

Management of Social Transformations  
MOST

Discussion Paper Series - No. 17

# **Societies at risk? the Caribbean and global change\***

*by*

*Norman Girvan*

*\*Revised version of a paper presented at the  
Caribbean Regional Consultation on the Management of Social  
Transformations (MOST) Programme of UNESCO  
Kingston, Jamaica, February 1997*

The author wishes to thank all those who made useful comments on the earlier version of this paper and is grateful to Bridgette Levy of the Consortium Graduate School for Assistance in collecting data for the tables on basic statistics and human development, poverty and unemployment and to Enid Grant for preparing the diagram at the end.



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## **Abstract**

This paper has been prepared in the framework of the Caribbean Regional Consultation on the MOST Programme and suggests areas of research relevant to the needs of coping with global change in the Caribbean. The economic, technological and environmental aspects of global change are specifically mentioned. The paper begins by discussing the appropriate definition of the Caribbean region for the present purpose. Next, it identifies the main characteristics of the region, and discusses some implications of global change on the prospects for economic growth and human development. It is suggested that the idea of coping should be given a proactive and strategic orientation. Examples are provided from the challenges of globalization and competitiveness, the information communications revolution, and the thrust towards sustainability. Finally, seven cross-cutting areas of action, and related policy research, are proposed for the Caribbean.

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## I. THE CARIBBEAN: FRAGMENTATION, DIVERSITY, VULNERABILITY

### Definitional issues

The term "Caribbean" is used in different meanings so far as its scope and coverage are concerned (see Box 1). Caribbeans themselves tend to think of the region as consisting exclusively of the language area to which they belong. Hence, when anglophones speak of the Caribbean they are normally referring to the countries of the *Caribbean Community* (Caricom), the group of 15 predominantly English-speaking states<sup>1</sup> that includes all the former British colonies in the archipelago and the adjacent mainland. Formed nearly 25 years ago, Caricom has a sound background of cooperation in trade, external economic negotiations, education, sports, and culture. The recent admission of Suriname and Haiti to its membership means that it is becoming more truly representative of the non-Anglophone Caribbean. Caricom is also developing closer relationships with Cuba and the Dominican Republic.

On the other hand, we have the *Association of Caribbean States* (ACS) that was formed by a Caricom initiative in 1995 (WICOM 1992). The membership of the ACS extends to all the states bordering the Caribbean Sea on the South and Central American mainland. This may be called the "Greater Caribbean" (ACE 1996), but it is also referred to as the "Caribbean Basin", a term which reflects the US perspective. The ACS's Caribbean includes several countries also considered to belong to other "regions": Mexico, Colombia and Venezuela, which are major Latin American players in their own right and the members of the Central American Common Market. On the other hand, most of the dependent territories in the archipelago are not yet members of the ACS. It is, therefore, both too extensive and too restrictive a definition for the purposes of this paper<sup>2</sup>.

"The Caribbean" in this paper, therefore, means all the islands in the Caribbean Sea plus four mainland entities with close historical and cultural affinity to the islands (see Box 1). This definition coincides closely with the membership of the Caribbean Development and Cooperation Committee of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC). Basic statistics on size, population, income, and political status and external association for the region are provided in Table 1.

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<sup>1</sup> Caricom also has three associate members which are British dependent territories (see Table 1).

<sup>2</sup> This is not to downplay the significance and potential of the ACS as an instrument of wider regional co-operation.

## Box 1

## Which Caribbean?

- *The Caribbean* in this paper means the island states and dependent territories in the Caribbean sea, from the Bahamas in the North to Trinidad in the South, plus French Guiana, Suriname, and Guyana on the South American mainland and Belize on the Central American mainland. There are 16 independent states and 12 dependent territories, listed in Table 1.
- The *Caribbean Development and Cooperation Committee* of the Economic Commission for Latin America and the Caribbean (CDCC-ECLAC) includes all 16 of the above states as full members and 7 the dependent territories\* as associate members. The three French dependencies sometimes attend CDCC meetings as observers.
- The *Caribbean Community* (Caricom) has 15 members: 13 English-speaking states, Suriname, and Haiti, and two British dependent territories as Associate Members (see Table 1).
- The *Association of Caribbean States* includes (i) the 16 independent states referred to above, (ii) 9 other mainland states bordering the Caribbean Sea in Central and South America, and (iii) the 3 French dependent territories as Associate members. Other dependent territories are eligible for ACS membership. This is the "Greater Caribbean" or the "Caribbean Basin".
- The membership of other regional bodies bearing the name "Caribbean" varies widely.
- *The West Indies*: the original appellation arising out of the voyages of Columbus, this term is now associated with the colonial Caribbean, as in "British", "French" and "Dutch" West Indies. In the English-speaking Caribbean it has endured in the name of certain key institutions, particularly the West Indies Cricket Team and the University of the West Indies. In the U.S., Canada and Britain the term "West Indian" has traditionally been used to refer to English-speaking Caribbeans.
- The *Antilles*, more commonly used in Spanish, French and Dutch, this term is the loose equivalent of the "West Indies" in English. Hence the term "Antillean" used in France and the Netherlands. In English its use is associated with "Greater Antilles" (Cuba, Hispaniola, Puerto Rico and Jamaica), and "Lesser Antilles" (the island chain in the Eastern Caribbean).

\* Anguilla, Aruba, British Virgin Islands, Montserrat, Netherlands Antilles, Puerto Rico, and US Virgin Islands

### Fragmentation and diversity

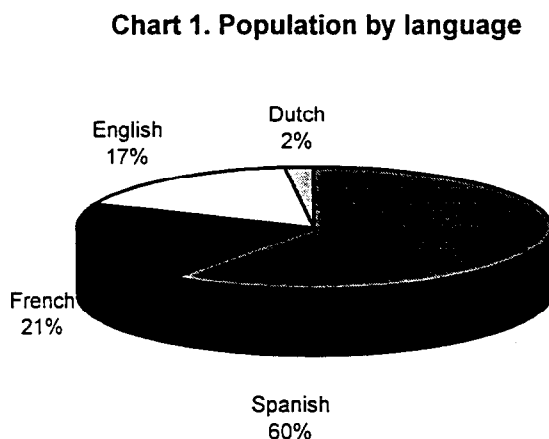
In geography and history, this region has certain features which distinguish it from the rest of the mainland. The numerous islands and cays are scattered over a wide area strategically located on the main trading routes between South/Central America and Europe/North America. Fertile land is abundant and there are mineral and hydrocarbon deposits. As a result, the region was the subject of intense military rivalry among the major European powers from the 16th-18th centuries, and of US occupation in the 20<sup>th</sup> century. Spanish settlement was followed by the virtual disappearance of the indigenous population, the spread of the sugar plantation system, the importation of slave labour from West Africa and subsequently of indentured workers from various parts of Asia. This experience has left a legacy of extreme political fragmentation and wide linguistic, ethnic and cultural diversity.

With a total population of 37 million, there are 28 identifiable political entities in the region. 16 of these are independent states and 12 are dependent territories. Twenty-one have populations of under 1 million, and 9 have less than 100,000 inhabitants. Besides Caricom and the ACS, most of the independent states also belong to the African-Caribbean-Pacific (ACP) group of countries under the Lome Treaty with the European Union (EU). Several of the smaller islands are also grouped into the Organization of East Caribbean States (OECS). English-speaking countries are also members of the (formerly British) Commonwealth of Nations. Dependent territories are associated with Britain, France, Netherlands, and the United States under a variety of constitutional arrangements. Puerto Rico, Aruba and the Netherlands Antilles have a high degree of internal autonomy. Martinique, Guadeloupe and French Guiana are politically integrated with metropolitan France, some 7,000 kilometres across the ocean. In between these two extremes are the British dependencies, which have locally elected administrations with a British Governor.

<b>Table 1 The Caribbean: basic statistics</b>					
<b>1994 or latest year</b>	<b>Pop 1000</b>	<b>Area km2</b>	<b>GDP Per Cap US\$</b>	<b>Language</b>	<b>Association/ Status</b>
<b>INDEPENDENT STATES</b>					
<b>Larger Island States</b>					
Cuba	10900	114500	899#	Spanish	ACS
Dominican Republic	7600	49000	1251	Spanish	ACS, ACP, OCA
Haiti	7000	28000	208	French, (C)	ACS, CA, ACP
Jamaica	2500	11000	1536	English, (C)	ACS, CA, ACP
Trinidad and Tobago	1290	5000	3518	English	ACS, CA, ACP
<b>Subtotal</b>	<b>29290</b>	<b>207500</b>	<b>995</b>		
<b>Smaller island states</b>					
Antigua and Barbuda	92	440	4967	English	ACS, CA, OECS, ACP
Bahamas	272	13900	11268	English	ACS, CA, ACP
Barbados	261	430	6249	English	ACS, CA, ACP
Dominica	96	750	2042	English	ACS, CA, OECS, ACP
Grenada	108	340	2056	English	ACS, CA, OECS, ACP
St Kitts and Nevis	48	270	4063	English	ACS, CA, OECS, ACP
St Lucia	153	620	3242	English, (C)	ACS, CA, OECS, ACP
St Vincent and the Grenadines	127	390	1850	English	ACS, CA, OECS, ACP
<b>Subtotal</b>	<b>1157</b>	<b>17140</b>	<b>5615</b>		
<b>Mainland states</b>					
Belize	211	23000	2483	English	ACS, CA, ACP
Guyana	760	215000	588	English	ACS, CA, ACP
Suriname	457	163300	919	Dutch, (C)	ACS, CA, ACP
<b>Subtotal</b>	<b>1428</b>	<b>401300</b>	<b>974</b>		
<b>SUBTOTAL INDEPENDENT</b>	<b>31875</b>	<b>625940</b>	<b>1162</b>		
<b>DEPENDENT TERRITORIES</b>					
<b>France</b>					
French Guiana	135	90000	2496	French	ODF, AACS
Guadeloupe	413	1710	4201	French	ODF, AACS
Martinique	371	1100	8852	French	ODF, AACS
<b>Netherlands</b>					
Aruba	77	90	17221	Dutch, (C)	KN, OCA
Netherlands Antilles	197	800	9137	Dutch, (C)	KN, OCA
<b>United Kingdom</b>					
Anguilla	10	90	7400	English	UKCC, OCA
British Virgin Islands	17	150	11882	English	UKCC, ACA, OCA
Cayman Islands	33	264	25848	English	UKCC, OCA
Montserrat	11	102	26636	English	UKCC, CA
Turks and Caicos Is	14	417	5000	English	UKCC, ACA
<b>United States</b>					
Puerto Rico	3651	8900	9815	Spanish	AS, OCA
US Virgin Islands	104	347	12038	English	USDT
<b>SUBTOTAL DEPENDENT</b>	<b>4114</b>	<b>11160</b>	<b>11439</b>		
<b>GRAND TOTAL</b>	<b>35989</b>	<b>637100</b>	<b>2337</b>		
* Subtotals are weighted averages # Author's estimate					
(C) Local creole also spoken ODF Overseas Department of the Republic of France					
CA Caricom (ACA=Associate Member, OCA=Observer Status) KN Autonomous Member of the Kingdom of the Netherlands					
OECS Organization of East Caribbean States AS Associated State of the U.S.A					
ACP African, Caribbean and Pacific Group USDT United States Dependent Territory					
ACS Association of Caribbean States (AACS=Associate Member)					
Compiled from data from UNCTAD <i>Handbook of Trade and Development Statistics</i> , 1994, from Eclac Office for the Caribbean; and from Europa Publications, <i>South America, Central America and the Caribbean</i> , 1997 (6 <sup>th</sup> edition).					



Table 2 Distribution of population		
	Percent	No.
Population Entities		
<b>Political status</b>		
Independent states	86.4	16
Dependent territories	13.6	12
<b>Language</b>		
Spanish	60.0	3
French	21.5	4
English	16.5	18
Dutch	2.0	3
<b>Association</b>		
ACS	86.4	16
Caricom	37.3	17*
O.E.C.S.	1.7	6
ACP Group	56.8	15



\*Includes two associate members

English is the official language of the majority of Caribbean states and territories but Spanish is the language of the majority of the population (Table 2, Chart 1). French, Dutch, and several Creole languages are also spoken. Ethnically, people of European and African origin predominate in the Hispanic societies, whilst African and Asian descendants are the majority in the English, French and Dutch speaking countries. There are also small Chinese, Jewish and Lebanese communities.

Historically, fragmentation and diversity have been barriers to regional cooperation and have prevented the emergence of the region as a cohesive group in hemispheric and international relations. But there is a growing movement towards cooperation across political and language barriers in economic, environmental, and political matters. The positive aspect of cultural diversity is that it has been a source of survival skills for Caribbean people. It is also an asset in the tourist industry, in that visitors can sample the Caribbean versions of Latin, African and Asian cultures. Diversity should be seen as an asset whose potential can be more fully utilized in the future.

#### Size, population and income

The 28 entities exhibit wide differences in physical size, size of population, and level of per capita income. For example Cuba, the most populous Caribbean country, has about 1000 times the population of Anguilla. Guyana, with the greatest land area, is over 2,300 times larger than Aruba. Montserrat has over 120 times the per capita income of Haiti. Such differences make it difficult to generalize about economic and social conditions across the region as a whole.

Within the Caribbean, a distinction is often made between Caricom and non-Caricom countries. Yet Caricom members themselves show wide variation in size of population and income levels. Also, this distinction has the danger of obscuring possible points of similarity among Caricom and non-Caricom states. For this reason, we suggest a four-part classification of the entities in the region, using a combination of political, demographic and geographic criteria.

First, since action by the state is a necessary element of coping with change, we distinguish the *independent states* from the *dependent territories*. Within the former we distinguish the *larger island states*, the *smaller island states*, and the *mainland states*. This classification into four groups is used for most of the tables and charts in this paper. Its underlying logic will become clearer as the analysis unfolds.

The larger island states are those with populations greater than 1 million<sup>3</sup>. These are Cuba, the Dominican Republic, Haiti, Jamaica, and Trinidad and Tobago which contain, between them, 79 percent of the region's population. Their average per capita GDP (PCI) is under \$1,000 and this places them, internationally, among the lower middle income group of developing countries. Trinidad and Tobago's PCI is however, considerably higher than that of the others. Haiti, on the other hand, is a low-income country.

The eight smaller island states all have populations of less than 1 million. They are the Bahamas, Barbados, and the six members of the OECS. This group has an average PCI over five times that of the larger island states that places them, as a group, in the upper middle income of LDCs. Together, they are only 3 percent of the Caribbean overall population.

The three mainland states are Belize, Guyana, and Suriname. They are relatively large in land area, with 55 percent of the Caribbean total but with only 4 percent of the region's population. Their PCI is about the same as that of the larger island states. Hence they, too, are lower middle income LDCs as a group. However, Belize's PCI is somewhat higher than the others in this group.

Finally, there are the 12 dependent territories. They have an average PCI of over \$11,000, placing them in the high-income group of LDCs and their population is 14 percent of the Caribbean total. Puerto Rico stands out in this subgroup, accounting for 10 percent of the total Caribbean population and as much as 42 percent of the region's total GDP<sup>4</sup>.

Broadly speaking, the Caribbean is divided between a group of larger island and mainland states which contain the majority of the region's population and land area, with relatively low PCI and a large number of relatively small states and dependent territories with a small proportion of the population but significantly higher average per capita incomes. The higher incomes of the latter arise mostly out of a combination of small populations with favourable resource endowments and the economic benefits of dependent status or of sound economic management (see Box 2). It is also likely the data somewhat exaggerate the real differences in living standards of the populations in the different groups for the following reasons.

First, to permit comparison we have used GDP rather than GNP data. GDP is likely to overstate the income actually accruing to residents by a wider margin in the dependent territories than in the independent states. This is because of the higher degree of non-resident ownership in the dependent territories. Second, the differences in PCI levels among the independent states are considerably narrowed when purchasing power parity (PPP) GNP data are used. For example the ratio of PCI of the richest to the poorest (Bahamas and Haiti respectively) narrows from 54:1 to 15:1 using the PPP measure<sup>5</sup>. Third, there is the problem of income distribution: in fact quite significant proportions of the population live below the poverty line in some of the smaller island states<sup>6</sup>.

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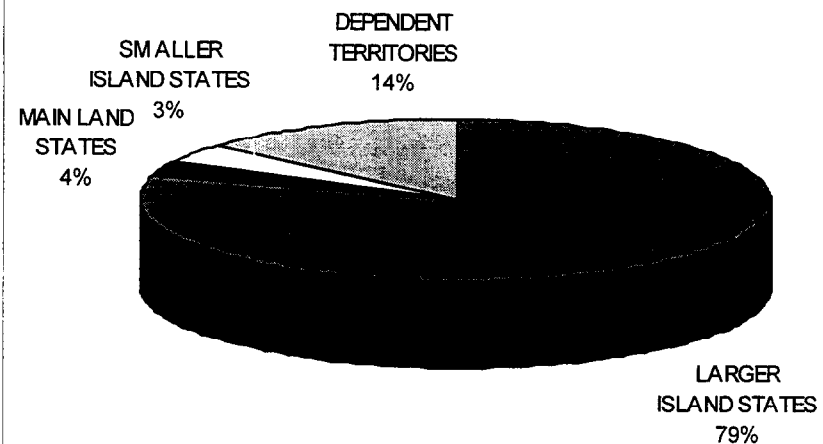
<sup>3</sup> These are still small countries by international standards. The most populous is Cuba with about 11 million people.

<sup>4</sup> It will be noted that the dependent territories themselves consist of one larger island (Puerto Rico, with a population of 3.6 million), 10 smaller island territories (with just 463,000 people between them); and mainland French Guiana. Merger with the three other groups would show the larger islands as having 92 percent of the region's population and the mainland entities 77 percent of the land area. However there would be wide disparities in PCI levels within the groups.

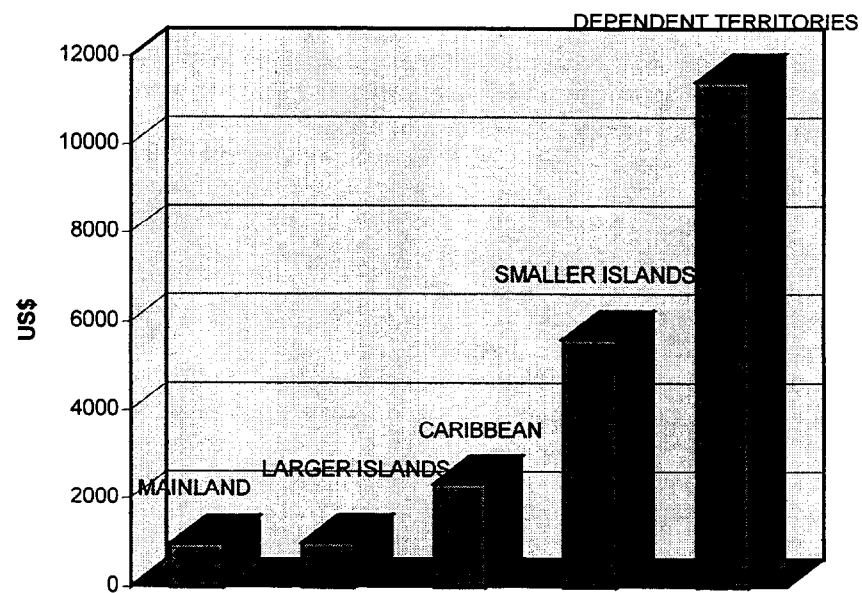
<sup>5</sup> The reader may wish to compare the PPP PCI data in Table 7 with the PCI data in Table 1.

<sup>6</sup> See Section III below.

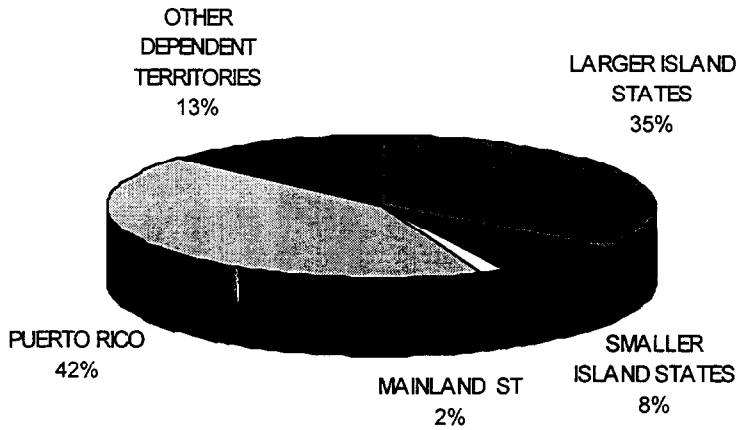
**Chart 2. Population by group**



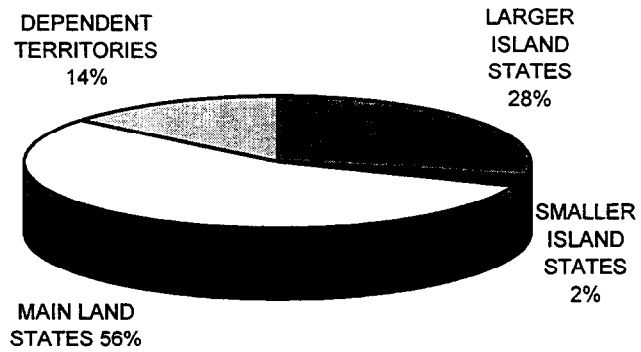
**Chart 3. Per Capita GDP by Group**



**Chart 4. Regional GDP by Group**



**Chart 5. Land Area by group**



## The Caribbean - Small is Bountiful?

What explains the wide differences in per capita income levels among groups of Caribbean countries? Why do the dependent territories and the smaller island states have significantly higher incomes than the heavily populated larger island states and the large but thinly populated mainland states? This is certainly one reason why the people in the dependent territories, on the whole, have little enthusiasm for political independence. Some, in the recently decolonized states, may even feel that independence was a mistake! And the inverse relation between size - both of population and of land area - and per capita income in the region upsets certain traditional perceptions about the disadvantages of small sized territories. The Caribbean shows that small is not only beautiful, it can be bountiful as well.

The main reason for this is that in the Caribbean, very small populations have combined with conditions favouring large foreign investment in tourism, offshore banking, and manufacturing for export; with the added boost of bananas in the OECS countries and of government-to-government resource transfers for the dependent territories.

- *Small populations.* With the exception of Puerto Rico, the average population of the dependent territories is 42,000, which is one reason why independence has not been considered a viable option for most of them. Average population of the smaller island states is 142,000.
- *Tourism.* 11 of the 12 dependent territories derive significant benefits from tourism (French Guiana being the only exception), as do 5 of the 8 smaller island states. A small island with lots of good beaches means high per capita earnings from tourism. For four small dependencies for which data are available, per capita annual earnings from tourism are over \$2,600 which is over ten times the equivalent figure in the Dominican Republic and Jamaica.
- *Offshore banking.* Cayman Islands, Aruba, the Bahamas and Antigua, have astutely exploited loopholes in overseas banking laws to become offshore tax havens. This brings benefits in terms of tourism, investment, and local professional and registration incomes. The downside is that these countries have been exposed to money laundering activities from drug trafficking.
- *Manufacturing for export.* Puerto Rico exports over \$16 billion of manufactures annually, mostly to the United States, to which it has duty free access. Its privileged status, together with low cost labour in relation to the mainland, and generous tax treatment by both the US and Puerto Rican governments, has attracted huge investments from the mainland. Barbados and the Bahamas have also successfully promoted manufactured exports; the former on the basis of its highly productive labour and excellent infrastructure; the latter benefiting from its good location vis-à-vis the United States.
- *Bananas.* Expansion of banana exports in the 1970s and 1980s boosted the economies of the Windward Islands.
- *Resource transfers.* Most of the dependent territories receive significant resource transfers in relation to their population from their respective metropolis. These support a generally high level of social services and, indirectly, per capita incomes.
- *Political safety.* The dependent territories also attract investment by virtue of the absence of "Sovereign risk" ; and with it the fear of expropriation, sudden changes in the treatment of foreign investors, inflation, controls on capital and profit repatriation, etc.. This contributes to a high comfort level for investors and tourists, who feel that they can count on the protection of the metropolitan government should the need arise.
- *Human capital and economic management.* Barbados has maintained a tradition of strong investment in human capital and sound economic management, building a diversified, resilient economy. The countries of the OECS have also been prevented from pursuing fiscal and monetary excesses by having a common central bank, the ECCB. Both have maintained stable currencies and low inflation since independence, unlike most other states in the region. This has helped investment and economic growth.

Finally, the relatively high PCIs of the smaller island states and dependent territories hide the crucial feature of their *vulnerability*. With small and fragile ecosystems, these entities are highly vulnerable to the effects of the annual hurricane season, as well as to intermittent earthquakes and volcanoes<sup>7</sup>. The economic implications of natural disasters are magnified by their dependence on tourism and/or agriculture to sustain living standards. Another aspect of vulnerability is the sensitivity of the dependent territories to decisions taken by their respective metropolitan powers. The smaller island states are also impacted by decisions taken by their large and powerful trading partners, as the dispute over access to the EU banana market so clearly demonstrates.

Ecological, economic and political vulnerability is also a feature of the larger islands and mainland states. It is perhaps the one feature that all Caribbean societies have in common, irrespective of their economic and political status.

## II. ECONOMIC VULNERABILITY AND THE IMPACT OF GLOBAL CHANGE

### Trade dependency

Economic vulnerability in the Caribbean is a result of the extent of trade dependency together with the vulnerable nature of the region's export economies. Trade dependency is shown by high trade/GDP<sup>8</sup> ratios. These range from an average of 71 percent for the larger island states to 186 percent in the mainland states<sup>9</sup>, with an overall regional average of 112 percent (see Table A2 and Charts 6 and 7).

It is not just the size of trade dependence that matters, however, so much as its specific characteristics. Most Caribbean economies depend on the export of one or a small number of resource products, and/or tourism. Merchandise exports continue to consist largely of primary commodities and other resource products. Such products account for more than 50 percent of the value of exports of goods in 13 of 20 economies for which data are available. The products vary: sugar in Cuba, Guyana, and to a lesser extent in several others; bauxite and its derivatives in Jamaica, Suriname and Guyana; petroleum and its derivatives in Trinidad and Tobago and in the Netherlands Antilles; bananas in St. Lucia, Dominica, Grenada, St. Vincent, Guadeloupe and Martinique; coffee in Haiti.

Many Caribbean countries have prospered in the past by means of the export of these resource-based products. Future reliance on them to maintain living standards, and to encourage economic growth, is problematic. Primary commodities are the most stagnant sector in the growth of world trade. Trade expansion has shifted decisively in favour of science-intensive goods and knowledge-intensive goods and services. Primary commodities are subject to declining terms of trade with respect to manufactured goods. In the case of bananas, the preferential quota arrangements accorded Anglophone Caribbean exporting countries by the European Union seem likely to be dismantled as a result of a recent WTO ruling<sup>10</sup>. This will undermine the livelihood of thousands of small producers in the Eastern Caribbean states. Earlier experience of Cuba with preferential arrangements for sugar exports, first with the United States and then with the Soviet Union, show how vulnerable exporting countries can be in this respect.

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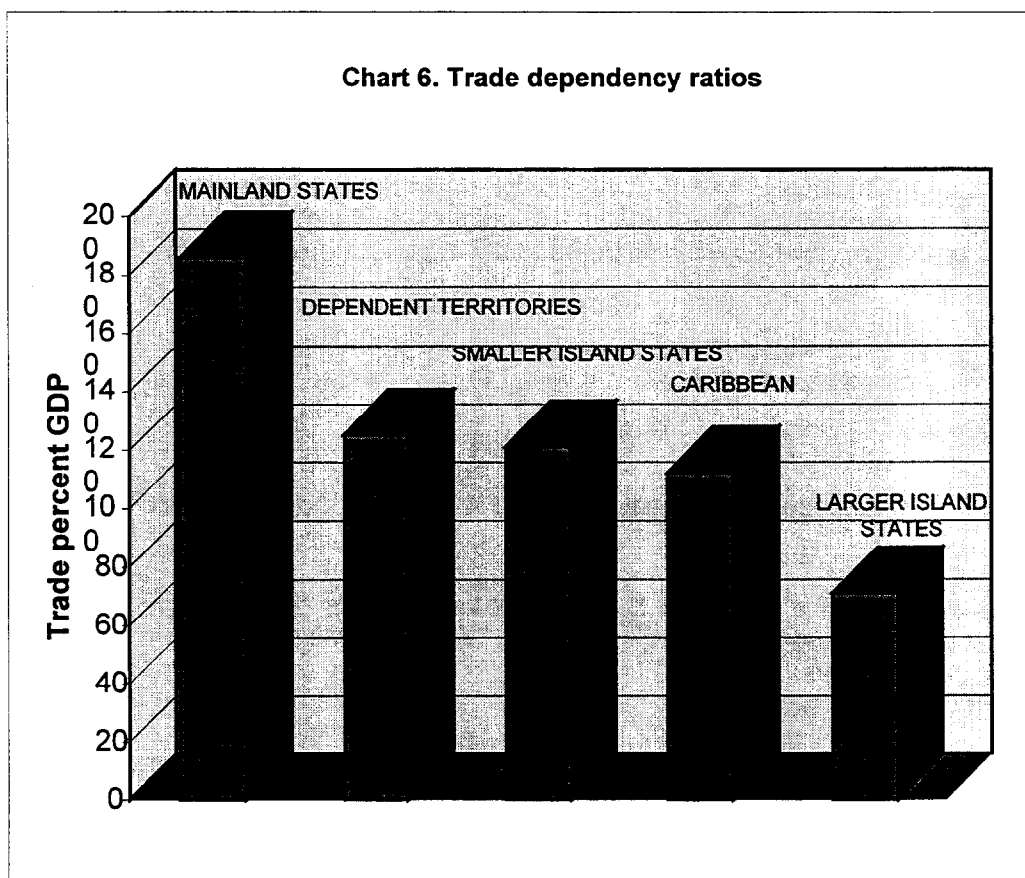
<sup>7</sup> The recent experience in Montserrat, whose 11,000 people have had their lives disrupted for the past two years by a volcanic eruption is instructive. Montserrat has statistically the highest PCI in the Caribbean, over \$26,000.

<sup>8</sup> Exports and imports of goods and services. For some countries, data are available for goods only.

<sup>9</sup> Trade/GDP averages for subgroups are weighted by respective GDPs

<sup>10</sup> This was in response to a protest lodged by the Government of the United States on behalf of the U.S. banana transnational companies, which wish greater market access in the EU for their bananas exported from Central and South America

Chart 6. Trade dependency ratios

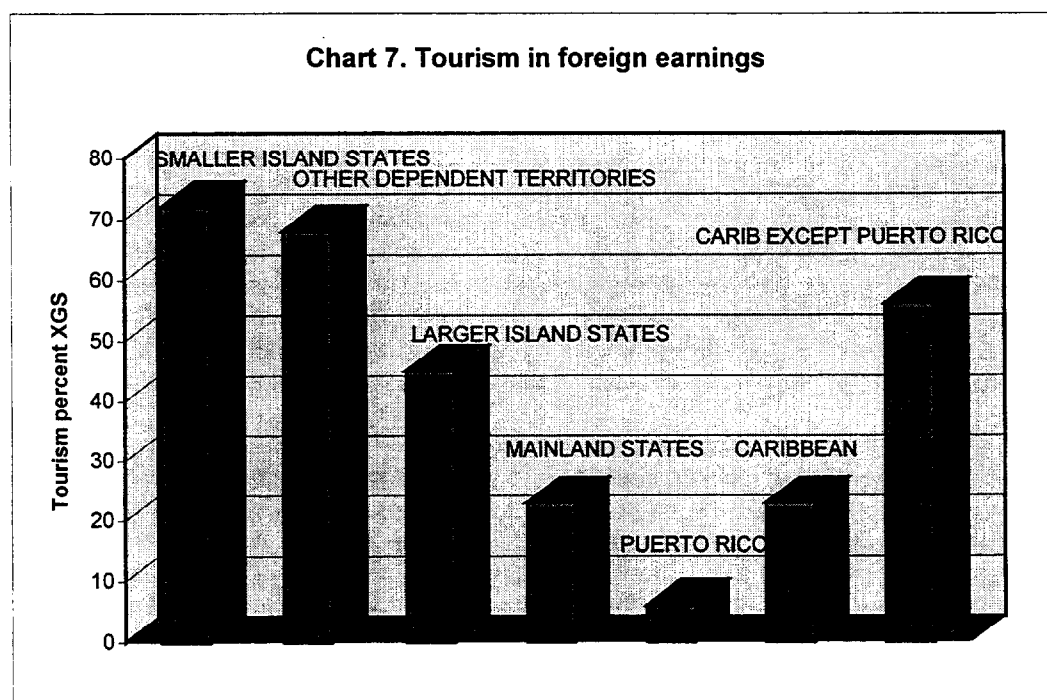


*Tourism* is the other main foreign exchange earner for most of the region's economies. The Caribbean earns around \$8 billion annually from foreign visitors, amounting to nearly one-half of all its foreign exchange earnings. Eleven out of 17 countries for which data are available derive more than one-half of their foreign earnings from tourism. The main risk factors in tourism are environmental degradation, crime and tourist harassment, adverse media publicity with over-concentration in the US and western European markets and intensified competition in the industry worldwide as the relative cost of air travel continues to fall.

Some countries in the region have had success in developing exports of *manufactures* (Table 5). Puerto Rico alone exports \$16 billion of manufactures annually. Success factors are duty-free access to the US market, relatively low-cost labour, generous incentives, and low political risk due to the island's status as a US dependency. Other Caribbean countries obviously cannot match the first and the last of these factors. Trinidad and Tobago exports about \$1 billion annually of steel, fertilizers and other energy-based and petrochemical-based products, as well as light manufactures. The Bahamas also exports significant quantities of chemicals.

The most vulnerable manufactured exports of the region are garments and other light manufactures attracted by the combination of low-cost labour, generous tax incentives, and favourable tariff treatment by the United States on imports of products assembled abroad from US goods. With these advantages, the Dominican Republic and Jamaica developed a large garment export sector employing some 120,000 people by the early 1990s (Wilmore 1993; 1994). Barbados also became a significant exporter of light manufactures. These exports, especially garments, are now threatened by competition from Mexico, as a

result of the North American Free Trade Agreement (NAFTA) coming into operation. Jamaica has lost over 9,000 jobs in the garment industry in the past two years. Caribbean and Central American countries have lobbied intensively for NAFTA parity for CBI countries, so far without success.



Country	Exports of manufactures and chemicals*	
	US\$M	Main products
	<b>1995</b>	
Puerto Rico (1)	15938	Chemicals, pharmaceuticals, machinery and equipment
Trinidad and Tobago	1084	Steel, fertilizers and other petrochemical products
Bahamas	883	Chemicals
Dominican Republic (2)	1011	Garments and other textile products
Dominican Republic (3)	250	
Jamaica	397	Garments
Barbados	101	Chemicals and electrical products

\* Sections 5-8 of SITC, except where otherwise indicated

(1) Exports of manufactures except food and petroleum refined products

(2) Gross receipts from free zone exports

(3) Actual foreign exchange returns from free zone exports

Sources: ECLAC Office for the Caribbean, *Selected Statistical Indicators for Caribbean countries, 1996*; *Wilmore 1993*

In the longer term, Caribbean economies will face severe competitive challenges arising out of the obligations of the WTO Treaty, the proposed establishment of a Free Trade Area of the Americas (FTAA, targeted for 2005), and the possible restructuring of the Lome Treaty arrangements between the EU and the ACP group of countries to eliminate its non-reciprocal preferential trading arrangements.



### Financial dependency

Another dimension of economic vulnerability is the relatively high degree of financial dependency of most governments in the region. The independent states rely heavily on multilateral and bilateral flows, and on commercial borrowing, to finance their capital expenditure on social and economic infrastructure. Many of the dependent territories depend on transfers from their metropolitan patrons to sustain public services and the infrastructure.

As far as concessional credits for the independent states are concerned, the end of the Cold War and fiscal stringency in the major OECD countries have had a negative impact on the flow of funds. US aid has fallen sharply as has the flow of credits to Cuba from Eastern Europe. Multilateral funding has also fallen or failed to grow significantly, as attention shifts to Eastern Europe and to sub-Saharan Africa. Some of the larger states have reasonably good access to the commercial capital market, notably Barbados and Trinidad and Tobago. At the other extreme countries like Haiti and Suriname need overseas assistance to balance their recurrent budgets. In short, governments need to develop the capacity to mobilize domestic and external resources independently by improving tax collection and administration machineries and external negotiating skills, whilst expanding the tax base by stimulating growth.

### Conditionality

Recent developments have seen a tightening of financial and trade conditionalities in the policies of the developed countries. Increasingly, market access and financial assistance for LDCs is being linked to trade liberalization, market-oriented policies and the downsizing of the state. In the case of the United States these policies are carried out through the lending conditionalities of the Inter-American Development Bank (IDB) and the NAFTA/FTAA/WTO processes. In the case of the EU this appears to be the likely thrust of the revision of the Lome arrangements. The new dispensation will seek to modify or eliminate the non-reciprocal trade preferences characteristic of the Lome accord, and to differentiate among ACP countries by subgroups or on a case-by-case basis (EU 1996). This calls for a careful reformulation of negotiating strategies with the EU (Lawrence 1997).

### Rise of Asia and the Pacific

Finally, the implications of the significant shift in the growth pole of the world economy towards Asia and the Pacific need to be considered. This is a region with which the Caribbean has few linkages in trade, investment, and economic cooperation; and which in turn has at best a marginal interest in the Caribbean. Hence highly proactive strategies of trade and economic diversification to this region will be needed.

In conclusion, Caribbean countries face several challenges arising out of structural shifts in the world economy and the forces working for more open trading regimes. The main weaknesses are represented by certain primary product exports, preferential arrangements, and environmental vulnerability. The main sources of strength and dynamism are tourism and certain manufactures. Export diversification by product and market, and improving competitiveness in international markets, are the main tasks facing Caribbean economies in the global setting.

## **III. GROWTH AND HUMAN DEVELOPMENT**

The urgency of the above tasks is underlined by negative trends in economic growth and human development among most of the the larger island and mainland states in recent years. A notable feature of this experience is the superior growth performance of the smaller island states. Hence, income and human development gaps in the region have probably widened in the past 10-15 years.

### Economic growth

As seen in Chart 8, there was a marked slowdown in economic growth among the larger island and mainland states in the 1980s and early 1990s (see Appendix, Table A3 for details) As already noted, these countries contain over four-fifths of the region's population.

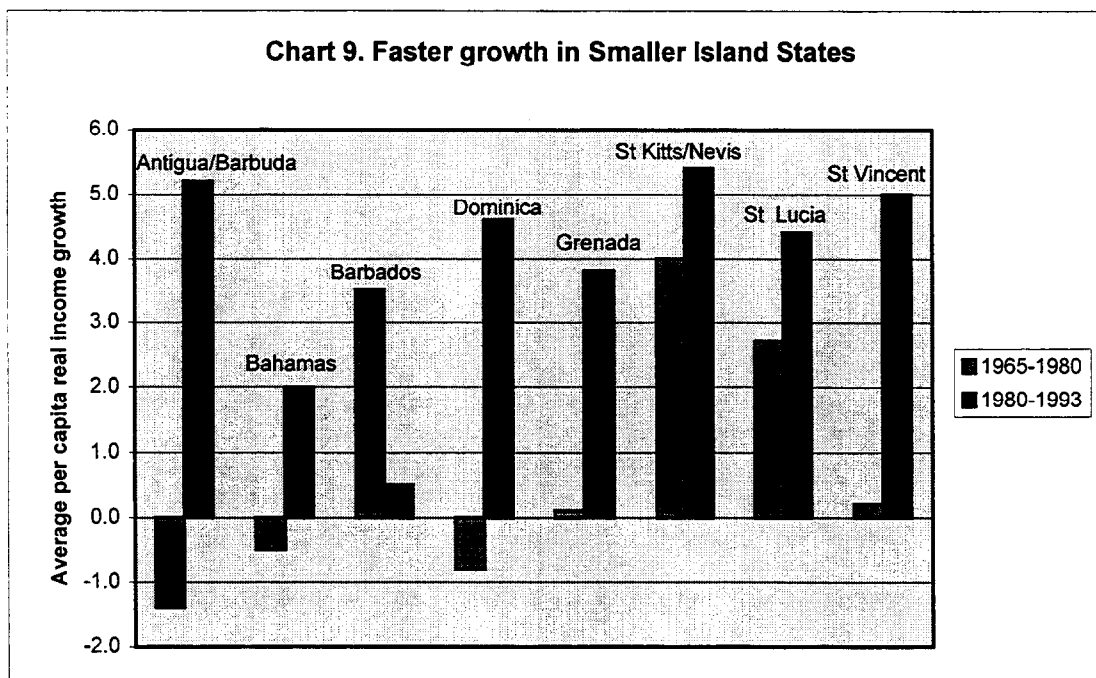
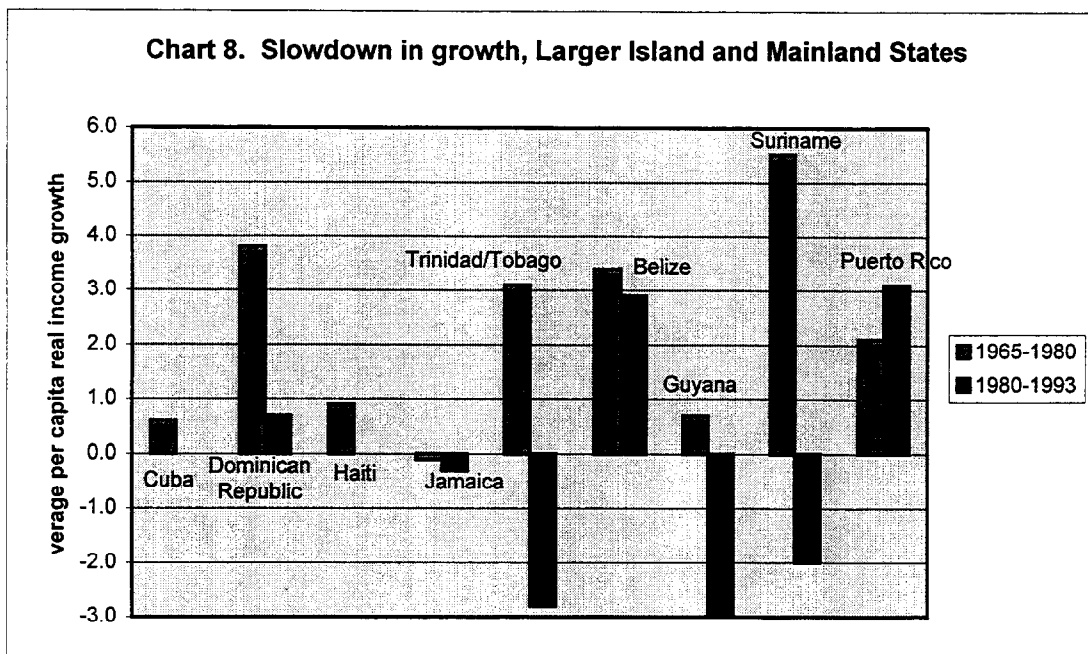


Table 4. Human development and gender-related development indicators, 1997

	Human Development Category	HDI Value	HDI Rank	GDP Rank Minus HDI Rank a	HDI Rank Change 1991-97 b	GDP Per Cap US\$ PPP	Life Expect Yrs	Adult Literacy Rate %	Education Enrolment Rate %	GDI Value	GDI Rank	HDI Rank Minus GDI Rank c
<b>Larger island states</b>												
Cuba	Medium	0.723	86	17	-24	3000	75.6	95	63	0.699	68	7
Dominican Republic	Medium	0.718	87	1	-7	3933	70.0	81	68	0.658	75	-1
Haiti	Low	0.338	156	5	-31	896	54.4	44	29	0.332	156	1
Jamaica	Medium	0.736	83	7	-24	3816	73.9	84	65	0.726	63	8
Trinidad and Tobago	High	0.880	40	4	-1	9124	73.0	98	67	0.841	32	6
<b>Subtotal *</b>	<b>Medium</b>	<b>0.638</b>				<b>3079</b>	<b>68.8</b>	<b>78</b>	<b>57</b>			
<b>Smaller island states</b>												
Antigua and Barbuda	High	0.892	29	16	17	8977	74.0	96	76	..	..	..
Bahamas	High	0.894	28	0	0	15875	72.9	98	75	0.88	18	10
Barbados	High	0.907	25	11	-3	11051	75.9	97	76	0.885	17	8
Dominica	High	0.764	65	10	12	6118	72.0	94	77	..	..	..
Grenada	High	0.843	54	17	10	5137	72.0	98	78	..	..	..
St Kitts and Nevis	High	0.853	49	-9	16	9436	69.0	90	78	..	..	..
St Lucia	High	0.838	57	-1	12	6182	71.0	82	74	..	..	..
St Vincent	High	0.836	57	6	22	5650	72.0	82	78	..	..	..
<b>Subtotal *</b>	<b>High</b>	<b>0.866</b>				<b>9755</b>	<b>73.0</b>	<b>93</b>	<b>76</b>			
<b>Mainland states</b>												
Belize	High	0.806	63	1	4	5590	74.0	70	68	..	..	..
Guyana	Medium	0.649	104	3	-15	2729	63.2	98	67	..	..	..
Suriname	Medium	0.792	66	10	-11	4711	70.7	93	71	0.615	91	-2
<b>Subtotal *</b>	<b>Medium</b>	<b>0.718</b>				<b>3786</b>	<b>67.2</b>	<b>92</b>	<b>68</b>			
<b>TOTAL CARIBBEAN *</b>	<b>Medium</b>	<b>0.650</b>				<b>3353</b>	<b>69</b>	<b>80</b>	<b>58</b>			

HDI = Human development index      GDI = Gender-related development index      PPP = Purchasing Power Parity, 1987 US\$

\* Averages weighted by population

.. Data not available

a Indicates the extent to which a country's Human Development rank was better (positive sign) or worse (negative sign) than its per capita GDP rank

b Direction and extent of change in the country's HDI rank, 1991-1997

c Indicates the extent to which a country's gender-related development rank was better (positive sign) or worse (negative sign) than its HDI rank

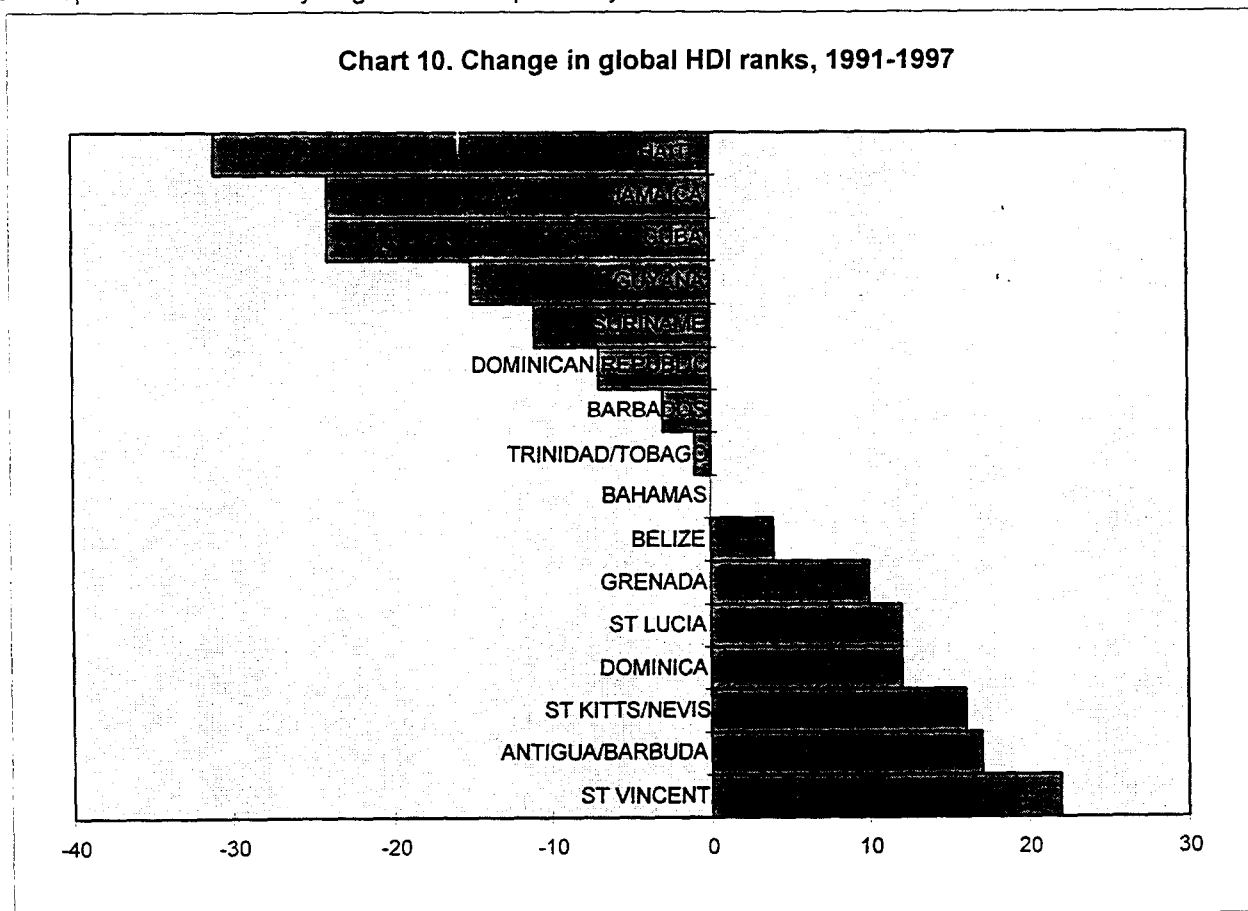
Source: UNDP Human Development Reports, 1997, 1994

This slowdown was a direct consequence of the difficulties in foreign trade and external financing discussed previously. High debt burdens and structural adjustment programmes have taken their toll on the economies of Jamaica, the Dominican Republic, Guyana, and Trinidad and Tobago (where falling international oil prices were also a factor). Non-economic factors, both internal and external, have also played a part. The Suriname economy was badly affected by civil conflict and the withdrawal of financial aid by the Netherlands. Political turmoil in Haiti, followed by a United Nations embargo, resulted in a flight of capital and the collapse of manufactured exports. Cuba suffered a 75 percent contraction in foreign trade, and a 35 percent fall in national output between 1989 and 1994, after the collapse of the Soviet Union. In contrast the smaller island states enjoyed a sharp upturn in economic growth after 1980 (Chart 9). This was propelled by the expansion of banana exports and of tourism, supported by the expansion of manufacturing in the cases of Barbados and the Bahamas. Some doubt however hangs over the prospects for sustained growth in the banana and tourist-driven economies, in the light of the imminent changes in external trading arrangements and the accumulation of environmental problems noted above.

#### Human Development

Up to the end of the 1980s, most Caribbean countries were performing well in human development relative to their level of per capita income. Twelve of the 16 independent states show a higher HDI rank than GDP per capita rank in the UNDP *Human Development Tables* (see Table 7). In gender-related development, 6 of the 8 countries for which data are available show a higher ranking than their human development ranking. The relatively good performance of Caribbean countries in human and gender development is due mainly to greater life expectancy and of educational attainment in most countries.

**Chart 10. Change in global HDI ranks, 1991-1997**



However, recent economic reversals are reflected in the recent performance of human development indicators. Eight of the 16 independent states suffered a decline in their global rank in Human Development between 1991-1997 (Chart 10). This includes *all* of the of the larger island states, and two of the three mainland states. Haiti lost 31 places in its human development rank, Cuba and Jamaica both lost 24 places, Guyana 15, Suriname 11, and Barbados 3<sup>11</sup>. Three other smaller island states also had slippages in their rank up to 1996, but regained ground by 1997. Since it has been shown that the female population bear a substantial share of the burden of structural adjustment, it can be expected that these reversals have impacted severely on Caribbean women.

<b>Table 5. Poverty, unemployment and inequality</b>					
	<b>Poverty</b>	<b>Unemp</b>	<b>GINI</b>	<b>Richest Q1</b>	<b>Poorest Q1</b>
	<b>% Pop</b>	<b>% Lab For</b>	<b>Coeffic</b>	<b>% Cons</b>	<b>% Cons</b>
<b>Larger island states</b>					
Dominican Republic	21	15	0.49	55.6	4.2
Haiti	66	60	..	..	..
Jamaica	34	15	0.452	45.2	6.5
Trinidad and Tobago	21	19	0.42	52.7	4.7
<b>Subtotal (1)</b>	<b>40</b>	<b>32</b>			
<b>Smaller island states</b>					
Antigua and Barbuda	12	7	0.525	..	..
Bahamas	5	15	0.515	50.6	3.4
Barbados	8	17	0.46	44.0	5.8
Dominica	33	10	0.488	..	..
Grenada	20	26	0.504	..	..
St Kitts and Nevis	15	12	0.445	..	..
St Lucia	25	16	0.468	41.6	7.1
St Vincent	17	20	0.448	..	..
<b>Subtotal (1)</b>	<b>14</b>	<b>16</b>			
<b>Mainland states</b>					
Belize	35	11	0.51	..	..
Guyana	43	11	0.423	55.1	4.1
Suriname	47	16	0.573	..	..
<b>Subtotal(1)</b>	<b>43</b>	<b>13</b>			
<b>TOTAL (1)</b>	<b>38</b>	<b>30</b>			
<b>(1) Weighted averages of countries for which data are available</b>					
.. Not available					
Sources: UNDP <i>Human Development Report, 1996</i> ; World Bank					

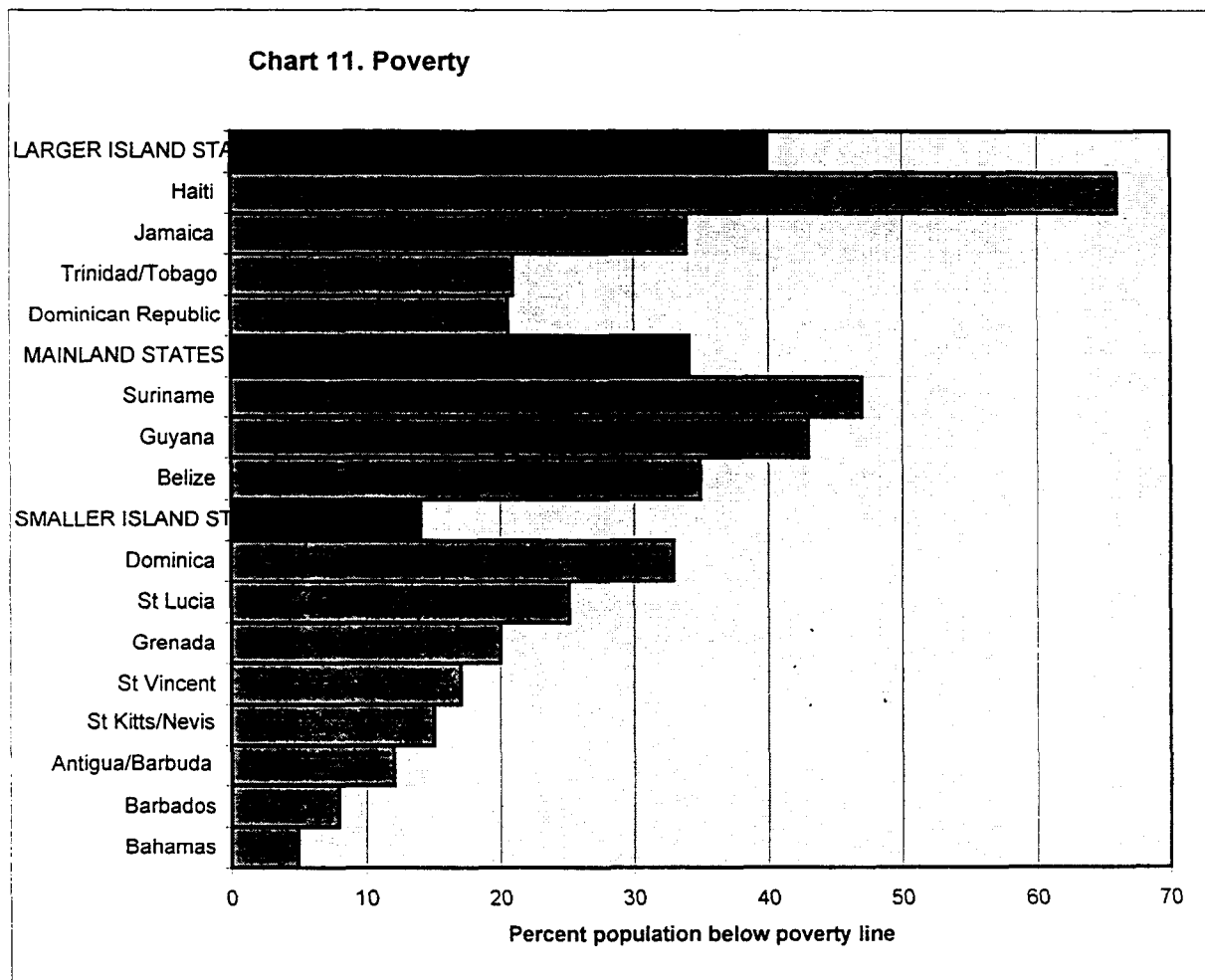
#### Poverty, unemployment, inequality

The trends should be viewed in the context of the widespread problems of poverty, unemployment and income inequality across the region as a whole (Table 8, Chart 11). Estimates of the proportion of the population living in absolute poverty are as high as 65 percent in Haiti, over 40 percent in Guyana and Suriname, and between 20 and 40 percent in 7 other countries<sup>12</sup>. Excluding Cuba, for which data are not available, as many as 38 percent of Caribbean people are living in absolute poverty. The problem is shared by the East Caribbean states, where "significant portions of the ... population are in a condition where without targeted intervention and community-focused development, this goal (i.e. poverty eradication) cannot be attained" (Duncan 1997:2).

<sup>11</sup> Barbados still remains at the top of the human development rank among developing countries

<sup>12</sup> Data for Cuba not available.

A major contributor to poverty is unemployment and underemployment<sup>13</sup>. Almost all Caribbean countries have double-digit unemployment rates, and there is the problem of the "working poor". Income inequality is also marked: the share of the poorest 20 percent of households in consumption varies from 3.4 to 7.1 percent in the 7 countries for which data are available. Where inequality is combined with low average per capita income, or high unemployment, or both, the consequences are evident in the incidence of poverty.



### Emigration

One visible consequence of economic stress is the high rate of emigration from the region. A recent estimate put the net loss of population from the region at 5.5 million in the 1950-1989 period (Guengant 1993; cited in Samuel 1996:8) which is about 15 percent of the present population within the region. Haiti, Cuba, Jamaica and Puerto Rico each had close to 1 million of their native-born population living abroad at the close of the 1980s. In relation to the resident population, the overseas population at the end of the 1980s stood at 40 percent for both Jamaica and Guyana, 36 percent for Suriname, 23 percent for Puerto Rico, 21 percent for Trinidad and Tobago, 15 percent for Haiti, and 10 percent for Cuba.

<sup>13</sup> As Table 8 shows, however, poverty rates and unemployment rates are not always strongly correlated.

The Caribbean diaspora is now a major factor in the economic life of the region. In several countries remittances from abroad already compare significantly to the value of merchandise exports<sup>14</sup>. Tightened immigration controls and xenophobic pressures in the United States and the European Union could see accelerated return flows of migration to the Caribbean in the not too distant future. However, the potential of the Caribbean diaspora as a source of capital, technology and business expertise is yet to be fully tapped.

#### Social cohesion

Besides pushing many Caribbeans to seek their economic improvement elsewhere, poverty, unemployment and inequality undermine the kind of social cohesion needed to manage change effectively and this is especially so where the lines of exclusion coincide with deep rooted ethnic and social divisions. They occur in the context of the intense exposure of the region's population, especially the youth, to affluent metropolitan life styles through the presence of a large tourist population and to a relentless diet of the cult of individualist consumerism, sex and violence, through satellite TV and other new technologies. This may undermine disciplined attitudes to study and work and contribute to the legitimization of antisocial behaviour.

The juxtaposition of the above factors has provided a fertile breeding ground for growing involvement in drug abuse and in drug trafficking. The Caribbean has become a principal transshipment area in the South America-North America/Europe drug trade. Many states are grappling with an alarming rise in criminal violence, much of it drug-related. Drug trafficking has had corrosive effects on security and justice systems staffed by personnel who are overstretched and underpaid. It has exposed political systems to penetration and corruption. From the other side, it has given rise to pressures from the United States government for police powers within the sovereign air and sea space of the Caribbean (Abrams 1996; Paris 1996). In 1996-1997 most Caricom governments signed "Shiprider" agreements with the United States, giving that country's armed forces the right to enter their sovereign sea and air space to pursue and arrest suspected drug traffickers. In recent years Britain and the Netherlands have removed locally elected administrations in dependent territories suspected of ties with drug traffickers. Hence many Caribbean entities are seeing an erosion of the limited sovereignty or autonomy they presently enjoy.

There is a growing sense in the Caribbean of being at the mercy of forces, both economic and criminal, that are "too big" or "too hot" for governments to handle. This may be a factor contributing to the waning credibility of governments and the declining confidence in political systems, among the population in many countries in the region. At the same time, a growing sense of "Caribbeaness" is also discernible. This is attributable to a heightened recognition of commonality in history, culture, and especially of contemporary condition. But can the Caribbean cope? And if so, how?

#### **IV. COPING STRATEGIES: A FORMULATION**

We may sum up the dangers facing Caribbean societies in terms of possible *marginalization* from the growth points in the world economy, further political and social *fragmentation* intra-nationally and intra-regionally, and creeping *loss of autonomy*, defined as the capacity actively to shape their future development. Whether some or all of these societies can survive as viable economic, social and political entities into the first half of the 21st century is still an open question. It is in that sense that we characterize the region as comprised of "societies at risk".

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<sup>14</sup> As a ratio of merchandise exports, gross remittances from abroad in the early 1990s were: 71 percent in the case of the Dominican Republic, 32 percent in Haiti, 29 percent for Jamaica, and 17 percent for Barbados (Samuel 1996: Table 6).

One scenario of the future is a region in which poorer households rely mainly on remittances from overseas family members to make ends meet; governments rely on financial assistance from metropolitan patrons to balance their budgets; and societies are under the military protection of the United States and the European Union. This can be called the "trusteeship" scenario. It may appear to be unduly pessimistic but in fact it is nothing more than an extrapolation of several current trends.

On the other hand, we have the evidence of the creativity and talent of Caribbean people. For its comparatively small population, this is a region that has given rise to a remarkable array of outstanding personalities and performances in the fields of politics, the arts, sports, and culture.<sup>15</sup>

The issue of what is meant by "coping" is posed in this context. The term connotes a survival strategy: a series of defensive actions aimed at minimizing the adverse impact of external shocks, protecting what is already there. Used in this sense, it is essentially reactive and conservative.

For the management of social transformation in a global context, coping needs to be given a *proactive* meaning and a *strategic* orientation. Development objectives of economic growth, human development, poverty reduction, social equity, good governance and local autonomy, come into play. The task then becomes that of pursuing these objectives in the context of the constraints and opportunities resulting from global change.

For this, it will be necessary to strengthen the habit of viewing the world through the lens of the historical experience, contemporary reality, and long-term interests of the region's population. In short, the Caribbean will need to define itself and act in function of that self-definition, rather than responding to the definitions of others<sup>16</sup>. For example, from the outside world the region is viewed alternatively as a "tropical paradise" or as a "problem area". Caribbean people are stereotyped either as carefree and fun loving, or as adept at illegal immigration, or as violent criminals. Of course, none of these images conforms to the complex reality of the region as it is experienced by Caribbeans themselves, nor does it adequately convey their aspirations.

In the three sections that follow we develop this line of thinking by discussing responses to *globalization and competitiveness*, the *infocommunications revolution*, and the *thrust towards sustainability*. These are used as specific examples of coping with economic, technological and environmental change. To preview the final section, we argue that there are certain "building blocks" generic to all proactive coping strategies, if they are to be successful. We sum these up as: commitment to *equity and social cohesion*, reform of *governance*, *human resource development*, strengthening of *state capabilities*, fostering of local *entrepreneurship*, *science and technology policy*, and *regional cooperation* and integration.

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<sup>15</sup> For example in political thought and action, the Caribbean has produced, among others, Toussaint L'Ouverture, Jose Martí, Marcus Garvey, C.L.R. James, Frantz Fanon, Fidel Castro, Eric Williams, Cheddi Jagan, Michael Manley, Walter Rodney, and Maurice Bishop; in literature, Nicholas Guillen, Aimé Césaire, Derek Walcott, and V.S. Naipaul and in international sporting events, Caribbean athletes win medals at a rate which is out of proportion to the population while baseball and cricket teams have many successes. The world sings and dances to Caribbean music: *soca* and *salsa*, *reggae* and *merengue*, and Bob Marley. The tiny island of St. Lucia has produced two Nobel Laureates - Arthur Lewis in Economics and Derek Walcott in Literature.

<sup>16</sup> Ref. the words of Marcus Garvey: "I want our people to think for themselves"; and the lyrics of Bob Marley: "Emancipate yourselves from mental slavery, none but ourselves can free our minds".



## V. GLOBALIZATION AND COMPETITIVENESS

### Globalization

Many of the developments impacting on the region are manifestations of what is usually called "globalization". There are three aspects of this process that may be distinguished, each with its specific implications.

First, there are the actual economic processes that are being "globalized": finance, production, trade and communications. These are driven by the global activities of transnational corporations (TNCs), by the global integration of money and capital markets, and by the convergence of computer and telecommunications technologies. So far Caribbean countries have participated in these processes mainly through the growth of tourism, assembly manufacturing, and modern telecommunications. But this participation has been highly uneven as between countries, industries, and socio-economic groups. To this extent, it exacerbates tendencies to regional and social fragmentation. One objective should be to ensure that this participation is more equitable and its benefits are more widely spread.

Second, there is the policy component of globalization: trade, financial, and investment liberalization. This is effected through the obligations of the World Trade Organization (WTO) Treaty, the construction of hemispheric trading areas such as NAFTA and the EU, and the conditionalities of multilateral and bilateral funding agencies in their lending programmes. All independent Caribbean states have liberalized their economic environment in one way or another in the past 10 years. In some cases investment inflows and economic growth have increased<sup>17</sup>; in others, the initial effects have been negative or disappointing<sup>18</sup>. As noted, the NAFTA and WTO treaties have so far had negative consequences for the region's exports. Thus there is a pressing need to strengthen bargaining power and negotiating skills in external trade and economic negotiations, in order to improve the possibilities of more favourable outcomes.

The third aspect of globalization is its legitimizing ideology. Key elements are the presumptions of the superiority of the "market" over government intervention in the economy, of the universal need for and applicability of "market-friendly" policies, and of the automatic benefits that will follow for countries that open up their economies to the forces of global competition. It is not always clear how far countries, especially developing countries, liberalize because they genuinely believe these precepts and how far they do so because of the pressures of aid, lending, and trade conditionalities. In any case there is the risk that policies that are premised on what is essentially a distorted view of reality will not necessarily be in the best interests of the region.

For the reality of globalization is that the game of global competition is not among equals. It is dominated by giant firms, backed by their governments, who have in effect set the rules for their own benefit. Expansion of the coverage of the WTO Treaty to trade in services, international investment flows, and Intellectual Property, erosion of non-reciprocal preferences for developing countries, and international freedom of movement for capital but not for labour are visible manifestations of this reality.

There is also a downside to globalization. One aspect is the marginalization of whole countries and socio-economic groups due to the operations of the "market". Associated with this is the globalization of inequality - within and between nations - of poverty, and of unemployment (UNDP 1995, 1996). Global communications and financial liberalization have facilitated the international spread of drug trafficking and drug abuse—the emergence of a globalized crime industry (Payne, 1996). In many countries interpersonal and inter-ethnic violence has grown to alarming proportions, social safety nets are withdrawn and state

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<sup>17</sup> e.g. Guyana since 1993, Cuba since 1994.

<sup>18</sup> e.g. Jamaica, where trade and financial liberalization was followed by hyperinflation, high interest rates, and a series of bank failures.

systems are weakened with the spread of market relations (UNRISD 1995). These phenomena are already present in many Caribbean countries (Girvan ed. 1997).

The issue for the region is not whether to participate in globalization, but how. Here, it may be useful to distinguish between an approach of *active* as opposed to *passive* participation<sup>19</sup>. We characterize as a "passive" approach the policy package of across-the-board trade and financial liberalization, deregulation of goods, services, and factor markets, privatization, and the downsizing of the state. We suggest that an "active" approach would emphasize the exercise of *selectivity* in the areas and sequencing of liberalization policies, maximizing bargaining power in external negotiations, and the selective development of competitive competencies in the economy. The objective of the active approach is to achieve competitiveness in ways that permit a steady rise in real wages and living standards for the population; and, more generally, to participate in the world economy on terms consistent with equitable development and good governance.

#### Competitiveness

A crucial distinction between the two approaches lies in the way in which competitiveness is to be achieved. Both approaches recognize the importance of a stable macroeconomic environment, a competitive exchange rate, and a good infrastructure. Both assign the leading role in production and exports to private firms. In the case of the passive approach, however, competitiveness tends to be defined as the ability to offer transnational firms lower production costs and higher returns on their investment. The emphasis of Government policy is on guaranteeing low-cost labour, low taxes, and a liberalized economic environment.

The active approach places greater emphasis on the development of human skills and of technological, entrepreneurial, and managerial capabilities in the state and private sector. These become the basis for developing competitive advantages among individual firms and industrial clusters, and at the level of the economy as a whole.

It concedes the importance of *cost/price competitiveness* of producers in the ability to compete successfully in export markets. However it emphasizes the contribution of management efficiency, worker productivity and skill upgrading to improving cost/price competitiveness, in preference to cheapening the cost of labour through devaluations and wage controls. In addition, it pays considerable attention to the crucial role of non-price factors that are critical to winning and maintaining competitive advantages by firms in world markets. These include knowledge, skill, marketing and economic intelligence, product quality, production for specialized niche markets, management and organizational capabilities, and production flexibility (Best 1990; Dahlman 1993).

The scope for the active approach to participation in the world economy is a task that demands the attention of researchers, governments, and all the social partners. Some possible lines of investigation are:

#### *Industrial Policy*

- scope for the development of competitive strengths among individual firms and "clusters" of producers in specific areas: for example exotic agricultural products, tropical agro-industrial products, biotechnology products, culturally unique manufactures, information services, music and other cultural exports, and non-traditional tourism - eco-tourism, sports tourism, and cultural tourism;
- scope for linking small and medium enterprises to export industries to promote the creation of employment and to reduce poverty;
- nature of policy instruments (tax incentives, credits, training grants, R&D support, etc.) required;

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<sup>19</sup> The distinction is suggested by Levitt 1996.

#### *Foreign investment policy*

- scope for making strategic alliances with TNCs for product development, production and marketing in selected activities;
- scope and mechanisms for tapping into the Caribbean diaspora abroad as sources of investment capital, management and technology for development within the region.

#### *Regional cooperation*

- cooperation/coordination in external trade negotiations between Caricom and non-Caricom states;
- early completion of the Caricom Single Market and Economy and establishment of a wider Caribbean Free Trade Area between Caricom and non-Caricom states and other entities;
- monetary cooperation within Caricom and between Caricom and non-Caricom states to facilitate monetary and exchange rate stability as an element in macroeconomic management;
- Caribbean-Central American trade cooperation and possible establishment of an ACS Free Trade Area;
- development of foreign language skills - English, Spanish, German, Japanese - among the population of the region.

## **VI. INFOCOMMUNICATIONS REVOLUTION**

Rapid advances in information and communication technologies, and their growing convergence - the linking of computer systems through telecommunications networks - portend the arrival of a new "techno-economic paradigm" (Perez 1985). For the Caribbean, three features of this development should be considered.

#### Information services

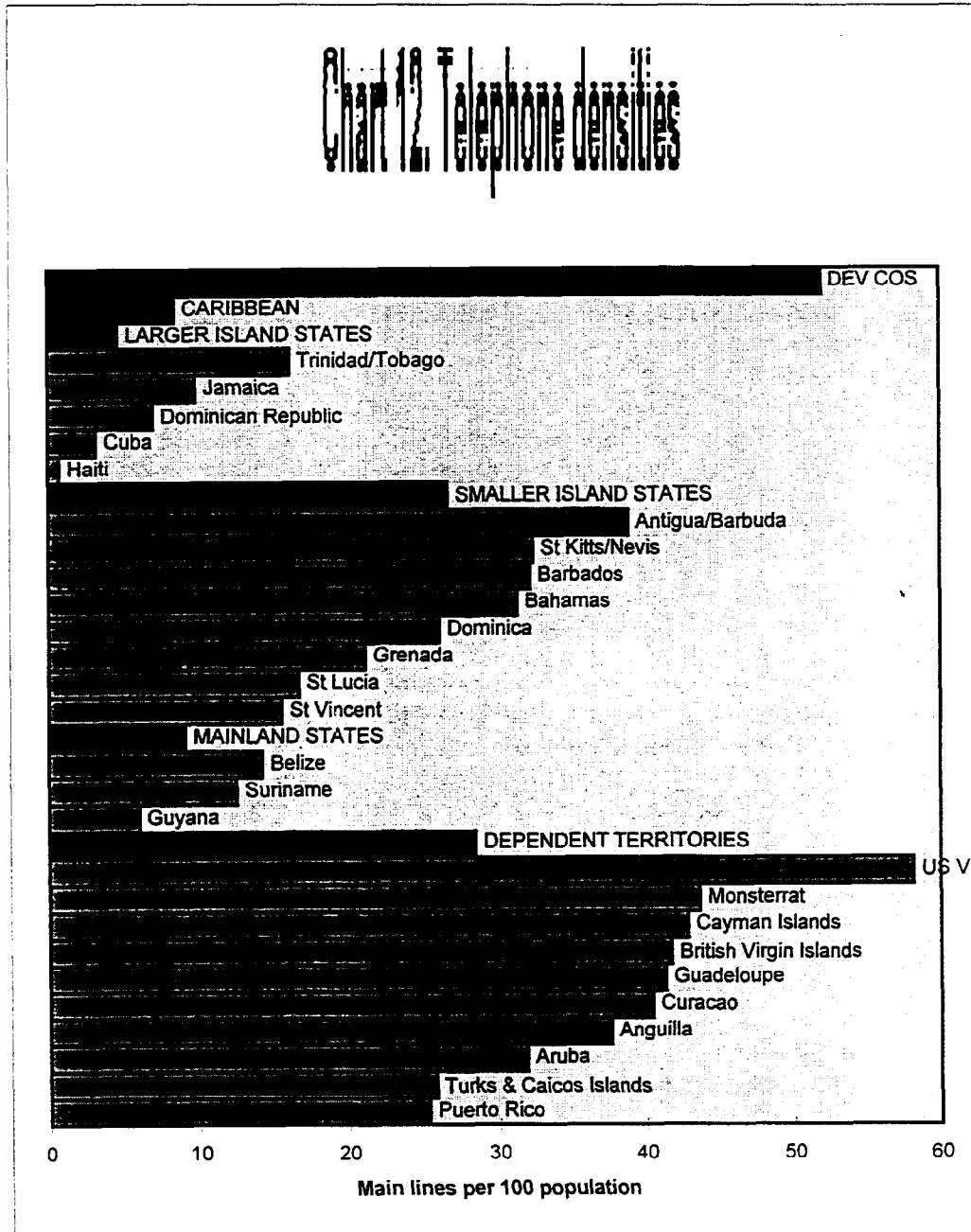
New opportunities in production and trade have been opened up by the growth of the global infocommunications industry, a massive complex worth \$1.3 trillion annually, equivalent to 6 percent of world GDP (ITU:1995,1). This embraces a wide range of related goods and services: telecommunications services and equipment manufacture, computer hardware, software, peripherals, and related services, information services, and audiovisual services (ITU 1995:1). Caribbean participation in production has been confined almost entirely to data-entry and other information processing activities, now employing over 7,000 people in the region (Pantin 1995: Table 1).

However, this is at the low-technology, low-wage end of the industry, where long-term survival prospects are threatened by the emergence of more advanced technologies, and by the growing locational advantages of proximity to customers. The need is to move rapidly into higher value information services which are more knowledge and skill intensive and more product differentiated and into software.

The English-speaking Caribbean is relatively well positioned, by virtue of language, education levels and location, to develop new export service industries in these areas (Schware and Hume 1996). However, substantial expansion in the supply of information professionals will be needed (Reichgelt 1996), as well as provision of venture capital and tax incentives for innovator firms setting up in these areas (World Bank 1993b).

Telecommunications

mm "global information infrastructure" has emerged as a rapidly growing vehicle for the marketing and sourcing of goods and services, and for the delivery of new information services<sup>20</sup>. Use of Informatics has resulted in new methods of competing in international markets: what was formerly the "best practice" is fast becoming the "standard practice". Access to this infrastructure will be crucial for producers and exporters in the region.



As Chart 12 shows, such access is highly uneven among countries in the region. Although most countries have some access to the Internet, problems arise in the availability of telephone lines and of digital networks. The dependent territories and the smaller island states, and Trinidad and Tobago, have telephone density indicators which compare favourably with that of the developing world as a whole. In

<sup>20</sup> This is defined by the International Telecommunications Union as wired and mobile telephones, cable TV, and the Internet. The ITU estimates that 86 million new subscribers were added to the above services in 1994 alone (ITU 1995:1).

most Caricom states, Guyana excepted, there has been substantial investment in expansion and technological modernization in recent years. The situation is less favourable for the larger island and mainland countries, and for small enterprises and the rural population in most countries. In Cuba, the Dominican Republic, Haiti and Guyana, substantial expansion and digitalization of telecommunications networks is needed.

Most countries also need to update telecommunications regulatory regimes. Though privatization has induced substantial investment in telecommunications networks, regulatory regimes have lagged behind technology, failing to address the functions of the system as a base for value added network services (Schware and Hume 1996; Girvan 1997). In the English-speaking Caribbean, telecommunications are a virtual monopoly of the British TNC, Cable and Wireless<sup>21</sup>. Jamaica and the OECS countries have had major problems in the pricing and availability of the services provided to the data entry industry by C&W under its exclusive franchise. Coordinated or joint negotiation with C&W is a logical step (already proposed by Barbados and the OECS acting together). Wider technical cooperation among countries in the updating of regulatory regimes should be of value.

Countries will also need to launch *national computerization and informatics programmes* to facilitate access and use. Such programmes aim to (a) computerize and network government administration, (b) spread the effective use of informatics in business, especially small and medium enterprises, (c) establish computer-aided education as an integral element in the school curriculum, and (d) establish national information infrastructures to link the public, private, and education sectors together and with the outside world.

#### Organization and socio-cultural change

Far-reaching changes in the organization of work and management practices are associated with the use of new information technologies in business organizations. Examples are just-in-time production, flexible specialization, use of electronic data interchange to effect coordination of production and marketing among widely dispersed firms, and use of network computing for design and strategic planning. Hence successful use of informatics by firms and countries is enhanced by socio-cultural change emphasizing cooperation and teamwork, non-authoritarian management styles, initiative, flexibility, responsiveness and willingness to change generally (Tapscott and Caston 1993).

This could pose some problems in Caribbean cultures with their deeply entrenched adversarial and distrustful attitudes in labour relations; wide social distance and strong barriers to communication between management and labour; ethnic antagonism and distrust among workers; individualism and resistance to change generally. The kind of socio-cultural change that will be needed begins with heightened awareness, and the exercise of leadership by opinion-makers, educators, policy-makers and decision-takers. Innovative education, and incentives for "best-practice" organizations, may have a crucial role to play. This is an area in which multidisciplinary research is particularly relevant.

## **VII. THE THRUST TOWARDS SUSTAINABILITY**

Small island ecosystems are recognized to be especially fragile as a result of their small land mass and limited biodiversity. Together with the relatively undiversified and highly resource-based nature of Caribbean economies, this makes the region highly vulnerable to ecostress, whether global or local in origin. Two main kinds of responses will be highlighted here.

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<sup>21</sup> Cable and Wireless is the majority owner or managing minority shareholder in: Antigua, Barbados, Dominica, Grenada, Jamaica, Montserrat, St. Kitts, St. Lucia, St. Vincent, and Trinidad and Tobago. Source: CANTO (Caribbean Association of National Telecommunications Organizations), Library Education Resource Centre.

#### Global ecostress: international negotiation

Probable effects of the global ecological crisis including changes in climate, rise in the sea level, increasing intensity of hurricanes, world food shortages, and rising international economic and political instability, will impact with especial severity on small island developing states<sup>22</sup>. These countries have already come together to negotiate as a group in the UNCED and SIDS Conferences. This allowed them to pool their bargaining power and draw on a common fund of scarce scientific and technical information. The need for this kind of collaboration will continue to grow with the persistence, and possible worsening, of the global ecological crisis. Cooperation in this area will need to be both intraregional and interregional.

#### Local ecostress: environmental management capabilities

More immediate sources of ecostress originate in the drive to growth and development in the region in the past 30-40 years: expansion of industry, tourism and transport and the chemicalization of agriculture; rural-urban migration and the proliferation of formal and informal housing settlements; and population growth. The ecological impact of these developments includes large-scale deforestation, degradation of watersheds and of the coastal and marine environment, mounting unmanageability of sewage and solid waste disposal, and rapid deterioration of air and water quality in heavily populated areas. Some economic consequences have been a marked deterioration in the quality of the tourist product, steep increases in infrastructural repair and maintenance costs due to flooding, mounting health care costs associated with the effects of pollution, and notable deterioration in the physical quality of life in urban areas.

Considerable technical information documenting the extent of these environmental problems has been accumulated in recent years<sup>23</sup>. To a large extent, the technical solutions are also reasonably well known. The biggest challenges to environmental management lie in the complexities of the society-economy-ecology interaction: for example, where the livelihoods of poor communities are based on the use of non-renewable resources; or where environmental goods and services need to be valued adequately in order for investment decisions to be made. It is in these areas of intersecting knowledge systems that research is needed in order to provide the necessary information so that sound policies can be made.

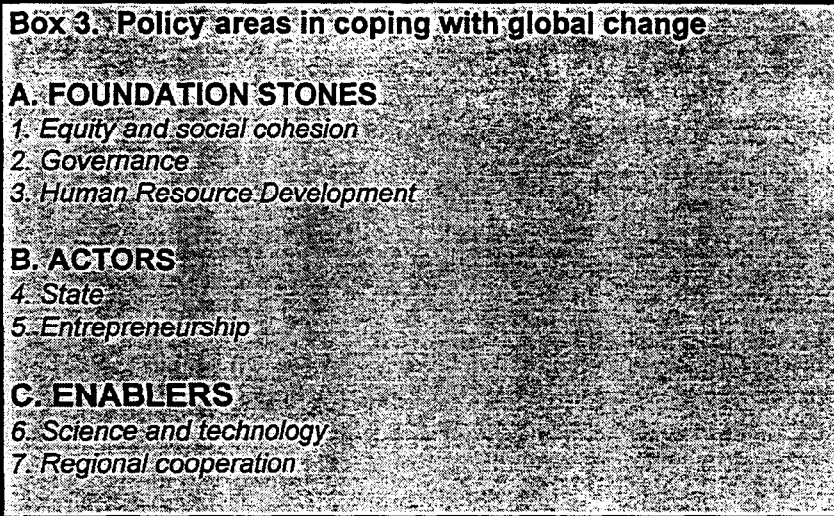
Among the issues which require attention are

- *planning and decision systems* to analyze the trade-offs between income/employment/poverty reduction on the one hand and ecological sustainability on the other hand; and to analyze the costs and benefits of alternative uses of scarce environmental resources, such as land use for housing, agriculture, industry, infrastructure, or tourism;
- *methods of involving local and national communities in environmental management*: alternative institutional arrangements for community involvement in resource management; environmental education; entitlements to scarce environmental goods and services;
- *policy instruments and policy implementation mechanisms*: appropriate combination of regulations vis-à-vis market-based economic instruments in the actual conditions of specific economies and institutional structures in the region, for achieving environmental management objectives.

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<sup>22</sup> This has been recognized by the organization of the United Nations Conference on Sustainable Development in Small Island Developing States (SIDS), in 1994. The larger Caribbean island states, as well as the Caribbean mainland countries, were officially included in the coverage of the SIDS Conference.

<sup>23</sup> For example, Country Environment Profiles have been prepared for most of the English-speaking Caribbean countries.



## VIII. AREAS FOR POLICY AND RESEARCH

In this final section we highlight seven broad, cross-cutting policy areas which are common to all the tasks of coping with global change in its different dimensions while pursuing internal development objectives. We suggest that this list provides a more suitable framework for research than that of dividing research tasks into the economic, the technological and the environmental. The areas are categorized as *foundation stones*, *actors*, and *enablers* (Box 1). Relationships with research and with proactive strategies are shown in Figure 1.

### A. Foundation Stones

#### 1. Equity and social cohesion

Although this lies outside of the immediate scope of this paper, it would appear to be the *sine qua non* of effective action in the other six areas. Equity in this context means equality of opportunity, access to common services and of treatment for every individual regardless of social or ethnic origin or gender; respect for ethnic and cultural minorities, and protection of the weak and defenceless. This is both a moral imperative, and a necessary condition for the construction of social cohesion and consensus. Research on the bases of ethnic and social fragmentation should seek to identify the bases for the kind of cooperation, social solidarity, and commitment to the common long-term good that are basic ingredients of successful strategies.

#### 2. Reform of governance

A similar significance hold for governance. Most Caribbean societies have adopted western political institutions, in form if not necessarily in substance. Guarantees of basic civil and political rights have often been achieved at the price of destructive competition for political office, over-concentration of power in the executive, and limited accountability. Some of the dysfunctional consequences of this have been: the exacerbation of ethnic, class and "tribal" (party) divisions; decisions motivated by short-term political considerations at the expense of long-term strategic planning; unwillingness to take political risks with potentially unpopular issues; institutionalization of the spoils system and its correlates, patronage and clientelism; incompetent and corrupt management of state institutions; and finally, cynicism and alienation from the political process on the part of ordinary citizens.

Research on the reform of governance might focus on three main areas:

- *consensus-building*: incentives, mechanisms, and institutions;
- *participation*: involvement of communities in planning, implementation and monitoring of services and projects; strengthening of local government in the same areas; strengthening of popularly elected bodies in relation to the executive; involvement of civil society in governance;
- (iii)*accountability*: besides (ii) above; establishment of independent "watchdog" institutions to ensure accountability in electoral procedures, expenditure of public funds, service provision to ordinary citizens, and the execution of administrative law.

### **3. Human Resource Development**

A skilled, creative and motivated population is the bedrock of effective coping strategies. The deficiencies of the education system in the region have been well documented (Miller 1992; World Bank 1993). The problems are both quantitative and qualitative. To quote a recent World Bank report, "Until the primary schools can significantly improve the performance level of their graduates, and secondary schools and tertiary institutions offer a sound education for a much larger proportion of the age group than is currently the case, it is unlikely that most Caribbean countries' labour force will be capable of supporting a development strategy dependent more on human than on natural resources." (World Bank 1993: 44)<sup>24</sup>.

Quantitative and qualitative improvements are required especially in Early Childhood Education, Primary Education, and Secondary Technical and Vocational Education. For example Governments need to accept financial responsibility for Early Childhood Education, for it is at this level that learning foundations are laid and inter-generation cycles of poverty and low educational attainment can be broken. At the primary level expanded resources are needed to attain 90-100 percent rates of functional literacy, numeracy, computer literacy at the Grade 6 level, and a minimum 60 percent rate of mastery of basic scientific and social concepts (Miller 1992: 41-80). The secondary level is also relatively under-resourced, especially technical and vocational education which still attracts low prestige in most countries.

Given resource limitations in most Caribbean countries, research should be directed towards the *effective cost-delivery* of education, and the *financing* of education. The other area in which research can make a contribution is in the *content* of education—curricula and methods of instruction/learning, with an eye to the strategic importance of scientific and technological education, creativity in problem-solving, and teamwork, in the emerging techno-economic paradigm.

## **B. Actors**

### **4. Strengthening of state strategic planning and management capabilities**

All of the coping strategies discussed in this paper require a state apparatus which is efficient, technically competent, and highly respected by the civil society. In many countries in the region state capacities have been ravaged by the effects of structural adjustment policies, which have meant severe staff cut-backs, decline in public sector remuneration vis-à-vis the private sector, falling status and prestige of public service, and a steep increase in corruption. Growth in the volume and technical complexity of the tasks to be performed by state institutions will place strong demands on their managerial capabilities.

Several issues need to be addressed in strengthening the capabilities of the state: for example adequate remuneration and career paths, provision of facilities for continuous training and learning, and a culture of innovativeness and responsiveness. Perhaps the critical step will be acceptance of a *social partnership*

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<sup>24</sup> The same report estimates that, in most countries in the English-speaking Caribbean, less than 15 percent of primary school entrants at present have a probability of attaining Caribbean Examinations Council (CXC) English, less than 10 percent have a probability of attaining CXC Math, and less than 5 percent have a probability of attaining 4 or more CXC passes (World Bank 1993:45).



*framework* in which the state provides leadership, with the private sector and civil society as legitimate and active partners. This ties up with reform of governance, and is an area in which research can make a contribution.

### **5. Fostering of local entrepreneurship**

Here it is important to focus on entrepreneurship rather than merely on "private sector activity". Entrepreneurship in this context refers to those skills and attitudes by business enterprises which underlie the development of competitive advantages by firms and industrial clusters. Its elements are a positive attitude to innovation<sup>25</sup> and willingness to invest in research and development; willingness to take risks; investment in staff development and recognition of the role of workers as a source of innovation and quality improvement; use of indigenous human, cultural and natural resources to develop new goods and services; use of support services from the state and local R&D institutions for product innovation and marketing; and effective use of new informatics technologies as a production and marketing tool.

Entrepreneurial behaviour appears to be conditioned both by the proximate variables of economic policy and the nature of public-private sector relations, and by the contextual variables of culture and historical experience. Because so much entrepreneurial behaviour is culture and country specific, "market-friendly" policies that stimulate entrepreneurship in one environment may elicit weak results in another; whilst interventionist policies that foster entrepreneurship in one cultural and social framework may have disastrous results in another. Hence detailed research is needed on the *cultural and the policy variables*, that influence entrepreneurial behaviour in specific Caribbean environments. Recent studies of the culture of entrepreneurship in Trinidad and Tobago (Ryan *et al* 1995), and on innovative behaviour at the level of the firm (Girvan and Marcelle 1990) indicate that useful insights can result from this kind of research.

### **C. Enablers**

#### **6. Science and technology policy**

Science and technology feed directly into the strengthening of the state's planning and management capabilities and into the fostering of local entrepreneurship. In an age in which new infocommunication technologies, ecology-economy-society interactions, and science and technology assume central importance. For example, development of competitive strengths by firms and industrial clusters involve the use of imported technology combined with local research and development for technology adaptation and innovation with special attention to the crucial role of informatics.

S&T policy involves a range of activities: aligning goals for the S&T sector with broad national and regional strategies; S&T human resource development in technical and vocational education as well as the tertiary/professional level; public funding of strategic R&D projects; and incentives and financial support for private sector R&D and staff training programmes in new technologies. Key tasks for research in this subject area are:

- methods of cost-efficient S&T planning and programming in small countries with limited financial and human resources; and
- experiences, and effective policy instruments, to link S&T to innovation and problem-solving at the level of individual firms.

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<sup>25</sup> i.e. in the Schumpeterian sense.

## **7. Regional cooperation**

Scope for regional cooperation exists across a wide range of activities: in external trade, security and environmental negotiations (Demas 1996); in bargaining with TNCs; in economic diversification and the promotion of new sources of competitiveness (Girvan and Samuel 1993); in human resource development; in environmental management; in science and technology especially telecommunications and informatics; in developing language skills; and in developing cultural, sports and recreational services.

An institutional framework for regional cooperation already exists in the form of several organizations. The member states of the Organization of East Caribbean States (OECS) cooperate closely in external economic and political relations, and share ownership of the highly successful East Caribbean Central Bank. The Caribbean Community (Caricom) has served as a vehicle for trade liberalization and functional cooperation among its member states since 1973. Caricom recently admitted its first two non-English speaking members (Suriname and Haiti), and has close ties with the Dominican Republic, Cuba and Puerto Rico. Expansion of Caricom to include these three states would transform the community into a truly Caribbean body and provide a solid framework for trade and functional cooperation.

Other institutions of broader regional cooperation include the Caribbean Development and Cooperation Committee (CDCC) of ECLAC; the Caribbean Group for Economic Development (CGCED) of the World Bank; the Association of Caribbean States (ACS); and the Latin American Economic System (SELA).

Experience of these and other institutions show that there are many obstacles to closer regional cooperation which have to be overcome: competitive economic structures; limited scope for intraregional trade especially for the smaller, less industrialized economies; and differences in language, culture, legal arrangements, and perceptions of economic interests. Identifying such obstacles at the necessary level of detail, and the modalities of cooperation which might overcome them, will be a great challenge to researchers across the region.

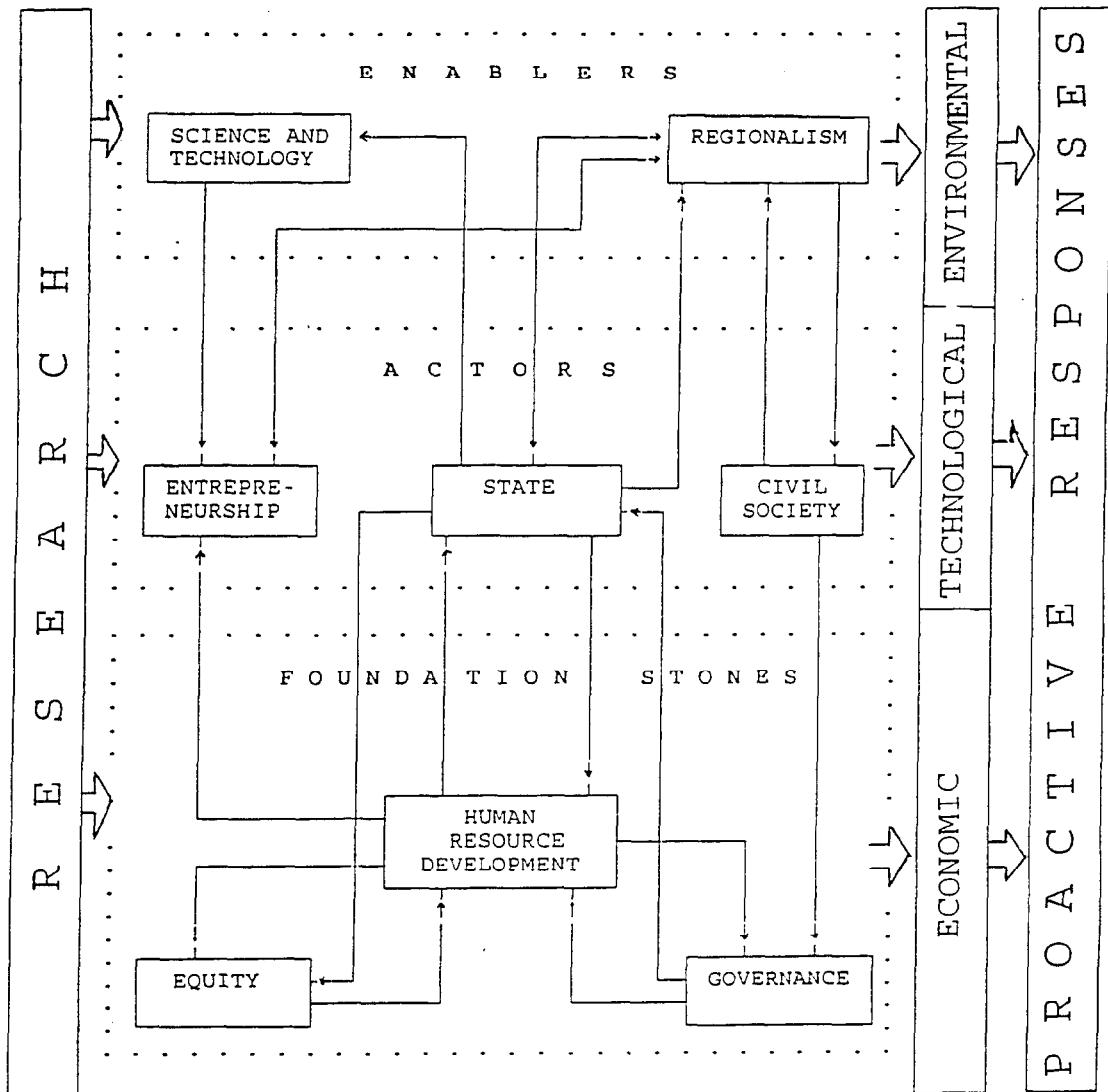
Finally, there is the issue of the meaning and limitations of "sovereignty" in the context of the contemporary Caribbean. Recent developments point to growing pressure on the already constrained political and economic sovereignty of Caribbean states. They include the maintenance and tightening of the US embargo on Cuba, the "Shiprider" agreements with the United States, the obligations of the WTO Treaty and the FTAA process, and the conditionalities of the multilateral and bilateral agencies.

Do these developments indicate that the postcolonial state in the Caribbean has exhausted its potential as a vehicle of political and economic sovereignty? Does regionalism offer a feasible alternative for the pooling of "sovereignties" in responding to the challenges of hemispheric consolidation and of globalization? Can Caribbean societies develop the degree of shared vision and commitment to regionalism required to make it work? The member states of the Organization of Eastern Caribbean States (OECS) cooperate across a wide area including trade negotiations and trade promotion, strategic planning and sectoral policy and planning, human resource development and training, finance, administration and public sector management, and bulk purchasing of pharmaceuticals. They also share ownership of the highly successful Eastern Caribbean Central Bank, and are working towards the establishment of an OECS Single Market.

August 1997

MANAGING SOCIAL TRANSFORMATION  
IN A GLOBAL CONTEXT

Figure 1



**Table A1. Characteristics by group**

	No.	Percent of total			* GDP
		Popu- lation	Land Area	GDP	Per Cap US\$
<b>Larger Island States</b>	5	79.4	28.4	34.7	995
<b>Smaller Island States</b>	8	3.1	2.3	7.7	5615
<b>Mainland States</b>	3	3.9	55.0	1.7	974
<b>Dependent Territories</b>	12	13.6	14.2	56.0	11439
<b>TOTAL</b>	28	100.0	100.0	100.0	2337

\* Weighted by population

*Larger island states:* Cuba, the Dominican Republic, Haiti, Jamaica, and Trinidad and Tobago

*Smaller island states:* Antigua and Barbuda, Bahamas, Barbados, Dominica, Grenada

St Kitts and Nevis, St Lucia, and St Vincent and the Grenadines

*Mainland states:* Belize, Guyana, Suriname,

*Dependent territories:* see Table 1

<b>Table A2 . Trade Dependency</b>			
	<b>Trade Dependency</b>	<b>Resource Products</b>	<b>Tourism in</b>
	<b>Ratio</b>	<b>in Mer Exports</b>	<b>Foreign Earnings</b>
<i>Larger island states</i>	<b>(%) a</b>	<b>(%) b</b>	<b>(%) c</b>
Cuba	..	73	..
Dominican Republic	54	73	52
Haiti	43	7	19
Jamaica	124	72	37
Trinidad and Tobago	72	57	..
<b>Subtotal</b>	<b>71</b>		<b>45</b>
<b><i>Smaller island states</i></b>			
Antigua and Barbuda	176	15	93
Bahamas	117	45	75
Barbados	98	37	71
Dominica	126	60	63
Grenada	105	78	66
St Kitts/Nevis	134	53	63
St Lucia	149	67	71
St Vincent	158	82	33
<b>Subtotal</b>	<b>121</b>		<b>72</b>
<b><i>Mainland states</i></b>			
Belize	152	88	24
Guyana	192	82	..
Suriname	224	..	21
<b>Subtotal</b>	<b>186</b>	<b>..</b>	<b>23</b>
<b>Total independent</b>	<b>89</b>	<b>..</b>	<b>..</b>
<b><i>Dependent territories</i></b>			
Anguilla	146	..	..
Aruba	265	19	92
British Virgin Is	229	..	72
Cayman Is	112	..	..
French Guiana	199	..	..
Guadeloupe	88	64	..
Martinique	53	63	..
Montserrat	64	..	97
Netherlands Antilles	208	..	56
Puerto Rico	124	20	6
<b>Total</b>	<b>125</b>		<b>68</b>
<b>TOTAL CARIBBEAN</b>	<b>112</b>		<b>23</b>
<b>Notes</b>			
a Exports of goods and services percent GDP			
b SITC Sections 0-4 percent merchandise exports. Includes refined petroleum products			
c Earnings from tourism percent exports of goods and services			
* Subtotals and totals are weighted averages			
.. Data not available			
Source: computed from data in Eclac, Subregional Office for the Caribbean, <i>Selected Statistical Indicators for Caribbean Countries, 1996</i> ; UN <i>Statistical Yearbook</i> ; and IMF <i>International Financial Statistics</i>			

<b>Table A3. Growth Rates</b>		
Average per capita real income growth		
	<b>1965-1980</b>	<b>1980-1993</b>
<b>Larger island states</b>		
Cuba	0.6	..
Dominican Republic	3.8	0.7
Haiti	0.9	..
Jamaica	-0.1	-0.3
Trinidad and Tobago	3.1	-2.8
Puerto Rico	2.1	3.1
<b>Smaller island states</b>		
Antigua and Barbuda	-1.4	5.2
Bahamas*	-0.5	2.0
Barbados	3.5	0.5
Dominica	-0.8	4.6
Grenada	0.1	3.8
St Kitts and Nevis	4.0	5.4
St Lucia	2.7	4.4
St Vincent	0.2	5.0
<b>Mainland states</b>		
Belize	3.4	2.9
Guyana	0.7	-3.0
Suriname	5.5	-2.0
* 1970-1980; 1980-1990		
.. Data not available		
Sources: UNDP HDR 1996; UNCTAD <i>Handbook of International Trade and Development Statistics, 1994</i>		

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