated young men", environmental degradation and the AIDS pandemic. To these must be added, inter alia, the frustrating and evident limitations of electoral politics and of electoral systems, in general, in allocating social goods and in the aggregation of interests and political adjudication among competing interests. The need on the part of governments to execute policies externally determined, for example, by the multilateral financial institutions, represents another major contributor to the crisis, as does the ever-increasing erosion of the export earnings and overall export potential of the countries concerned, in the context of trade liberalisation.

Underpinning all these elements is the range of demands arising from a more atomised civil society in a situation in which there is no national consensus to provide the basis for a commitment to basic values and objectives and on the mechanisms for their promotion and advancement. This gives rise to the "legitimacy" question. In the contemporary situation, more than ever before, regional governments are alive to the fact that their legitimacy rests on an "affective dimension", that might be manifested by the citizenry but sustained only by a corresponding "effective dimension" on the part of governments themselves, in terms of their capacity to deliver the popularly preferred policies and programmes. The issue of "corruption" which is assuming increased salience, whether in the context of the perceived misuse of public funds, the award of government contracts or other perceived betrayals of public trust also becomes relevant.

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[10] See Ryan, Selwyn, Democratic Governance in the Anglophone Caribbean: Threats to Sustainability, ISER, St. Augustine, August 1997.

Nor is the "governance deficit", as widely perceived, related solely to the executive branch of government. Under the influence of external agents, drug lords and certain multilateral corporations, among other entities, even parliaments have been known to come under certain pressures to produce policy outcomes favourable to these external forces, but clearly inimical to the national interest of the countries concerned. As regards the judiciary, again the power of the international drug dealers has demonstrated itself to be more than sufficient to suborn not only governments, the executive branch, but, also, holders of judicial office and law enforcement agencies. In some cases, holders of judicial office have been eliminated, as have been several key witnesses in cases brought before the courts. Related to this issue are the pervasive activities in the area of money laundering, as clandestine operators endeavour to channel their ill-gotten gains into the formal financial institutions, thereby undermining the financial system and the economy as a whole, while calling into question the very security of the countries concerned. In still other cases, concerns have been expressed with respect to perceived attempts by the executive branch to encroach on the independence of the judiciary.

Chapter 4

ECONOMIC REFORMS AND PERFORMANCE

Economic reforms

Macroeconomic disequilibria and the deteriorating economic and social conditions in the Caribbean have prompted many countries of the subregion to undertake wide-ranging economic reforms in the 1980s and the 1990s. These reforms included fiscal, monetary and trade policy measures. The countries of the OECS have managed, to a large extent, to avoid the macroeconomic desequilibria which beset the other countries of the region in the 1980s. This was achieved mainly through relatively prudent macroeconomic management policies throughout the decade and favourable conditions for their exports of primary commodities, mainly bananas and sugar, to the protected European market.

These countries managed to achieve some of the best rates of growth in the world during the 1980s growing at an average of over 5 per cent. However, this growth tapered somewhat in the 1990s. The OECS countries have also been able to maintain their fixed exchange rate mainly because of their generally healthy fiscal and balance of payments positions and the currency board approach to monetary management by their Central Bank, the Eastern Caribbean Central Bank (ECCB). The Bank maintains a strict relationship between money supply and foreign currency reserves. Also a limit on fiscal deficit financing is strictly enforced. The OECS tax system continues to rely heavily on indirect taxes, mainly taxes on international trade which constituted more than 50 per cent of revenues in most countries. Some of these countries, like Antigua and Barbuda and St Kitts and Nevis, maintained their regime of no personal income taxes. In the 1990s, recognizing the trend towards further trade liberalization, the OECS countries initiated a programme of tax reforms aimed at reducing their reliance on international trade taxes and improving their tax administration.

In contrast to the Caribbean countries, such as Trinidad and Tobago and Jamaica, which had undertaken International Monetary Fund (IMF)-supervised structural reforms, expenditure on wages and salaries increased substantially in the 1990s, rising from 28.72 per cent in 1983 to 52.9 per cent in 1997. Like other Caribbean countries, the OECS countries tended to spend substantial amounts of their revenues on social areas such as health and education. For example Saint Lucia, Saint Vincent and the Grenadines and Dominica devoted 9.9 per cent, 6.9 per cent and 5.5 per cent, respectively, of their GDP to expenditures on education[11].

Jamaica, Guyana and Trinidad and Tobago[12] had to undertake structural adjustment programmes, following the expansionary public sector policies, which they had implemented in the 1970s and 1980s. These resulted in growing fiscal and balance of payments deficits and mounting external debts. The economies of all three countries had been the subject of wide-ranging government interventions, including the establishment of many public-owned enterprises and the use of price and credit controls. Also exchange rates had been fixed and became

[11] LC/CAR/G.564: The Fiscal Covenant: Strengths, Weaknesses and Challenges: Caribbean Perspectives.

[12] Jamaica's first structural adjustment programme with the IMF dates back to 1977 while Trinidad and Tobago's first programme started in 1988.

overvalued in the face of serious fiscal and balance of payments deficits. These countries defended the fixed parity of their respective currencies to the United States dollar through the imposition of exchange controls and other trade restrictive measures. These included exports proceeds surrender requirements and created major distortions in their economies, encouraging capital flight, imports and import substitutions at the expense of exports.

These policies worsened the macroeconomic disequilibria of these countries and led to the implementation of structural reforms which, in general, sought to give greater recognition to the role of prices in a freer market. Exchange rate policies were part of the reform programmes undertaken and were reflected in the liberalization of exchange rates and the phasing out of exchange controls. After a series of devaluations, Guyana, Jamaica and Trinidad and Tobago abandoned the costly defense of their overvalued fixed exchange rates and allowed their currencies to depreciate by adopting floating, but managed, exchange rates. The exchange rates came under pressure on many occasions in the 1990s and their value was supported by the monetary authorities, through the tightening of credit in the economies and the conduct of open market operations.

These three countries, together with Barbados, whose economy contracted substantially in the early 1990s, also implemented fiscal policy reforms aimed at reducing expenditures and increasing revenues. At the beginning, the reduction in expenditure was mainly carried out through a decrease in capital investment, but later took the form of freezing the wages of public employees, reducing employment in the public service and reducing government transfers to public enterprises, including public utilities. Other aspects of the fiscal reforms included the reform of the tax system, which consisted mainly of attempts to widen the tax base, through the introduction of consumption taxes and measures to improve the efficiency of tax collection.

Public expenditure on wages and salaries in these countries declined as a result of the fiscal policy reforms undertaken as part of the structural adjustment programmes. They declined in Jamaica and Trinidad and Tobago from 40 and 41 per cent of total current expenditure respectively in 1983 to 35.6 per cent and 38.9 per cent in 1997. Expenditures on wages and salaries also declined in Barbados from 42.5 per cent in 1983 to 40.8 per cent in 1997, mainly as a result of periodic wages and price agreements between the government, employers and the labour unions. However, social expenditure on areas such as health and education in these countries tended to remain high in the 1990s. Social expenditures consistently averaged 50 per cent of current expenditure in Barbados in the 1990s. As a percentage of GDP the ratio increased from 13 per cent in the 1980s to 15 per cent in the 1990s. In contrast, Trinidad and Tobago's social expenditure tended to fall over the latter years as compared with the 1980s. Health expenditure averaged 4.1 per cent of GNP for Barbados, 2.6 per cent for Trinidad and Tobago and 3 per cent for Jamaica for the period 1990-1995. In Barbados, expenditure on education was on average 7.2 per cent of GNP, while in Jamaica and Trinidad and Tobago it represented 8.2 per cent and 4.5 per cent of GNP[13].

The major feature of the reform of the tax system was the removal of consumption and other indirect taxes and their replacement with a Value Added Tax (VAT). VAT was introduced in Trinidad and Tobago in 1990 and in Barbados in 1997 at a rate of 15 per cent. In Jamaica, a General Consumption Tax (GCT) was introduced in 1991 at the rate of 10 per cent to replace the

[13] See LC/CAR/G.564 the Fiscal Covenant: Strengths, Weaknesses, Challenges, Caribbean Perspectives.

then existing eight indirect taxes. This move towards a greater role for indirect taxes in the larger Caribbean countries has shifted the tax system in the Caribbean, as a whole, towards greater dependency on indirect taxes, notwithstanding an earlier failed experiment with VAT in Grenada.

Privatization programmes, involving hundreds of State-owned companies, were implemented in Guyana, Trinidad and Tobago and Jamaica. Economic reforms also included the tightening of monetary policies, mainly through the reduction of public sector credit and the abolition of control on interest rates and the phasing out of interest rate subsidies. Other aspects of the economic reform programmes included policies, mainly fiscal incentives, designed to facilitate foreign direct investment in the countries. Trade reform programmes carried out included tariff reforms as well as the elimination of quantitative restrictions. Export promotion was also put in place, including the elimination of export licensing, the simplification of export procedures and the introduction of export rebate systems in many countries.

These policies seem to have been relatively successful in Guyana and Trinidad and Tobago, judging by the macroeconomic indicators of the countries including positive, but moderate, rates of growth, low inflation, low budget deficits and lower, but still relatively high, unemployment rates. Guyana remains saddled with a heavy debt burden, which is significantly complicating economic management in that country and threatening the progress made towards economic stability. In the case of Jamaica, the structural adjustment programmes have been somewhat less successful in the sense that the country is yet to achieve a sustained macroeconomic stability and is still grappling with relatively high fiscal deficits and inflation.

Notwithstanding the tensions of adjustment, good but moderate growth rates have resumed in the countries, which were implementing structural adjustment programmes in the 1980s and 1990s. Guyana has registered the strongest growth of the subregion in the 1990s, mainly because it has started from a lower base and has implemented major economic reforms.

Macroeconomic performance

In the 1990s the economic performance of Caribbean countries varied a great deal. Countries, such as Haiti, Cuba, Montserrat and the Netherlands Antilles, experienced negative average growth rates. Also, growth in the OECS countries and Belize slowed somewhat compared with the performance in the 1980s. On the other hand, there was a resumption of growth in the economies of Jamaica, Trinidad and Tobago and Guyana from contraction in the 1980s. Fiscal deficits, inflation rates and external debt burden were generally moderate in the subregion, except for Guyana, Jamaica and Suriname.

TABLE 2: SUMMARY TABLE

	GDP Growth Rates Average 1980's	GDP Growth Rates Average 1990's	Inflation Rate 1997	External Debt % GDP 1997	Unemployment Rate 1997	Fiscal Deficit as a % of GDP Average 1990's
Anguilla	...	4.3	0.60	13.1	...	-0.48
Antigua and Barbuda	7.4	3.1	...	46.3	7*	-2.43
Aruba	...	5.0	3.00	...	...	-0.80
Bahamas	4.53	...	0.50	9.2	15*	-2.10
Barbados	3.01	0.8	7.70	15.9	14.50	-2.17
Belize	4.39	4.4	1.00	44.8	12.70	-3.78
Cuba	2.16	-3.0	2.00	...	....	-0.89
Dominica	5.54	2.8	2.20	42.5	10*	-4.13
Dominican Republic	2.98	3.2	8.40	23.7	15.90	0.03
Grenada	4.74	3.1	0.80	33.6	16*	-3.56
Guyana	-1.39	5.0	4.10	242.8	11*	-12.28
Haiti	1.09	-0.6	16.20	39.5	...	-1.34
Jamaica	0.8	0.8	10.00	54.0	16.50	-0.76
Montserrat	5.76	-6.6	...	34.5	...	-1.75
Netherlands Antilles	...	-0.5	3.10	...	14.20	...
St. Kitts and Nevis	5.24	4.2	11.30	44.2	12*	-3.53
Saint Lucia	3.95	2.4	11.30	13.6	16*	-0.96
St. Vincent & Grenadines	5.94	3.6	0.80	35.3	20*	-2.37
Suriname	-3.07	0.9	16.3	...	10.00	...
Trinidad and Tobago	-3	2.1	3.70	26.9	15.00	-0.44

Source: ECLAC based on national data
... Data not available
* 1996 Unemployment data

In the 1990s, the OECS countries grew at more moderate levels, while there was a resumption of growth in the countries which had experienced economic contraction in the previous decade. The growth performance of the OECS countries slowed down somewhat, as compared to the 1980s, but these countries still managed to grow at an average 2.11 per cent for the period 1990-1998. This relative slowdown in economic growth was mainly due to the recurrent negative effects of hurricanes on agricultural production, the economic infrastructure and the tourism industry and, in the case of Montserrat, the destructive consequences of volcanic activity. These countries generally avoided large fiscal deficits even during their relative slowdown of the 1990s. Their consistently prudent fiscal policies also served to restrict inflationary pressures in their economies.

Guyana experienced a severe economic contraction in the 1980s, owing to a decline in the price of bauxite and the increase in the price of oil as well as the extensive government intervention in the economy. The country resumed growth in the 1990s when the economy grew at an average of 5 per cent for the period 1990-98, the highest average growth rate in the subregion. The economic recovery programme implemented in the country in the late 1980s and the country's low starting base contributed to the strong resumption of growth in the economy. Better macroeconomic management, which significantly brought down the fiscal deficit, and the rate of inflation combined with measures to create a better functioning of the market resulted in increased output, in particular, in the agricultural sector led by sugar and rice. The fiscal deficit and the inflation rates were brought down dramatically from 50 per cent and 64 per cent in 1987 to 9.5 per cent and 4.6 per cent, respectively, in 1998. However, Guyana still carries a heavy debt burden resulting from its foreign-financed expansionary policies of the 1970s. Guyana's external debt represented 215 per cent of GDP in 1996 and the country is still experiencing debt service difficulties despite the fact that it had benefited from the cancellation of part of the debt under the heavily indebted poor countries programme (HIPCs).

Jamaica and Suriname grew by an average of 0.8 per cent and 0.9 per cent, respectively, for the period 1990-1998. After a strong recovery in the late 1980s and early 1990s, the Jamaican economy started to slow down in the mid-1990s and declined from 1996 onwards. The decline of the economy in the latter part of the 1990s was mainly due to a combination of macroeconomic disequilibria, resulting from increased government expenditures, financed by the Central Bank, and the contractionary fiscal and monetary policies implemented to correct these disequilibria; the servicing of a heavy debt burden and drought conditions, which negatively affected the agricultural sector. The fiscal deficit deteriorated in the mid-1990s, recording an average of 0.8 per cent of GDP for the decade.

The financing of the restructuring of the Jamaican financial sector through the establishment of the Financial Sector Adjustment Company (FINSAC), which was given the responsibility to restructure the failing banking institutions[14], has contributed to the worsening deficit. Inflation, which had decreased substantially in the early 1990s, remained relatively high at 7.8 per cent in 1998 and could increase quickly if the deficit is not brought under control. Also external debt which had decreased from 137.7 per cent of GDP in 1987 to 54 per cent in 1997 remained high and burdensome to service. After experiencing economic contraction in the early part of the 1990s, the **Suriname** economy recovered in 1995 and resumed growth from 1995 onwards, after the economic reform programme implemented in the mid-1990s. However, the fact that Suriname was still experiencing political instability and has a heavy debt burden complicates macroeconomic management and may adversely affect the still fragile recovery.

The **Barbados** economy slowed somewhat in the 1990s. It grew at an average of 0.8 per cent during the period 1990-1998, compared to an average growth rate of 3.5 per cent in the 1980s. The economy experienced a strong contraction in 1990, 1991 and 1992, when GDP fell by 3.1 per cent, 4.1 per cent and 6.2 per cent, respectively. This contraction was mainly due to the weakness of the world economy in the early 1990s and the loss of competitiveness of the countries' main exports of tourism, agricultural products and manufactures. The loss of competitiveness was the result of increasing cost of production in the country. The implementation of an economic stabilization programme in 1991 and a more favourable external environment contributed to a resumption of growth from 1993 onwards. Barbados has also maintained a fixed exchange rate, mainly by using income and price policies to alleviate recurrent downward pressure on the value of its currency.

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[14] In 1995, seven indigenous commercial banks in Jamaica experienced problems: The National Commercial Bank (NCB), The Mutual Security Bank (MSB), Citizens Bank (CB), Workers Bank (WB), Century National Bank (CNB) Island Victoria Bank (IVB) and Trafalgar Commercial Bank (TCB). Since then NCB and MSB were merged and ran into trouble requiring massive government support. CNB closed down and CB, WB, IVB and TCB were merged into a single bank called the Union Bank of Jamaica.

After contracting for a number of years in the latter part of the 1980s, mainly due to the collapse of oil prices and the resultant macroeconomic disequilibria, the economy of **Trinidad and Tobago** recovered in the 1990s and grew at an average of 2.1 per cent for the period 1990-1998. Trinidad and Tobago implemented a strong and wide-ranging adjustment programme in 1988, which resulted in substantial reductions in the country's fiscal and balance of payments deficits and an economic environment more conducive to investment and growth. The resumption of growth in the oil and gas sectors and a re-emergence of the manufacturing sector and their positive effects on other activities in the economy, such as construction, banking, insurance and real estate, have been the major contributors to the resumed growth performance of the Trinidad and Tobago economy.

Growth in the **Netherlands Antilles** decelerated significantly in the second half of the decade. This was mainly due to the contractionary fiscal and monetary policies put in place to restrict the increasing fiscal and balance of payments deficits. The dampening of aggregate demand resulted in increasing unemployment in the islands. The unemployment rate increased from 12.8 per cent in 1994 to 14.2 per cent in 1997. Economic activity in **Montserrat** slowed down considerably since the volcanic eruption of 1995. Continuous volcanic activity since then has caused extensive damage to the economic and social infrastructure of the country and led to a massive exodus of nationals. A large number of the nationals who remained on the islands were housed in shelters. The tourism sector, a major contributor to growth in the country, has virtually collapsed. In 1999, confidence was slowly returning to the island and the Government, in partnership with the United Kingdom, was continuing the rebuilding process. It was estimated that returning nationals increased the population by 14 per cent to 4008 at the end of August 1998[15].

Unemployment

The fluctuating and moderate growth rates achieved by the countries in the 1990s have not been sufficient to absorb the labour force. Unemployment remained relatively high in the Caribbean throughout the decade. In 1996, unemployment rates for all the Caribbean countries were in double digits except for Antigua and Barbuda. The incidence of unemployment varies among the various subgroups of the population, but it tends to be highest among the young females and males. Despite these high levels of unemployment, Caribbean countries continued to experience shortages of workers with high technical and managerial skills and good work ethics[16]. The education and training systems continued to fall short of creating skills required by the market. The reform of the education system to improve the flexibility of the labour market has been recognised and is being pursued along with other policies to improve employment in the subregion.

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[15] See CDB Annual Report, 1998.

[16] See IDB Workers and Labour markets in theCaribbean: Policies and Programmes to increase sustainable economic growth.

Changes in production structures

Caribbean production structures changed very little in the 1990s as compared to the previous decade. There was a generally slight movement away from agriculture towards manufacturing and services. However, there were significant differences among the countries of the subregion. In fact, some countries, such as Guyana, experienced an increase in agricultural contribution to GDP in the 1990s. In Guyana, agricultural output increased dramatically with the introduction of economic reforms in the late 1980s. Output responded especially to the lifting of price controls and exchange restrictions and the liberalization of trade and the exchange rate. The agriculture sector's contribution to GDP increased from 29.9 per cent in 1987 to 34.7 per cent in 1998. Agriculture also continued to account for a significant share of GDP in Haiti, Dominica and Belize. However, its contribution to GDP, which was decreasing, accounted for less than 5 per cent of GDP in Barbados, St Kitts and Nevis and Trinidad and Tobago.

The production of the main agricultural crops in the Caribbean continued their secular decline in the 1990s. Sugar production declined from 1.1m. tonnes in 1970 to 396000 tonnes in 1996. The same decline was observed in the production of cocoa and coffee, which decreased from 11.7 tonnes in 1970 to 4.9 tonnes in 1996 and from 4.1 tonnes in 1970 to 1.7 tonnes in 1996[17], respectively. The production of bananas, although fluctuating, remained unchanged over the two decades. However, the threat to the preferential access of bananas to the European market may negatively affect the production of this agricultural commodity. Some of the factors contributing to the decline in agricultural production include decrease in prices; improper post-harvest treatment; inadequate natural resources management, particularly land and water, resulting in low soil fertility; low productivity and failure to adhere to standards requirements. The technology introduced in agriculture has generally concentrated on production rather than transformation to increase value added.

Manufacturing declined in the 1980s, mainly because of the contraction of that sector in the major Caribbean manufacturing centres, such as Trinidad and Tobago, which went into a recession in the latter part of the 1980s. The sector, however, picked up somewhat in the 1990s in some countries, such as Trinidad and Tobago, but its contribution to GDP remained at less than 10 per cent in Trinidad and Tobago, Saint Lucia, Saint Vincent and the Grenadines, Dominica, Barbados and Grenada. The manufacturing sector, which caters largely to the protected subregional market and the United States market, in the case of the free trade zones, has not, by and large, attained the level of efficiency to compete successfully on international markets. It is still largely made of offshore processing plants, producing mainly garments and electronics for export to the United States market, import-substituting plants involved in assembly type operations, that is, appliances essentially targeting the local markets and agro-processing plants catering primarily for the CARICOM market.

The low productivity of this sector has led to the establishment of many programmes in the subregion to improve efficiency of production. Many countries have put in place special systems of support, which generally provide training in management skills and promote entrepreneurship, focusing mainly on small and medium-sized firms. For example, Trinidad and Tobago has, since the mid-1980s, initiated small business development and training programmes, such as the Youth Training and Employment Partnership Programme (YTEPP). Also in the

[17] Caricom trade : Quick Reference to some summary data, 1980-1984; 1985-1992;1993-1996.

OECS, small enterprise development units and national development foundations were established to promote entrepreneurship. However, these support schemes generally lack implementation capacity, especially in the provision of technological assistance. The impact of these private enterprise development schemes is difficult to determine, but many small enterprises continue to experience problems of access to finance and the technical assistance required for increased productivity. Also, lack of managerial and basic technical skills, as well as an uncoordinated approach to assistance schemes remain some of the major obstacles to the development of small and medium-size enterprises in the Caribbean.

TABLE 3: THE STRUCTURE OF THE ECONOMIES (% OF GDP)

	1977	1987	1997	1998		1977	1987	1997	1998
ANTIGUA/BARBUDA					**HAITI**				
Agriculture	11.0	4.5	4.1	4.0	Agriculture	...	...	31.8	31.5
Industry	15.3	20.3	18.2	18.9	Industry	...	...	20.2	20.9
Manufacturing	4.3	3.6	2.2	2.3	Manufacturing	...	...	...	7.4
Services	73.8	75.2	77.7	77.1	Services	...	...	48.0	47.6
BAHAMAS					**JAMAICA**				
Agriculture	...	2.1	...	...	Agriculture	8.4	7.7	8.0	8.0
Industry	...	14.5	...	...	Industry	37.0	39.9	35.1	33.7
Manufacturing	...	...	...	...	Manufacturing	18.4	20.9	16.3	15.1
Services	...	83.4	...	...	Services	54.6	52.4	56.9	58.4
BARBADOS					**ST. KITTS/NEVIS**				
Agriculture	10.3	6.9	4.0	...	Agriculture	18.9	10.6	5.1	4.6
Industry	20.4	18.7	12.7	...	Industry	28.9	24.8	24.6	24.3
Manufacturing	11.6	8.9	5.2	...	Manufacturing	18.1	14.5	10.1	9.7
Services	69.3	74.4	83.3	...	Services	52.2	64.6	70.3	71.1
BELIZE					**SAINT LUCIA**				
Agriculture	...	22.7	19.0	19.3	Agriculture	...	13.2	8.6	8.1
Industry	...	27.6	22.1	21.7	Industry	...	17.6	19.6	18.9
Manufacturing	...	18.6	13.3	12.6	Manufacturing	...	8.5	6.6	5.9
Services	...	49.6	58.9	59.0	Services	...	69.2	71.8	72.9
DOMINICA					**ST VINCENT/GREN.**				
Agriculture	37.6	29.8	20.9	20.2	Agriculture	17.5	17	10.1	10.9
Industry	14.6	14.8	21.5	22.5	Industry	22.4	24.7	26.6	26.9
Manufacturing	5.0	6.5	7.5	8.8	Manufacturing	7.1	10.3	7.9	6.9
Services	47.8	55.4	57.7	57.3	Services	60.1	58.3	63.3	62.2
DOMINICAN REP.					**SURINAME**				
Agriculture	20.1	11.9	12.4	11.6	Agriculture	8.4	11.2	...	...
Industry	29.5	20.7	32.3	32.8	Industry	42.4	25.1	...	...
Manufacturing	19.0	12.8	17.0	16.6	Manufacturing	18.4	11.5	...	...
Services	50.4	67.4	55.3	55.6	Services	49.2	63.7	...	...
GRENADA					**TRINIDAD/TOBAGO**				
Agriculture	27.1	18.7	8.1	8.4	Agriculture	3.5	2.6	2.2	2
Industry	14.2	18.9	20.7	22.2	Industry	59.1	41.5	44.6	44
Manufacturing	3.1	5.9	6.7	7.1	Manufacturing	13.8	7.8	7.8	8.0
Services	58.7	62.4	71.2	69.4	Services	37.3	55.9	53.2	1.0
GUYANA									
Agriculture	20.7	29.9	35.4	34.7					
Industry	35.7	30.1	33.7	32.5					
Manufacturing	12.1	13.9	11.4	11.1					
Services	43.6	39.9	30.8	32.8					

Source: World Bank (1999)

In response to a growing awareness of the problems, a number of policy documents, which seek to promote science and technology in the subregion, have been elaborated in an attempt to promote technological progress and increase productivity in the countries[18]. However these policies have not been implemented, leaving the countries with weak research and development capabilities and low levels of technological development. More recently, many countries have established bureaux of standards, but most of these are still inadequately staffed and lack the resources and, in some cases, the legislative authority to function properly. There has, however, been no progress in the establishment of national bodies responsible for the direction and funding of science and technology along the lines of the national offices for science and technology, which exist in many Latin American countries. In addition, regional collaboration in science and technology is still very weak in the absence of regional competent institutions to promote technology transfer. This constitutes a major impediment to the development of science and technology in the Caribbean and its incorporation into the production process.

The dynamic sector of the 1980s was the services sector, mainly tourism, which became a major source of foreign exchange earnings, economic activity and employment in Caribbean countries, such as Barbados, the OECS countries and Jamaica. In the 1990s, tourism continued to be a significant contributor to the economic growth in these countries encouraging other Caribbean countries, such as Trinidad and Tobago, to start developing that sector of its economy. A major emerging feature of improved tourist management in the countries was reflected in the efforts of the countries to develop types of tourism, such as eco-tourism, which will not impose undue strains on the fragile ecosystem of the islands. Other subsectors of services, such as informatics and offshore finance, were also actively promoted by many countries in the subregion with various levels of success.

Barbados and Jamaica have been able to develop a relatively vibrant informatics sector although the sector in Jamaica seemed to have been on the decline in the 1990s. The relatively low cost and efficient telecommunications services, the availability of low cost labour and the favourable legislation for foreign investment are some of the factors contributing to the development of the sector in these countries. There is also a small informatics sector in the OECS countries, notably Saint Lucia, St Kitts and Nevis and Saint Vincent and the Grenadines.

However, this sector remains severely hampered in these countries mainly because of the lack of skilled workers and the high cost of telecommunications resulting from the monopoly enjoyed by the service provider. Although most of the informatics firms in the Caribbean tend to specialize in simple data entry services, some firms, mainly in Barbados and Jamaica, have engaged in the production of higher value added services, such as software programming, call center operations and website design and management. The development of this sector has provided employment for both high and low skilled workers in these countries and brought some additional foreign exchange and tax revenues.

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[18] A Regional Science Policy Document was adopted by CARICOM in 1988 and revised in 1998.

With regard to the offshore finance industry, small but growing centres have been established in countries such as Barbados, St Kitts and Nevis and Antigua and Barbuda. These countries have joined the other long-established offshore financial centres of the Caribbean, such as the Cayman Islands, the British Virgin Islands and the Netherlands Antilles. The growth of this industry is however threatened by the recent Organization for Economic Cooperation and Development (OECD) country policies, which tend to be aimed at curtailing the demand for offshore financial centres. The tax policies and the regulatory environment in the offshore centers are viewed in some OECD countries as being harmful to the world economy.

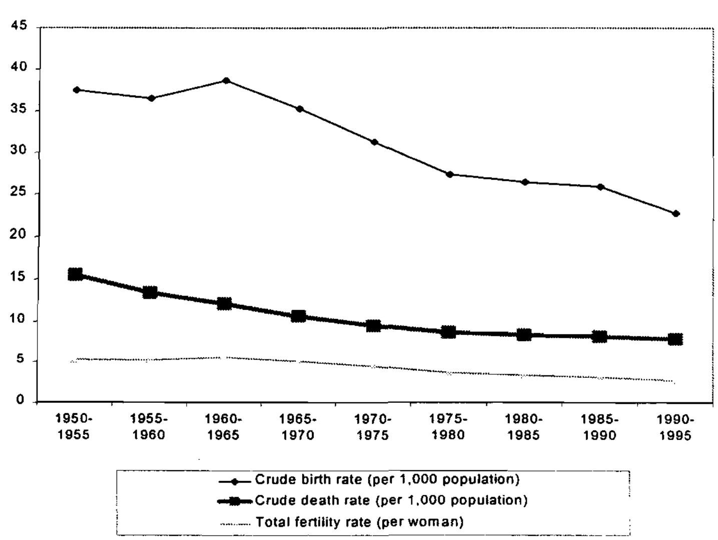
Chapter 5

CHANGES IN SOCIAL STRUCTURES

Significant changes in the social structures of Caribbean countries have been driven by the rate of population growth, the ageing of the population, migration, urbanization and the increasing negative effects of HIV/AIDS. The low or negative growth rates of the economies have also had a generally negative impact on the social structures. Population growth has been slow over the 1980s and 1990s, because of a number of factors, which have been more evident over recent years. These factors include the continued fall in fertility rates and the relatively high levels of emigration. The Caribbean has experienced a general decrease in fertility rates, mainly due to the increasing levels of education of women and the sustained implementation of family planning programmes in many countries. However, this decline is slower in adolescent females than it is in other age groups. The proportion of births to adolescent mothers in the Caribbean was 15 per cent in 1994, but was higher in some of the countries, like Jamaica and Guyana, where it was over 20 per cent[19].

The combination of declining birth and death rates has resulted in the slow but steady ageing of the population. The crude birth rate decreased from 32 per 1,000 persons in 1975-1980 to 23 per 1,000 in 1990-1998. The crude death rate also decreased from 10 per 1,000 in 1975-1980 to 8 per 1,000 persons in 1990-1996.

Fig. 1: Crude birth and death rate



[19] ECLAC, based on national data.

TABLE 4: PROPORTION OF POPULATION OVER 60 IN SELECTED COUNTRIES IN THE CARIBBEAN 1950-1995

Indicator	ESTIMATES									
	1950	**1955**	**1960**	**1965**	**1970**	**1975**	**1980**	**1985**	**1990**	**1995**
Percentage aged 60 or over (Av. Caribbean)	6.9	7.0	7.2	7.5	7.9	8.1	8.6	8.7	9.1	9.3
Bahamas	6.6	6.4	5.8	5.4	5.5	5.9	6.3	6.4	6.6	7.1
Barbados	8.5	9.5	10.0	11.1	12.2	13.6	14.1	14.8	15.3	14.4
Belize	6.0	6.2	6.4	6.4	6.5	6.8	6.3	6.1	6.2	6.1
Cuba	7.3	7.4	7.9	8.8	9.4	9.9	10.8	11.2	11.7	12.4
Dominican Republic	5.2	5.0	4.9	4.7	4.6	4.7	4.8	5.0	5.6	6.1
Guyana	6.7	5.8	5.2	5.4	5.3	5.5	5.7	5.7	5.9	6.1
Jamaica	5.8	6.3	6.6	8.1	8.5	8.5	9.3	9.4	10.0	9.5
Netherlands Antilles	8.8	7.7	7.3	7.4	8.0	8.6	9.3	9.9	10.2	10.5
Puerto Rico	6.1	6.9	7.7	8.2	9.5	9.2	11.2	12.0	13.2	13.6
Suriname	8.4	7.2	6.2	6.0	5.7	5.8	6.3	6.3	6.8	7.5
Trinidad and Tobago	6.1	6.1	5.9	5.7	6.7	7.6	8.1	8.0	8.7	8.9

Source: United Nations Secretariat, Department of Economic and Social Affairs, Population Division World Population Prospects, The 1998 Revision, Volume I, Comprehensive Tables

The average percentage of people of over 60 increased from 7.9 per cent in 1970 to 9.3 per cent in 1995, mainly as a result of better health conditions, the migration of younger people and the increasing number of returning retirees. Life expectancy ranges from 76.4 years for Barbados to 53.7 for Haiti. On average, women tend to live four to six years longer than men.

Migration, driven mainly by the search for opportunities for a better life, has continued to influence the demographic profiles of the subregion. Migration takes place both outside and inside the Caribbean. Migration to the northern Leewards, especially Antigua and Barbuda, as well as others such as the Cayman Islands, St. Maarten and the British Virgin Islands, has exerted demonstrable change on social structures and demography over the last 10 years. In the case of migration outside the Caribbean, the principal destinations of the mainly skilled migrants were the United Kingdom, the United States and Canada. Migration to the United States increased from 760,000 in the 1970s to 777,382 in the 1980s. It was estimated that 3.5m. Caribbean migrants lived in the United States in 1991 and that number was expected to increase by 400,000 individuals during the period 1991-1993. Inside the subregion, there has been movement of people from the slow growing countries to the relatively high growth countries in search of jobs. An extreme case is the case of Montserrat where, because of the volcanic eruption, the population of the country decreased through migration from 10,630 inhabitants in 1991 to 4,000 in 1998. Another factor influencing the population profiles of Caribbean countries is the negative impact of HIV/AIDS on the Caribbean population. The Caribbean has the highest prevalence rate and recent statistics show that 37 per cent of HIV positive adults are women[20]. It has been estimated that the HIV/AIDS epidemic is responsible for 60 to 80 per cent of the deaths in the 25-34 age group, causing significant economic and social costs to the countries of the subregion.

[20] CAREC, Quarterly AIDS Surveillance Reports submitted to CAREC's Epidemiology Division by CAREC member countries

TABLE 5: REPORTED CASES OF ACQUIRED IMMUNODEFICIENCY SYNDROME, BY COUNTRY AND YEAR, WITH INCIDENCE RATES PER 100,000 POPULATION. CAREC MEMBER COUNTRIES.

	Year							
	1994		1995		1996		1997	
Country	Cases	Rates	Cases	Rates	Cases	Rates	Rates	Cases
Anguilla	0	0	0	0	1b	11.1	-	na
Antigua & Barbuda	16	24.6	7	10.6	13	19.7	7	10.4
Bahamas	316	120.6	389	147.9	376	134.3	273c	96.1
Barbados	119	44.9	95	35.6	130	49.4	113	42.8
Belize	18	8.7	28	13.5	38	17.2	-	na
Bermuda	44	69.8	48	81.4	40	66.7	14	21.9
Cayman Islands	4	14.8	0	0	3	11.1	1	3
Dominica	6	8.1	5	6.8	14	18.9	19	26.8
Grenada	7	7.4	18	19.1	18	18.2	4c	4.3
Guyana	105	14.3	96a	13	144	19.6	116	13.6
Jamaica	359	14.5	5.5	20.2	527	21	370c	14.5
Montserrat	0	0	0	0	0	0	0b	0
Saint Lucia	13	9.2	10	7	14	9.7	15	10.3
St Christopher/Nevis	7	16.3	6	14	6	14	0.167	9.1
St Vincent & the Grenadines	12	10.3	6	5.1	26	22	24	20.2
Suriname	26	6.2	201	4.8	-	na	186	43.7
Trinidad & Tobago	269	22.6	340	27	412	32.5	118b	9.3
Turks & Caicos Islands	-	na	-	na	-	na	-	na
Virgin Islands U.K.	1	5.6	3	16.7	1	5.6	3	16.7
Subregional Total/Rates	1322	21.2	1576	24.9	1763	26.9	1267	20.1

a = Report received for 1st and 2nd quarters only
b = Report received for 1sr quarter only
c = Report received for 1st - 3rd quarters inclusive
n.a = Not applicable
\- = Data not available
Source: Caribbean Epidemiology Centre (CAREC)

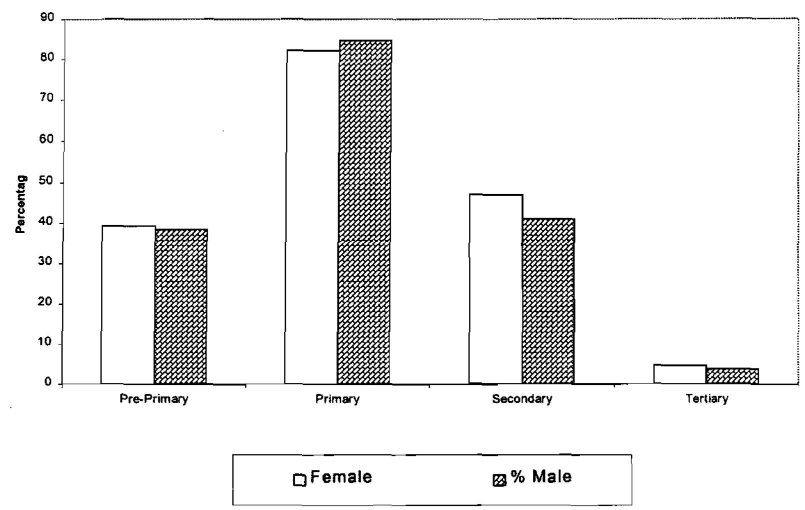
The changing structures of production in the Caribbean, which are characterized by the decline in agriculture and the growth in both manufacturing and services, have resulted in an increasing movement of people from rural to urban areas looking for better job opportunities. The overall average urbanisation for the Caribbean increased from 38 per cent to 44 per cent for the period 1975-1992. Trinidad and Tobago, whose urban population has increased from 63 per cent to 65 per cent over the 1975-1992 period, has the highest concentration of population in urban areas. Also the size of households in the subregion has been on the decline, but the headship structure has not changed much. Female-headed households remain a significant proportion of total households. As a proportion of total households, they varied from 22.3 per cent in Belize to 43.9 per cent in Barbados[21].

Over the decades of the 1980s and 1990s, there have been significant advances towards gender equity in the Caribbean. This is indicated by the fundamental changes in educational enrolment of both sexes. Unlike in the 1960s, females are now at least equally represented in

[21] ECLAC, based on national data.

enrolment at all educational levels. In fact, there are now more females enrolled at the secondary and tertiary levels in the Caribbean than there are males.

Figure 2: Percentage Enrollment by Gender in the Caribbean



A better educated female population, together with the enactment and enforcement of legislation in most of the countries against discrimination on the basis of sex, have resulted in an increase in the potential for women's participation in the labour force and general improvement in women's social and economic status. However, women are still more represented in the ranks of the unemployed than their male counterparts and their representation in government and parliament is still relatively low. In 1996, women's participation in Caribbean parliaments was 14.3 per cent, much higher than the 6.6 per cent in 1992, but still below an equitable participation, if viewed against the proportion of women to men in the population. Also women's participation in the workforce has not changed compared to the 1980s. In 1996, the International Labour Organisation (ILO) estimated that women accounted for 44 per cent of the labour force, but held only 41 per cent of the jobs[22]. Women also tended to hold jobs concentrated in particular occupational groups, mainly technicians, clerks, sales and service workers and elementary occupations. Recent data[23] shows that self-employed women accounted for 25 per cent of the total self-employed in the Caribbean. Despite the progress made in advancing gender equity in the Caribbean, incidents and reports of violence against women continue to rise. Governments have responded to this by enacting legislation which seeks to extend protection, particularly for victims of intra-family violence, and developing programmes aimed at changing attitudes and gender ideology which subordinates women.

The youth has profiled in several ways during this decade. While fortunate young people have been able to pursue further studies and find a place in the emerging national, regional and

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[22] ILO: Digest of Caribbean Labour Statistics, 1997.

[23] Ibid.

global markets, a significant proportion of the unfortunate social class, especially the young male in Caribbean society remains in the margin of economic and social life. There are indications that in some countries the social integration of boys is becoming an acute social problem. There is a tendency to withdraw from mainstream society. Boys are disproportionately represented among juvenile delinquents, school drop-outs and illegal drug users and abusers; by the later years of secondary school, the drop-out rate of boys is such that the percentage of girls exceeds 60 per cent of the total enrolment.[24]

The marked slowdown in a number of Caribbean economies and the subsequent restructuring and adjustment may have resulted in increasing levels of poverty in some countries. The levels of assessed poverty varied widely among the countries[25].

TABLE 6: POVERTY ESTIMATES OF SELECTED CARIBBEAN COUNTRIES

Country	Head Count Index
Bahamas	5.0
Barbados	8.0
St. Kitts and Nevis	15.0
Trinidad and Tobago	21.2
Antigua and Barbuda	12.0
Saint Lucia	25.1
Dominica	33.0
St. Vincent & the Grenadines	17.0
Belize	34.6
Grenada	20.0
Suriname	47.0
Dominican Republic	20.6
Jamaica	34.2
Guyana	43.2
Haiti	65.0

Source: World Bank Report No. 15342-LAC, Caribbean Countries Poverty Reduction and Human Resource Development in the Caribbean, May 14, 1996.

In Haiti, 65 per cent of the population is estimated to live under the poverty line, while the proportion of that category in Barbados and Bahamas was only 8 and 5 per cent, respectively. Poverty tends to impact disproportionately on women since female-headed households are more likely than male-headed households to fall under the poverty line. Female-headed households typically have more members, but lower labour force participation and lower wages. Most

[24] See Bailey, Barbara, Women's Education: The Caribbean Experience. Paper presented at CARICOM/UNIFEM/ECLAC Caribbean Subregional Ministerial Conference, Georgetown, Guyana, 6-8 August 1992.

[25] Data on poverty and social data in general for the Caribbean is not readily available

countries have put in place action plans to eradicate poverty, including the implementation of employment creation and training programmes.

The features of social security schemes in the Caribbean vary among the countries, however, they are all funded by the State. Only the social security scheme in Barbados provides unemployment benefits, the others generally provide for health plans, transfers to the indigents and pensions to retirees. The coverage of older persons is still inadequate in some Caribbean countries, where only a small proportion of older people is covered. This is the case in Belize and Grenada, where only 10 per cent and 5 per cent, respectively, of older people are covered by the social security systems.

Private pension plans are increasing in the subregion, but these are still at an early stage of development and tend to benefit the more affluent members of society. Private health insurance coverage is also still limited in the Caribbean. In 1997, it was estimated that, on average, 115 persons per thousand were covered by private health insurance in selected Caribbean countries[26]. Public expenditure on health and education tend to be higher in the Caribbean than in some developing countries of the hemisphere. For example, average public health expenditure as a percentage of GDP for the years 1990-1995 was 4.1 per cent, 3 per cent and 2.6 per cent in Barbados, Jamaica and Trinidad and Tobago, while it was only 2.5 per cent for Chile and 2.3 per cent for Brazil[27]. Expenditure on education also tends to be higher in the Caribbean than in some developing countries of the hemisphere. For example, Jamaica, Saint Lucia and Belize spent 7.5 per cent, 9.8 per cent and 7.2 per cent of their GNP on education in 1996 while Chile, Uruguay and Costa Rica spent 3.1 per cent, 3.3 per cent and 5.3 per cent, respectively[28].

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[26] See WSSD/99/2 Poverty in the Caribbean. The selected countries were Jamaica, Guyana, Saint Lucia, Saint Vincent and the Grenadines and Belize.

[27] World Bank, World Bank Development Indicators, 1998.

[28] UNDP Human Development Report, 1999.

Chapter 6

ENVIRONMENTAL MANAGEMENT

Caribbean Sea

The Caribbean Sea is the unifying element of the Caribbean. Indeed when referring to environmental issues the concept of the Wider Caribbean[29] is most appropriate, because these Caribbean countries share many environmental concerns, such as marine pollution or loss of biodiversity[30]. Furthermore, many of the problems stem from similar driving forces, such as poverty, expansion of the agricultural frontier, over-fishing and intense coastal developments.

The region remains directly dependent on the exploitation of its renewable and non-renewable resources for its economic and social development. Agriculture, tourism and mineral resources, including hydrocarbons, remain crucial in terms of employment and wages, foreign exchange earnings and contributions to government revenue.

To maintain the productivity of the renewable resources on which tourism and agriculture depend is therefore of crucial importance to the long-term future of the region. However, like anywhere else in the world, the Caribbean Sea has been under tremendous pressures and the process of environmental deterioration has not been reversed.

Forest cover in the insular Caribbean ranges from almost zero, as in Barbados and Haiti, to over 60 per cent for Dominica. Agriculture, energy and, to a lesser extent, tourism and urbanization continue to exert pressures on the available forest resources. While in 1990 forests covered 20.4 per cent of the land area, this cover had been reduced to 18.7 per cent in 1995. Annual deforestation rates range from zero per cent for much of the Eastern Caribbean, Saint Lucia with a deforestation rate of 3.6 per cent excepted, to over 7 per cent for Jamaica.

In contrast to the insular Caribbean, the continental countries of Belize, Guyana and Suriname have forest covers ranging from 86.1 per cent for Belize to 94.4 per cent for Guyana and Suriname. Furthermore the Food and Agriculture Organization (FAO) of the United Nations reports that annual deforestation rates are among the lowest in Latin America and the Caribbean, with Belize at about the global average of 0.3 per cent, Suriname at 0.1 per cent and in Guyana deforestation was insignificant. However, in all three countries there have been pressures to exploit their forest resources and deforestation rates may very well accelerate in the near future.

Coastal or littoral forests and mangroves have been subjected to intense development pressures for resort development, housing and commerce and mangroves also for waste depositories. Bacon and Alleng (1995) concluded that in many West Indian islands, littoral forests are now virtually absent.

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[29] The Wider Caribbean includes the insular Caribbean, the countries of the Guiana Shield, Venezuela, Colombia, Panama, Central America and that part of North America which borders the Gulf of Mexico.

[30] Conversely many of the problems of the countries of the Guiana Shield (French Guyane, Suriname, Guyana and parts of Venezuela) are similar to those of the Amazon forest.

Like tropical rainforests, coral reefs depend on nutrient-poor conditions (indeed excess nutrients in coastal waters contribute to coral reef stress, according to an undated report from the World Resources Institute - WRI) and have high levels of biodiversity. Depending on the source from 40-50 per cent[31] (Talbot, 1997) up to two-thirds are either showing signs of serious deterioration or are under risk, with virtually all of the Greater and Lesser Antilles under high risk. [32]

While reefs always have been subjected to natural disturbances, it is the human threats which make it difficult for any reef to recover after a natural disturbance. Sedimentation caused by deforestation, destruction of wetlands and other coastal ecosystems, pollution, over-fishing, disturbance of reefs by anchoring and diving or snorkeling and, more recently, the effects of climate change all contribute.

Fisheries production in the insular Caribbean declined by half from the mid-1980s to the mid-1990s. Although most of the decline was accounted for by a 70 per cent in drop Cuban fisheries, the decline was generally uniform throughout the Caribbean.

Institutional framework

Since 1972, the region has begun to meet the challenges of environmental degradation. The region's response has accelerated since the CARICOM First Ministerial Meeting in 1989[33], the Earth Summit in 1992 and the SIDS Programme of Action in 1994. Certain countries have advanced further than others have, while a few have made little or no progress. Further changes in the institutional framework, together with changes in governance and clarification of property rights, may well prove to be more important than applying advanced technology or using economic or legal instruments. This, of course, does not deny the usefulness of technology or the further application of economic instruments and of integrating economic with environmental policy. Countries like Jamaica, Trinidad and Tobago and Guyana have established environmental management authorities, while others have designated the responsibility for environmental management to a ministry. In others, environmental management remains fragmented among many government institutions. However, as Griffith noted, the prevalent institutional framework results in institutional rigidity, duplication of effort and ineffective communication.

Furthermore, integration of the environmental sphere with the economic and social realm remains weak. One of the consequences is that environmental management still relies mostly on command and control measures. Another is the continuance of perverse subsidies or taxes.

The 1990s has seen significant changes in natural resources management. The Caribbean region has made great strides in the participation of civil society, particularly with respect to conservation of resources. For example, in Trinidad and Tobago community groups have been successful in arresting the decline in marine turtle stocks. In Jamaica, community groups and

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[31] Talbot, 1997.

[32] World Resources Institute, 1998.

[33] After a second meeting no further CARICOM meetings of ministers have been convened.

non-governmental organizations (NGOs) have been managing national parks or have been developing management plans for ecologically sensitive areas.

The 1990s saw acceleration in the awareness of the importance of coastal zone management, mostly because impacts of past negligence were affecting the profitability of the tourism industry. There remains, however, a wide range of management approaches. In some countries the problem is recognized, but not studied; in others, assessments have begun while countries, such as Barbados, have been leading the region in implementing coastal rehabilitation programmes by attacking the two major problems of land-based sources of pollution (mostly sewerage) and beach stabilization. Indeed Barbados was committed to spending around US$ 145 million [34] on coastal zone related infrastructure projects during the 1990s.

Land-based sources of pollution remain areas of major concern. This decade has seen the institution of many investment projects, mostly in sewage but also in solid waste, throughout the Caribbean region. At the beginning of 1999, the Caribbean region had over 60 waste-related infrastructure projects valued at between 750 million and 1 billion dollars either ongoing or planned.[35]

Role of tourism

Tourism remains enigmatic with respect to environmental management. Because of the concentration of tourist facilities on the coasts, the sector has caused significant environmental damages through interference with coastal processes, pollution and destruction of marine ecosystems. Often these damages were exacerbated by inconsiderate building practices. Furthermore tourist areas have become growth poles and attract either national migrants (Jamaica, Dominican Republic) or international migrants, as is the case for the very small islands of the northeastern Caribbean or the Bahamas. In most of these areas the influx of people has been and remains unplanned.

At the same time, fear of a loss of future tourism earnings has been a major and, sometimes, the principal economic factor in instigating remedial works. Examples are sewage schemes (primarily undertaken in tourist areas) being carried out all over the region, coastal zone management plans and plans for marine and terrestrial protected areas. Somewhat less well documented (are the positive impacts of tourism on deforestation in islands such as Puerto Rico or St. Kitts and Nevis). Also in an effort to counteract high and increasing rates of substitution among Caribbean islands and between the Caribbean and the mainland of Central America, countries of the region have begun to expand their attraction base by offering nature tours. This has had a positive effect on the conservation and alternative use of natural and historical resources.

[34] ECLAC/CDCC-UNDP databank of ongoing and planned SIDS related projects.

[35] Ibid.

Chapter 7

SUSTAINABLE DEVELOPMENT

The process of integrating economic, environmental and social components of action to achieve sustainable development is at varying stages in the respective small island developing States of the Caribbean region. The pursuit of sustainable development in the region has been strengthened, to some extent, since the adoption in 1994 of SIDS POA, at the United Nations Global Conference on Small Island Developing States (UNGCSIDS). This was the first global conference on sustainable development and the implementation of Agenda 21. The Programme of Action elaborates principles and sets out strategies for development, that protects the fragile environments of the (mostly) island States of the region. The document, particularly in its original formulation, however, is heavily biased towards the environmental dimension to the relative neglect of economic and social issues, which are also recognized by regional policy-makers to need urgent attention. These economic and social issues include poverty, unemployment, trade, agriculture and its relationship to the environment, the alienation of young males from the education system, for example, the increase in crime, drug abuse and the AIDS pandemic. In addition, the yearly damages done to the countries' economic and social infrastructure as a result of hurricanes and tropical storms constitutes another major preoccupation of the countries of the subregion. Some countries have been significantly affected by as many as seven hurricanes in this decade.

Against this background, Caribbean small island States have come to recognize the Programme of Action as an instrument that provided a generic framework for activities geared towards their sustainable development, with particular emphasis on the environmental dimension. Such a recognition implied the parallel perception of a framework that was neither sufficiently dynamic nor multidimensional. At the special session of the General Assembly for the review and appraisal of the implementation of the SIDS POA, held in September 1999, a number of these issues, that had been hitherto excluded, at least, in operational terms, were incorporated into the implementation process. Specific reference was made to, inter alia, the efforts encountered by SIDS to integrate into the world economy, particularly in the area of trade, investment, commodities and capital markets, poverty and unemployment. Fundamentally, the eradication of poverty was indicated to be an objective of the highest priority that required the integration of economic, environmental and social components of action to achieve sustainable development. The pursuit of sustainable development by the SIDS now has a more comprehensive frame of reference. Notwithstanding this, however, the general nature of its prescriptions continue to deny policy makers the specificity that would have transformed the Programme of Action into an even more effective operational tool.

The small island developing States of the Caribbean have attached the greatest priority to such issues as coastal and marine resources, natural and environmental disasters and tourism in their approach to the implementation of the SIDS POA. The special attention to these issues is based on the fact that the marine and coastal environment remains a vital resource in the subregion, whether in the context of fisheries, tourism or settlements, and that the Caribbean is vulnerable to hurricanes, volcanoes and other severe climatic and geophysical phenomena. In addition to the substantive areas, a number of cross-sectoral issues have received high priority, for example, the issues related to national institutions and administrative capacity. Nevertheless, there is consensus among Caribbean SIDS that all 14 priority areas in the Programme of Action are relevant to their sustainable development. What is needed to maintain and enhance the contribution of activities in these areas to national and regional development is a well-focused and sustained effort, once certain constraints would have been overcome.

In more specific terms, among Caribbean SIDS, at both national and regional levels, the most commonly identified constraints to implementation of the SIDS POA is "inadequate funding". At the national level, insufficient human resources, coupled with inadequate training, were identified as major constraints. Technical considerations relating, for example, to the absence of a more rigorous adoption of sustainable development approaches; the explicit integration of the SIDS POA into the national planning and decision-making exercise and the provision of much needed financial resources. Broadly summarized, the constraints identified by Caribbean SIDS to the implementation of the SIDS POA fall into three main categories, namely, financial; institutional; and human resources and training.

Among the lasting achievements in the implementation of the SIDS POA in the Caribbean is the vastly enhanced understanding of sustainable issues to which this process has given rise. This is already evidenced by, inter alia, the improved identification of environmental as well as socio-economic concerns and projects throughout the region. Further, governments and civil society have reacted to the needs of the SIDS POA by attempting to forge innovative partnerships for collaboration at unprecedented levels, both in terms of intensity and scope. The role of civil society, including the private sector, in identifying as well as achieving the objectives of the SIDS POA has been recognized and encouraged towards the co-management of natural resources, in setting standards and in preparing environmental policies and action plans.

Another significant area in which lasting gains have been recorded relates to the appreciation of the importance of the critical area of institutional-strengthening, whether through capacity-building, enactment of environmental legislation, the application of management tools, such as environmental impact assessments and the adoption and implementation of environment action plans. These, plus environmental authorities and ministries, are among the mechanisms through which Caribbean SIDS have given explicit recognition to the need for an adequate institutional framework for the promotion and advancement of their sustainable development endeavours. In addition, at the wider international, institutional level, strenuous efforts are being made by Caribbean SIDS to ratify such International Conventions, as the Convention on Biological Diversity (CBD) and the Framework Convention on Climate Change (FCCC). By July 1997, all SIDS in the Caribbean had become signatories to the FCCC.

At the regional level, a most concrete expression of the results of Caribbean efforts at understanding the precise nature and content of the challenges presented in the implementation of the SIDS POA is the model that has been devised within the region for coordinating and, generally, advancing the process. Reflecting the resource constraint in its several dimensions, the model comprises a Joint Interim Secretariat, comprising the ECLAC and CARICOM Secretariats; a SIDS Bureau, in effect, the "Bureau" of the Caribbean Ministerial Meeting on the Implementation of the SIDS POA, Barbados, 1997, at which this structure was formalized; an Inter-agency Collaborative Group (IACG) comprising a number of regional or regionally-based organizations; and a Joint Work Programme (JWP) that was formally adopted, based on the Chapters of the SIDS POA, at the same Ministerial Meeting. In the context of the Joint Interim Secretariat, ECLAC functions as the technical or operational secretariat, while the CARICOM Secretariat has responsibility for the political outreach needed. The principal functions of the

Joint Interim Secretariat relate to the convening of meetings, coordination of follow-up activities, the dissemination of information, reporting and acting as an intermediary body between the IACG and the SIDS Bureau. For its part, the SIDS Bureau has been entrusted with political oversight of the implementation process. The IACG collaborates toward the execution of the JWP in accordance with an arrangement under which individual agencies have accepted lead responsibility for the implementation of the programme elements falling within their respective mandates.

An important observation in the context of the implementation of the SIDS POA refers to the fact that, as reported by many Caribbean SIDS, many activities relevant to the SIDS POA were neither conceived nor implemented in direct response to the adoption of the SIDS POA. Rather, the commencement of such activities, in many cases, predated the adoption of the SIDS POA and these activities continue to be pursued in the context of the respective national sustainable development plans.

Notwithstanding this state of affairs, the SIDS POA has nevertheless been able to impact these activities, imparting greater focus and renewed emphasis on them in a sustainable development context, thereby contributing to a more holistic approach to their management and to the development of new projects and programmes. The more recent explicit incorporation of social and economic issues into the implementation of the SIDS POA opens new perspectives for the operationalization of these issue areas, whose incorporation was championed by Caribbean SIDS, in collaboration with their counterparts from other geographical regions, with the support of the wider international community.

Chapter 8

THE IMPACT OF INFORMATION TECHNOLOGY

The dramatic advances in information and communications technology which have taken place during the 1990s have accelerated the pace of globalization and given rise to new thinking regarding the imperatives for development. An argument, which is gaining acceptance in many quarters, suggests that developments in information and communications technology have rendered size, distance and location increasingly irrelevant as factors in business decision-making. The argument has important implications for the countries of the Caribbean, since small size and distance from the main business centres of the world have traditionally been advanced as explanations for the persistent under-performance of some economies. However, while Caribbean countries are yet to exploit the full productive potential of the Internet and other products of the information age, there were several indications that government and business leaders were making every effort to do so.

Caribbean governments have attempted to address the policy requirements of the information age through a variety of measures. Some governments have attempted to promote access to computers and the Internet at affordable rates by granting duty free entry to computer equipment and negotiating successfully with telecommunications monopolies to lower rates. Early in the decade, for many countries, the preoccupation was with creating a favourable environment for the informatics industry. However, when the Internet began to take hold in the Caribbean in 1995, the area of concern was broadened to include the cost of telecommunications services to the population at large. Governments have also engaged in much policy dialogue on such issues as distance learning, copyright in the information age, public sector reforms, which could be effected through the use of information technology, and the need for more computers in schools. Several Caribbean governments now distribute major policy documents, such as the national budgets and economic review via their own web sites on Internet.

The private sector has also responded to the imperatives of the information and communications revolution. It began with the proliferation of Internet Service Providers (ISPs), which offer competitive rates for Internet access. There is a growing demand in the Caribbean now for web administrators, e-commerce site developers, and other professionals associated with the age of the Internet. And the business and organizational web site is becoming the norm.

At the level of the individual, growing numbers of Caribbean people (whether they own a computer or not) have at least one e-mail address which they use to correspond with friends and relatives abroad. Telecentres are being established in some countries and a growing number of persons are making use of Web TV.

Despite these significant strides, the Caribbean region has not yet arrived at a point where the full potential of the Internet and other information technologies are being fully exploited. Whether or not one subscribes to the view that size and distance have become increasingly irrelevant, the Caribbean does enjoy some tremendous advantages in this information race, namely, language for many of the islands and an excellent telecommunications infrastructure. The challenge for the region will continue to be how to use these and other advantages to guarantee economic success.

CONCLUSION

In the 1990s, economic growth generally resumed in those countries, that is, Trinidad and Tobago, Guyana and the Dominican Republic, after contraction in the 1980s. Growth also continued, although at lower rates in those countries, such as the OECS, whose economies grew at high rates in the 1980s. These economic gains remain fragile, however, given the structure of the economies and their lack of diversification and can disappear very quickly as a result of a hurricane or a decline in the foreign exchange earnings from the main export commodities, i.e. bananas in the OECS. The long-standing objective of diversifying the Caribbean economy remains to be achieved despite progress made in some countries, like Trinidad and Tobago. The moderate rates of growth have not been able to generate enough employment to absorb the labour force seeking employment.

There has been progress in gender equity, especially in the improvement of women's access to education, but other issues of social equity, such as poverty alleviation, better access to education and health are still among the challenges facing the Caribbean subregion. Demographic dynamics, including the ageing of the population and their socio-economic implications will continue to require the adoption and implementation of appropriate population policies as well as a major restructuring of the social security systems.

Although there has been progress in some countries, the Caribbean subregion still needs, with the assistance of the international community, to put into place a range of concrete programmes and projects for the further and more effective implementation of the SIDS POA.

The challenges facing the countries in the next decade include the maintenance of macroeconomic stability, the transformation of production structures with improved productivity, the move towards environmental sustainability, improved income distribution and the improvement in the performance and accountability of governments.

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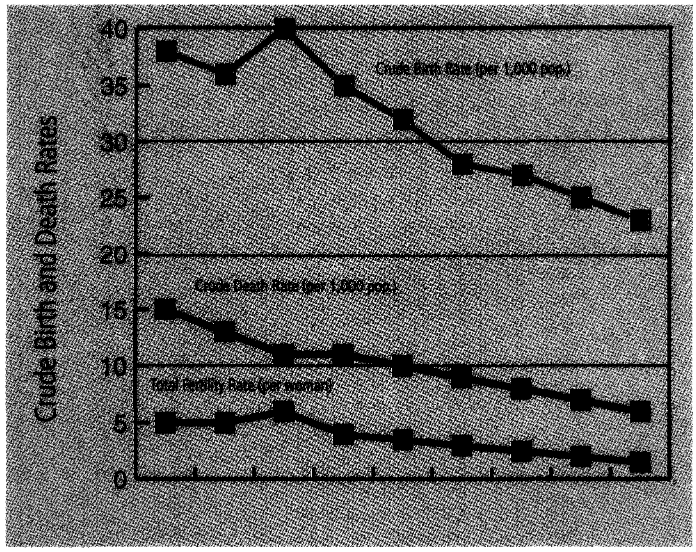

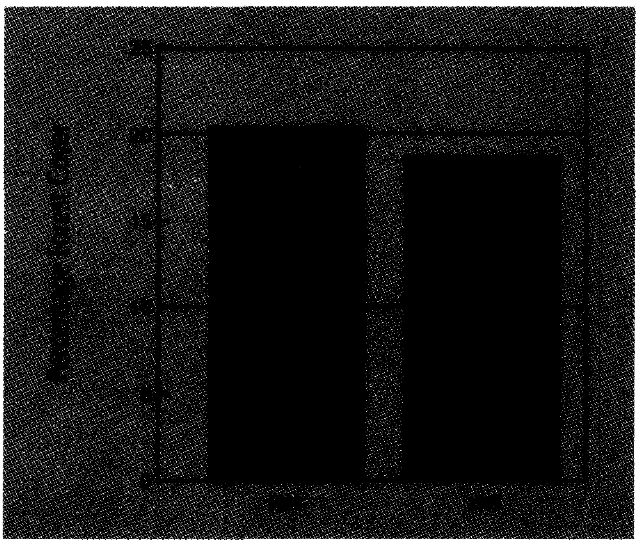

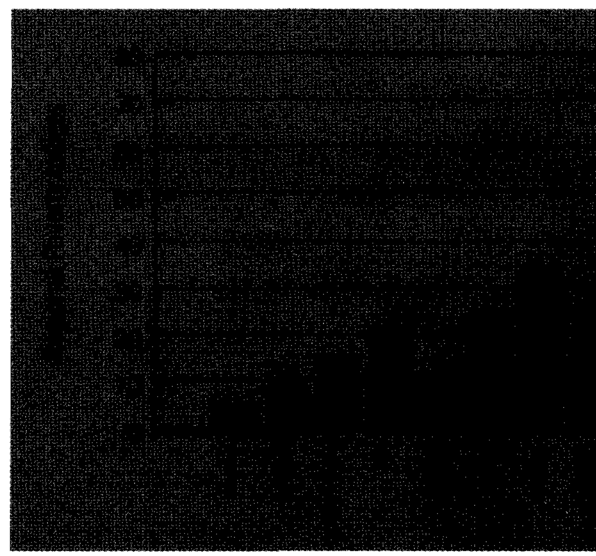

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Issues of Small States

The creation of the SIDS-POA in 1994 has highlighted the special issues associated with small island states, like those of the Caribbean, on the international agenda.

United Nations Economic Commission for Latin America and the Caribbean
Subregional Headquarters for the Caribbean
Caribbean Development and Cooperation Committee