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ECONOMIC INTEGRATION WITH UNEQUAL PARTNERS: THE CARIBBEAN AND NORTH AMERICA

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Preface

The Latin American Program is pleased to publish the following work as part of its occasional Working Paper series. This paper is the product of research by R. DeLisle Worrell, deputy governor of the Central Bank of Barbados, conducted in part while he was a Guest Scholar at the Woodrow Wilson Center from October 1, 1993 to December 31, 1993. Dr. Worrell presented this paper in a colloquium held at the Center on December 8, 1993, from 3:00 to 5:00pm. Commentary was provided by Roderick Rainford, Advisor to the Executive Director, International Monetary Fund.

As Dr. Worrell wrote to the Wilson Center about his prospective research:

> "The English-speaking Caribbean countries are at a crossroads; fundamental questions are being asked about their economic future, their economic sovereignty and their relationships within the Western Hemisphere. A vision of the future must be informed by an understanding of how far the region has come and of political, social and economic relationships in the Western Hemisphere."

It should be no surprise therefore that Dr. Worrell's paper helps answer the key questions in economic relations between the English-speaking Caribbean and North America. Nor should it be surprising that included in his paper are suggestions for opening a path toward greater economic security for the nations of the Caribbean region.

The paper begins with a historical discussion of economic links between the Caribbean and North America, considers recent integration efforts and trade arrangements, particularly CARICOM, and addresses the present course of change in the relationship. Finally, Dr. Worrell, an economist who first joined the Central Bank of Barbados in 1973, examines the future of Caribbean-North American ties.

The following is an extensive analysis that should enlighten recent students of the region and veteran scholars alike. We feel this work is an excellent contribution to the study of contemporary Caribbean-North American economic relations, and we hope you enjoy it.

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Economic Integration with Unequal Partners

The Caribbean and North America

Situated at the pivot of North and South America, the Caribbean is inevitably swept up in the wave of economic - and perhaps political - change that has seized the Americas. Time for Action (West Indian Commission, 1992), the report of the West Indian Commission set up by the Heads of Government of Caricom[1], began the process of conditioning the Caribbean to a new economic and political reality. The region, and its leaders, are still working out the implications of the direction in which the report points. Neither leaders nor populace are confident that the Caribbean may achieve meaningful self-determination in a world dominated by sophisticated industrial nations. The fear of economic, cultural and social oblivion lies deep in many hearts.

The apprehension that the Caribbean will be overrun by the US, losing its identity, sovereignty and the means of a satisfactory livelihood, is understandable, considering the relative sizes of the US and the Caribbean, and the recent geo-political changes that have shifted focus, it seems, exclusively towards Eastern Europe and the Far East. However it is a misapprehension that the Caribbean faces a hostile monolith, intent on consuming it entirely. The interrelationships between the Caribbean and North America (Canada as well as the US) are subtle and nuanced, with flows in both directions, and currents determined as much by historical influences and associations as by economic and political dictates. Moreover, there are many shades of opinion in the US, Canada, Mexico, the Caribbean and the rest of the hemisphere, and the relationships are evolving in unexpected ways.

1. Background

The history of Caribbean-North American economic relations goes back over 400 years. The trade between the eastern seaboard of the Americas and the Caribbean, in which food and building materials for the Caribbean were exchanged for rum and molasses, started very soon after the establishment of slave plantations, and was a source of conflict and contention between the Caribbean and Great Britain for 200 years or more. There was also a fair amount of travel and migration between the Caribbean and the eastern seaboard, particularly with the southern states/colonies. The Caribbean, like Canada, was a haven for refugees from the newly independent United States in the late 18th century. Haiti established close ties with the US after it gained independence in the early 19th century. Links betwen the Spanish Caribbean and North America were officially severed when Spain lost its colonial footholds in Florida, but informal commerce continued, intensifying with the weakening of the Spanish colonial government in the 18th century.

The nature and intensity of north-south commerce varied over time. Political changes had an effect, with attempts to suppress trade with the US after its declaration of independence, and diversion to the Canadian provinces. The US civil war saw Caribbean sympathies with

the south, for the most part, though slavery had been abolished in the British colonies a generation earlier, and the rebel states were aided in attempts to evade the union blockade. The abandonment of mercantilist doctrines in Britain in the late 19th century brought an end to restriction on Caribbean-US trade.

The construction of the Panama canal set up a large current of migration across the Caribbean, and there was subsequently a smaller influx into the US of ex-canal workers. These movements accelerated flows of remittances from the US to the Caribbean. The 20th century has seen the development of Caribbean minerals for the North American market, especially oil and bauxite. There has been considerable penetration of Caribbean financial markets by Canadian banks and insurance companies; US financial institutions have a much smaller presence because they have, until recently, been hindered by states' laws that give them an overly parochial focus.

However, Europe remained the dominant influence on Caribbean economies until the end of the 19th century; for the English speaking Caribbean that dominance lasted until the 1960s. The base of Caribbean economies was the production of sugar and other agricultural staples - rice, cotton, cocoa, coffee, spices - for export to Europe. Finance for this investment came mainly from Europe, and surpluses and windfalls were repatriated there. Migration patterns were biased heavily towards Europe: it was the source of management and technical skills, and the destination of youth in search of education beyond the basics.

The European connection was reinforced by Britain's maritime power and dominance in world trade, and supported by the spread of British financial institutions. The Colonial Bank, established in the Caribbean in 1837, continues in operation, as part of Barclays International (Barclays Bank, 1991). The economic foundations of the European colonial empires were undermined in the late 1800s, but the empires themselves, and the economic relationships they created, lingered for as long as 150 years in some parts of the Caribbean.

European colonialism determined the pattern of economic and political integration and fragmentation within the Caribbean. The islands and some adjacent mainland areas were divided into language blocs in a haphazard pattern, reflecting the spoils of war rather than the logic of geography. Trade links were mainly between colony and imperial centre; even among colonies of the same power trade was not very great. However, among colonies of the same allegiance there were political, administrative and non-trade links of varying importance. Public servants were mobile between colonies, as were managers and a select body of professionals in the private sector. Many financial institutions served all colonies of the same power, and many shared common currencies. A few territories were administered jointly.

Although there was some interaction between colonies of different allegiance it was insignificant for the region as a whole. Moreover, even for colonies of the same power, interaction among themselves was nowhere on the scale of colonial relations with Europe.

Time, events and technology have destroyed the foundation of the old economic relationships between the Caribbean and the wider world. For almost a century Europe has not had a compelling economic interest in the Caribbean, and the region's patterns of trade and commerce have shifted northward. Since the 1960s Europe has no longer felt able to sustain the cost of strategic and political reach across the Atlantic. North American firms have stepped in to exploit the new products and services which the Caribbean supplies to the modern world - tourism, bauxite, oil and the assembly of manufactured goods. At the same time the US economy has grown enormously in relation to the world economy, to cast a huge economic shadow over the Caribbean and Latin America.

US interventions in the Caribbean have been motivated by geo-political concerns such as the security of the Panama Canal and resistance to the spread of what were perceived to be ideologies hostile to the US. These interventions have strengthened US-Caribbean links in some cases, and have resulted in the incorporation of some Caribbean territories (Puerto Rico and some of the Virgin Islands) into the US in the 20th century, under special arrangements that do not carry the full privileges and responsibilities of statehood. However, in other instances intervention has severed economic relationships for periods of time, and has left a legacy of hostility and resentment towards the US. The most conspicuous example is Cuba, but interventions in Haiti and the Dominican Republic have also created lasting suspicion of US power, a sentiment which is not far from the surface elsewhere in the region.

As will appear later (section 7) the evolution of Caribbean-North American economic relationships is less influenced by world economic currents and the debate over trade liberalisation than the intense focus on the North American Free Trade Area (NAFTA) and the possibility of a Western Hemisphere free trade area would suggest. In the post war period the US has initiated three programmes to bring the Caribbean closer into its economic ambit, two of them involving Latin America as a whole. In the 1960s the Alliance for Progress was conceived, arguably still the most fruitful of the initiatives. The provision of technical assistance, and the establishment of multinational institutions has made a difference to the quality of decision making in the region, and provided durable mechanisms for economic, political and social cooperation (Mesmer, 1992). The Caribbean Basin Initiative has been the source of intensive assessment, inconclusive because it is impossible to say with confidence what might have been the pattern of trade in the absence of the CBI. The fact that the CBI does not affect services, and that garments are excluded, means that its effects have not been far reaching.

The nature of Caribbean-North American relationships is also influenced by the characteristics of the European withdrawal. The French did not withdraw at all: their colonies have been incorporated into the French republic, with the status of 'department'. The British withdrew altogether (though the process is incomplete; a few colonies remain) and the former colonies are fully independent politically. The terms of the Dutch withdrawal lie somewhere in between, with the establishment of independent administrations in the Caribbean, and retention of some functions by The Hague. The Spanish Caribbean achieved its independence in the 19th century, and for much of the 20th has been under US tutelage. Because of their continuing responsibility France and Holland remain more of a counterweight to US economic dominance in the parts of the Caribbean with which they are associated than does the UK in the English Caribbean.

The nature of the Caribbean-North American economic relationship has to some extent been influenced by Caribbean responses to the above currents. The extent to which the Caribbean has been able to alter the outcomes, and the degree to which individual countries can exercise economic sovereignty are the principal questions to be addressed in this study.

The current circumstances raise questions, not simply of the Caribbean's future economic relationship with North America, but about the very identity of the Caribbean. It may be argued that the Caribbean is as much a part of the US economy as is Florida; the Caribbean cannot choose its rate of growth, rate of unemployment, inflation rate or interest rate independently of the fortunes of the US economy. This is to the Caribbean's disadvantage: if for some reason Caribbean economies decline relative to the US - an economic slump causes a disproportionate fall in air travel, for example - Caribbean workers are not free to migrate to more prosperous regions of North America, as would be the case for residents of Florida who might be similarly affected. Moreover, the Caribbean benefits from none of the fiscal transfers which moderate income disparities between states of the US (Eichengreen, 1990).

It does not therefore follow, as has ocassionally been suggested, that the Caribbean should reject pretensions of independence and sovereignty and seek accesssion to the US. There is little sympathy for that idea either in the US or in the Caribbean. In the US it is regarded, unreasonably, as a threat to living standards, through job losses to the Caribbean and through federal transfers. In fact the Caribbean labour force is too small to have any noticeable impact on labour market conditions in the US. In the Caribbean the notion is rejected as a return to a hated colonialism.

The potential benefit from accession to the US may be overstated. Migration, a major avenue of equalisation of Caribbean and US incomes in theory, is inhibited in practice because social costs such as the dislocation of schooling, renegotiation of mortgages, disruption of family and community ties inhibit migration, except in extreme cases.

There is considerable resistance to the loss of Caribbean identity. Caribbean people, at home and in the diaspora, have a strong sense of home which finds expression in the arts and in links of family and community. The loss of Caribbean identity would depress the quality of life, not only for Caribbean people, but for many North Americans, Africans and Europeans for whom Caribbean music, cuisine, street festivals and literature are sources of enrichment.

In any case there are variations among states, nations and regions, in the Americas and worldwide, in the extent of economic integration, due to geography, differences in legal and administrative systems, differential taxation, transport costs, natural phenomena and individual and group preferences. Legal and political boundaries do not identify homogeneous economic units; political divisions do determine the nature of many economic transactions (because of trade restrictions and border taxes) but there are many other transactions - especially tourism and services - which may not be affected. Economic relations between some nations may resemble links within large countries more nearly than they do relations with other nations.

Both the US and the Caribbean are in search of an economic relationship of mutual satisfaction; the old relationship has been superceded, the current situation is fluid and evolving. Further changes are inevitable. The Caribbean remains apprehensive about the direction and implications of that change. The US seems not to have a systematic strategy, as yet, beyond NAFTA; there is a vague notion that the NAFTA provisions will be extended to the rest of Latin America and the Caribbean. Things will probably not work out that way (Whalley, 1992). I hope in this essay to explore what is likely, and to suggest what might be desirable, by looking at the circumstances and the prospects.

One clue to the probable evolution of the Caribbean-North American relationship is the strength of the Caribbean sense of identity. Section 2 describes how the Caribbean describes itself, using the English-speaking countries as a point of reference. It discusses evidence of a Caribbean identity, and whether it covers English, Dutch, French and Spanish speaking countries. Spanish Central America is excluded, but Belize is included because it is a member of Caricom; Venezuela and Colombia are excluded, but Guyana, Suriname and Cayenne are included because of their strong affinities to the islands of the east Caribbean.

Section 3 explores the ways in which the desire for regional association might be realised in terms of economic links. It draws insights from theories of economic integration.

The majority of people in the Caribbean consider the rate of economic development and the quality of life unacceptable, and their opportunities short of their aspirations. Section 4 examines the roots of this disaffection, and the successes and failures of economic strategy in the post-war period.

Section 5 reviews efforts in the English speaking Caribbean to set up regional political and economic structures that could give voice and vision to the common Caribbean identity.

Section 6 discusses relationships between the English speaking countries and the rest of the Caribbean. Section 7 documents Caribbean-North American links, and Section 8 does the same for Caribbean relations with Latin America.

Section 9 describes how global changes have affected North American policies and attitudes toward the Caribbean. Chapter 10 is devoted to inferences for regional integration and suggestions for Caribbean policy.

2. Defining the Caribbean

For historical reasons the Caribbean has always defined itself in linguistic groups, contrary to what the map would suggest. Language grouping has been reinforced by patterns of travel and migration, shared institutions, common traditions and initiatives for integration among Caribbean territories. There is very little travel between islands belonging to different language groups, their legal systems, political and social institutions vary and attempts to unify the Caribbean have, up to the present, all taken place within language groups. Cultural links have tended along similar lines until recently, but modern telecommunications have led the Caribbean to uncover strong cultural affinities that transcend language barriers. Trading links within the Caribbean remain weak, based on geographic proximity and special products and markets, for commodities such as petroleum.

Literature and education have developed largely within separate language groups. Remarkably strong literary traditions have grown in the English and French Caribbean and in Cuba, but with few exceptions - Nobel laureate Walcott, Césaire, Guillén - the protagonists are known only to those who share their language. English speakers from Belize to Guyana have recognised a commonality of upbringing, social structure and value systems in novels (Beka Lamb, In The Castle of my Skin, Annie John, Miguel Street, Summer Lightning), theatre (Dream on Monkey Mountain, I, Marcus Garvey), essays and criticism (The Girl of the Sea, My Strangled City, Beyond a Boundary) and poetry (Omeros, Sun Poem). A common education system in the English Caribbean has produced a single examining and certification body for high school achievement for the region, and supports a single university of international standard.

Literature in other languages reveals many of the same concerns and sentiments, suggesting the basis for cultural fusion. However, the works have not been translated and disseminated across the language barrier - except for a handful of authors who have attracted wide readership in metropolitan countries (Walcott, Naipaul, Césaire, Condé, Carpentier).

Language separation has been aggravated by travel patterns. The overwhelming direction of travel and migration is to and from North America and Europe, and where travel within the Caribbean is significant it is within the same language group. This pattern is self perpetuating because travel costs vary with the volume of business.

Major initiatives for multilingualism would be needed to erode the language barrier. At present only the Dutch speakers are multilingual, typically with mastery of Dutch, English, Spanish and their native Papiemento. None of the other countries has mounted an educational effort of the magnitude necessary to achieve a general command of a second language.

There are very few political institutions for integration among Caribbean countries now remaining, but the region boasts an impressive array of institutions for cooperation in particular areas (see Time for Action, Appendix H). Although the majority of these bodies are centred in the English Caribbean there is great diversity in their coverage. Among the strongest and most influential are the University of the West Indies, funded by Caricom countries; the Caribbean Development Bank, whose membership includes Venezuela, Colombia and several industrial countries along with its English speaking Caribbean borrowing members; the East Caribbean Central Bank, the monetary authority and financial regulator for six East Caribbean states; the Caribbean Tourism Organisation, whose membership covers all the language groups; the Secretariat of the Caribbean Economic Community (Caricom); the Caribbean Examinations Council, for Caricom countries; the Caribbean Association of Industry and Commerce, and the Caribbean Congress of Labour, both with Caricom membership.

The language divide tends to define legal, judicial, and to some extent, social and political institutions and systems. Legal and judicial systems tend to mimic those of the UK and Holland, in their former colonies. Martinique and Guadeloupe are incorporated into mainland France. Political upheavals in Haiti and the Spanish Caribbean have left these islands with some distinctive legal and judicial forms.

Colonial patterns remain imprinted on the religious landscape, somewhat attenuated by large scale immigration in the 19th century. Former British and Dutch colonies are mostly protestant, except for muslim and hindu descendents of East Indian migrants; other countries are mainly catholic.

These distinctions are reflected in the political culture: the former British and Dutch colonies have established stable democracies - except for Suriname. The former Spanish colonies and Haiti have had a more checkered history of government. The legal and judicial systems of the English and Dutch speaking countries betray their colonial roots; there has been much more innovation and borrowing from American systems in other countries.

Social systems tend to be quite similar right through the region, despite religious and ethnic distinctions. They feature extended family structures, informal income support, the importance of festivals and socialising in small stable groups, often centred on the church.

It is in the area of culture that the Caribbean is most uniform, although until recently the cross-Caribbean contact was so intermittent that this may not have been readily appreciated. The development of the electronic media and the growing ease of travel have brought the strands of Caribbean cultural development together, producing an exciting mix, born of their common roots, which continues to evolve. The result has been a flowering of music, drama, painting, skilled craftmanship, athletics and street festivals. This cultural resurgence has reached far beyond the Caribbean Sea, and in music its influence is worldwide.

Perhaps the weakest area of integration within the Caribbean, even among countries of the same linguistic group, has been trade. The predominant direction of trade continues to be with North America and Europe. There are few complementarities that would make for intra-regional trade, and the efforts to develop them have not been successful. Such intra-regional trade as there is has resulted, not from language affinity or tariff policy, but from cheap transport and cost differentials between close neighbours. These factors explain the relatively high volume of trade between Barbados and Trinidad and Tobago during the oil boom years, and the trade between relatively high income Martinique and Dominica, where average incomes are much lower.

Discussion of Caribbean integration, and of links between the Caribbean and North America, has paid excessive attention to tariffs and other measures affecting visible trade, which have little effect on the structure of economic relationships either within the Caribbean or between the Caribbean and the wider world. Intra-regional trade is unlikely to assume major proportions, and it will continue to be dictated by relative prices and transport costs, notwithstanding the level or structure of tariffs and trade regulations. Inevitably trade will be mainly with the rest of the world, its pattern and growth determined by skills, investment, productivity and the rate at which the region adopts new techniques, the critical factors in international competitiveness.

In certain important ways, particularly with respect to culture, the Caribbean sees itself increasingly as a single unit. In many other areas Caribbean leaders seem to understand the need for unity, particularly as a means of accelerating the region's economic development. These perceptions, it may be argued, form the basis for building the Caribbean nation. As world events have recently illustrated, nations are not natural phenomena; they begin with a sense among a collective of populations that they share common roots, interests and aspirations but thereafter the sense of national identity must be carefully nurtured.

There is little institutional infrastructure that spans the entire Caribbean region. Only among the English speaking countries do institutions exist to affect policies in defined areas, that may deepen the sense of nationhood and the degree of integration. A useful approach seems to be offered by the West Indian Commission, which looked first at the nature of the integration process in the English speaking Caribbean, broadening the analysis to the wider Caribbean and the patterns of integration between the Caribbean and North America.

3. Economic Integration

Until about ten years ago most economic theory of integration was concerned with the effects of the removal of tariffs and the liberalisation of trade. Largely in response to the issues that have taken centre stage in the consolidation of the European Community a more comprehensive and useful literature has emerged, which pays attention to transaction costs, monetary union, economies of scale, factors that inhibit the mobility of labour and capital, the convergence of fiscal and monetary polices among members of an economic union, and mechanisms for the transfer of finance between members (Robson, 1993). The effects of trade liberalisation are rather innocuous, compared to those of the other factors, even in the case of the European community (Emerson et al., 1992; De Melo, Panagariya and Rodrik, 1993). Because intra-regional trade in the Caribbean is so small a proportion of the total, and the trade links to North America so embedded in the structure of Caribbean economies, trade liberalisation is an even more trivial issue in the Caribbean.

According to what must now be considered old-fashioned theory, a customs union or a free trade area - involving trade liberalisation among members but the maintenance of tariffs and restrictions against non-members - may have good or bad effects on the union, depending on assumptions about the competitiveness of markets, the universality of technology and information, transport costs, the use of imported inputs in production, the extent to which unit costs fall with rising output and the extent to which large scale producers provide benefits or impose extra costs on the rest of the economy. The result familiar to readers of elementary economics - that the union benefits if cheaper partner imports are substituted for dearer home production and loses if dearer partner imports are substituted for cheaper non-member imports - holds only under very special conditions, which correspond in no way to the reality of intra-Caribbean and Caribbean-North American economic relationships.[2]

A realistic estimate of the impact of intra-Caricom trade liberalisation should begin by subtracting from total intra-regional imports of goods and services the value of petroleum products, services (principally tourism) and resource based items (mainly primary agricultural goods that can only be commercially produced in the large mainland countries). That leaves about half of intra-regional imports that may be affected by trade liberalisation.[3] Intra-regional trade in goods and services is about 8% of the region's total imports[4], so that at most four percent (one-half of 8%) of the total may be affected by trade liberalisation. The size of the impact depends on the amount of effective protection before liberalisation and the price elasticities of supply and demand. The cost of transporting some of these items from the cheapest source to potential markets within the region is so great that the landed product is not competitive with most expensive home production, or with the landed (duty paid) cost of goods obtained even more cheaply from outside Caricom. Disaggregation is required to determine whether the results would, on balance, be favourable, but it is already clear that they will be insignificant. The results for the wider Caribbean are even more innocuous: for reasons of history, language, transport costs and transactions costs, commerce among the wider Caribbean is even lower than for Caricom, in relation to total external transactions.

Trade liberalisation between the Caribbean and North America has effects which depend on the extent of substitution of local production for goods and services which are more cheaply available from North America, after taking account of freight and insurance costs. Caribbean exports already enjoy free access to North American markets under the provisions of the Caribbean Basin Initiative and the Caribcan Agreement with Canada (See Section 7). Trade liberalisation will have an effect only if the exclusions from those agreements are removed.

Import patterns are determined by the size of Caribbean economies, which limits the variety and range of goods they can produce. Whatever the trade regime, imports from outside the region remain very high in relation to the national income, and the Caribbean of necessity must export most of its output to pay for these imports. Economists accustomed to markets of the industrial world, Latin America and East Asia find it difficult to appreciate the limitations to import substitution in the Caribbean. A medium sized garment factory produces enough men's shirts in a month to supply the retail needs of the entire Lesser Antilles for a given style for at least one year.

The ratios of imports to GDP, and the direction of trade between the Caribbean and North America owe very little to tariffs and trade restrictions. They are determined by the import content of domestic production, the need for variety in local consumption, and the limited range of these items for which domestic production is conceivable. The clearest evidence is to be found in the efforts that have been made to induce import substitution in the Caribbean. The most far reaching were undertaken in Guyana from 1974 to 1980, when draconian restrictions prohibited imports even in cases where no good domestic substitutes were available (Worrell, 1987, p. 94). The import ratios for Guyana remained unchanged for that period, compared with the periods before and after. Rather than substitute for imports the protective measures depressed output and drove activity from the formal markets underground. One observes a similar outcome during the period of severe import restriction in Jamaica (1974-80).

Further evidence of the limits to import substitution in the Caribbean may be gleaned from the Caricom experience. The existence of Caricom has made no measurable difference to the pattern of trade with North America: the ratio of North American trade in goods and services to the regional total has remained unchanged since 1973 (the date of Caricom's establishment), and that ratio has increased relative to the region's GDP.

The gains which economic integration may bring in terms of greater efficiency of production are potentially of some importance, in contrast to the benefits of trade liberalisation per se. Efficiency levels may rise because of larger scale (which allows greater specialisation when that would raise productivity), the prospect that large scale activity will encourage a wider scope and range of allied activities (to provide inputs or to produce by-products) and the benign spillovers that large scale activity might have. On the distaff side are potentially harmful spillovers.[5]

The policies that might raise efficiency in the Caribbean are labour mobility, capital mobility and currency unification. Large firms could tap a larger resource pool for talents appropriate to their needs and technology, and the costs of moving staff and of accessing finance from a variety of sources would be reduced by the elimination of currency risk. There are potential benefits from such integration within the Caribbean, as well as between the Caribbean and North America. Unfortunately policies to realise these gains have presented great difficulty in implementation. Within Caricom there is a plan for currency unification, but the domestic policies of some coutries may not yet be compatible with it; the first steps have been taken to improve capital mobility, but agreements on limited labour mobility have yet to be implemented. There are no similar initiatives for the Caribbean as a whole. If Caribbean currency unification were achieved the prevailing sentiment would favour arrangements that formally or informally integrated the financial system with that of the US, preferably with fixed exchange rates, large foreign exchange reserves and regulations only on large financial transactions (to inhibit speculative activity). However the prospect of labour mobility with North America, which would have a major impact, is remote.

Furthermore, one cannot say a priori that efficiency gains would outweigh efficiency losses, if one includes environmental effects, and efficiency may be bought at the expense of regional polarisation. Some cities, countries or regions of the union may attract a concentration of activity, reducing job opportunities elsewhere. If the integrated region is wealthier as a result of the union, everyone may benefit, provided there is a mechanism for transferring some of the wealth from the centres of concentration to depressed areas. In Caricom the Caribbean Development Bank's operating practices provide such a bias, to a limited extent, but a more automatic mechanism is clearly preferable. There is nothing of this kind for the Caribbean as a whole, and the possibility has not even been raised in the context of discussions with the US, Canada and Mexico. If, contrary to the position argued in this paper, Caribbean trade liberalisation does significantly improve North American access to the Caribbean market, North America should offer to share a portion of the rewards with the Caribbean, to assist with the ensuing changes in Caribbean production.

Integration may bring changes in the Caribbean's comparative advantage, and therefore in the activities that attract investment; because of size disparity, integration will have no effect on North American production. To the extent that comparative advantage is determined by natural resources the areas of Caribbean specialisation should not change much. The region has already geared investment to its mineral resources, tourism and extensive agricultural potential. Beyond this, comparative advantage may depend on historical developments, government subsidies and regulations, population concentrations, geography and even pure accident (Krugman, 1991). However, the Caribbean does have an advantage in the quality of its labour force, which, with the exception of Haiti, is better educated and housed, and enjoys better health than does the labour force of countries at an equivalent level of per capita income (Evidence for Jamaica, the DR and Trinidad-Tobago appears in IDB, 1993; see also UNCTAD, 1993). This should encourage skill and knowledge intensive activity, provided firms are free to bring together the mix of talents needed for each activity. The growth-promoting effects of the development of health and educational services are increasingly emphasised in the economic literature. The potential benefit to the Caribbean may increase with greater mobility of labour within the region.

Trade liberalisation does not help to change comparative advantage to the benefit of Caribbean economies. It has been suggested that energy supplies available cheaply in Trinidad be used for the smelting of alumina from Guyana and Jamaica (Girvan, 1967). However, the inhibiting factors are not trade restrictions and tariffs but transport costs and weak aluminium markets.

The effects of economic integration - within the Caribbean and with North America - on the competitiveness of Caribbean markets are indeterminate, though they may well be very considerable. Again, because of size disparity, the effects in North America will not be noticeable. Such effects derive from capital and labour mobility, which remove barriers to the growth of regional firms. Competition increases if a much larger number of strong regional firms emerges in banking, insurance, professional services, business services, tourism, food processing, agriculture, etc. but it is quite possible that fewer firms will dominate each of these activities (I discuss this more fully in Worrell, 1992). It is not clear that the latter would be unfortunate, from the point of view of maximising potential growth. The debate over the direction of the relationship between competition and growth remains unresolved (Helpman, 1992).

The mobility of labour and capital emerges as the major instrument for realising benefits from economic integration. It permits exporters and potential exporters to operate on a scale which yields efficiencies from specialisation, allied activities and spillovers. Such firms may draw on specialised skills scattered throughout the region and may tap financial resources from any member country, providing the best returns on investment. Labour mobility might also improve the quality of public administration, leading to a better economic environment and faster implementation of productive investment. It should reduce the emigration of skilled personnel, as more challenging job opportunities become available in the Caribbean.

Labour mobility might also lead to a better matching of wage levels and skills, which should improve efficiency and produce stronger firms with better growth potential. However, firms with the wrong mix of skill, technology, wages and quality might be forced out of business.

Stable nominal exchange rates within the union and with the rest of the world yield significant benefits. They improve investment incentives by eliminating a major source of uncertainty, they reduce the cost of international business because currency risk premiums are unnecessary, they eliminate the incentive for capital flight, they remove the major source of inflation in small open economies and they lend credibility to fiscal and monetary policies that are compatible with the stable matrix of exchange rates. For the Caribbean these benefits may be realised only by implementing domestic policies that maintain the values of domestic currency in terms of the US dollar.

If there is no parallel market in foreign currency, Caribbean countries may stabilise their exchange rates by adjusting fiscal and monetary policies to produce a sustainable balance of payments, characterised by adequate official reserves of foreign currency, a low external debt service burden and absence of short term debt accumulation. If there is a parallel market in foreign exchange, the policy regime will need to be altered, foreign exchange [illegible] or long run credit secured to bring foreign exchange reserves to an adequate level, and a realistic market exchange rate adopted, along with the removal of exchange controls on current account transactions. It will usually be necessary to adopt a new budget and monetary policy, with interest rate polices that are geared to the expected nominal rate of inflation after the effects of the devaluation have worn off.[6]

There is no need for further integrating mechanisms if each country always satisfies the conditions for exchange rate stability, but inevitably circumstances arise that raise questions about the sustainability of policy in one country or another. They may be a response to differential external shocks in different countries, manifestations of the election cycle, lax controls on government spending or an unsupportable surge in consumer demand. Also, countries that have had a history of changing policy regimes, none of which has been successful, find it difficult to gain credibility for any new initiative, and the expected response to a policy regime based on economic fundamentals fails to materialise. Because of such problems monetary union may be essential for exchange rate stability in some parts of the Caribbean.

Monetary union involves the establishment of institutions for joint management of monetary policy and currency. It requires an independent central bank - or banks - with a strong anti-inflationary mandate. Its credibilty may be enhanced by keying the money supply to the central bank's holding of foreign assets. To expand the money supply both government and private financial institutions must supply foreign assets to the central bank. They may acquire foreign assets only by running down their deposits with the central bank -thereby reducing the money supply - not by obtaining credit from the central bank. Accession to a monetary union with an independent central bank, endowed with adequate foreign exchange reserves, may be the only credible regime change available to countries with a history of economic instability.

There continues to be inconclusive debate in Europe over the degree of convergence of economic performance among potential members that is necessary for monetary union. On one hand it is argued that insufficient convergence dooms the union, and the UK's precipitate exit from the EMS is cited as an example. On the other hand it may be that commitment to monetary union accelerates the convergence of members' economies. A Caribbean monetary union is unlikely to suffer the strains of the EMS because the anchor of the Caribbean currency system - the US - is so large compared to the countries of the region. Caribbean countries do not have monetary or fiscal instruments that can hold their rates of inflation much below that of the US, and efforts to [illegible] economic growth through inflationary spending are frustrated by the supply of foreign exchange. The issue of accepting a higher rate of inflation in order to secure faster growth therefore does not arise. The only way to accelerate growth relative to the US is to maintain faster productivity growth. Policies which are more inflationary than those of the US may create a temporary gain in employment, particularly in the public sector, but that employment is soon lost when external imbalances cause a devaluation. The result is an inflationary spiral, with no growth in employment. Efforts to obtain a lower rate of inflation than for the US may cause much unemployment for little abatement in inflation, unless wages may be reduced with little difficulty. The motive for the Caribbean to accept US inflation rates is very strong, and there is virtually no sentiment in favour of deviation from US inflation rates even when they are relatively high.

Nontheless countries often deviate from policies that are consistent with achievement of US inflation rates, because the penalty for such deviation appears only after an interval which may be as long as three or four years. This should make monetary union highly desirable because it removes the opportunity to engage in what are ultimately futile policies. However, it also makes for reluctance to adopt monetary union rules, precisely because they outlaw short-sighted behaviour that may be to the temporary advantage of influential lobbies.

The above arguments point away from the removal of tariffs and other obstacles to intra-regional free trade as important economic expressions of a Caribbean identity. The vital mechanisms for integration are labour mobility, capital mobility and monetary union, and they all require sound macroeconomic policies that produce a stable balance of payments. The frustrations that Caricom has experienced with trade policy were unfortunate, but intra-regional trade is not very important, and trade disruption is inevitable if macroeconomic policies do not stabilise the economy.

The analysis also has implications for Caribbean-North American economic relationships. Although the US is outside the Caribbean it is to US economic performance the Caribbean economies tend to converge. In this respect the Caribbean differs from the EC and the former USSR, where the focus of convergence is a country within the union. To a degree this facilitates economic union, since all members have similar concerns in respect of international policy.

Caribbean convergence on US economic performance creates fears of a loss of Caribbean identity, as economic links are reflected in social, cultural or political influence. The Caribbean is drawn into the US sphere of influence through capital flows, tourism, the growing sector of international business services, the emulation of US lifestyles (frequently experienced first hand through visits to North American relatives and friends) and the predominance of US goods in the import basket.

There are, at the same time, measures on both sides to slow the pace of integration and to contain its scope. They include US barriers to labour migration, resistance both by Caribbean countries and the US to the elimination of Caribbean currencies, US non-tariff restrictions on Caribbean exports and measures to combat threats of dumping and predatory practices by US firms.

The following generalisations emerge from the discussion of this section:

- The removal of tariffs and non-tariff barriers does not much affect the degree of integration, either within the Caribbean or with North America. Transport and transactions costs are the principal factors that seperate one market from another.

- Freedom of movement of capital and labour are very important instruments for deepening integration and expanding the Caribbean's capacity to produce and grow.

- Fixed exchange rates make for faster integration and more rapid gains because uncertainty about the future of the exchange rate is the principal reason for high transactions costs.

- Monetary union, with a single currency and an independent central bank, can yield additional benefit by lending credibility to future government policy, linked to a promise of future exchange rate stability.

- Integration involves the convergence of economic trajectories; in the case of the Caribbean the US is the focal point.

- Neither the US nor the Caribbean in general would regard the US and the Caribbean as an integrated union, but in many important economic respects North America and the Caribbean do form an entity - with respect to trade in goods and services, currency and the movement of finance. Policies are required to make this an equitable relationship, in view of the fact that neither side wishes to allow full integration, with freedom of labour movement and automatic mechanisms for fiscal transfers from the US to disadvantaged regions of the Caribbean.

4. Caribbean Achievements and Failures

A significant cause of the Caribbean identity crisis is the sentiment that Caribbean countries have failed to achieve their economic objectives, and that living standards are below the expectations and aspirations of the population. Countries are in search of a better economic strategy, at the same time fearful that, should such a strategy involve much deeper integration with North America, it would result in a loss of identity.

The Caribbean sense of economic failure is not necessarily a faithful reflection of the actual circumstances. The region has recorded a wide range of achievement and failure in the post war period, judging by per capita incomes, education, health and sanitation, inflation, employment, income distribution and the elimination of poverty. Countries may be divided into broad categories according to economic performance as follows:

1. Good performers with good prospects - Belize, Bermuda, Cayenne, Cayman, Guadeloupe, Martinique, Netherlands Antilles, Puerto Rico, St Lucia, St Kitts-Nevis and Virgin Islands.

2. Good performers with major adjustment problems - Antigua-Barbuda, Bahamas, Barbados, Jamaica, Trinidad-Tobago.

3. Good performers with poor prospects - Dominica, Montserrat, St Vincent.

4. Poor performers with good prospects - Dominican Republic, Guyana.

5. Poor performers in difficulty - Cuba, Grenada, Haiti, Suriname.

The good performers made considerable gains in per capita income, improved income distribution and showed major improvement in health, education and sanitation in the post war period. Economic expansion which made these improvements possible was the result of factors such as new technology, extensive agriculture, newly exploited natural resources, improved quality of the labour force, improved infrastructure, capital inflow and foreign expertise.

Tourism provides the most dramatic example of technology-based growth. The advent of jet aircraft reduced the time and real cost of travel so dramatically as to bring the Caribbean within reach of the holiday maker who had only one or two weeks to spend, and brought the cost of a tropical vacation within reach of the working classes of industrial countries. It transformed the Caribbean from a preserve of the wealthy tourist, and tourism from a minor activity to a major export and source of employment. An important if less dramatic example of technological change is the mechanisation of agriculture, which has significantly increased labour productivity.

Notable increases in agricultural production came as a result of the opening up of previously uncultivated areas, in Belize and Guyana. The exploitation of newly discovered natural resources opened new export sectors and caused dramatic expansion in bauxite and alumina (Dominican Republic, Guyana, Jamaica, Suriname), petroleum (Trinidad) and nickel (DR).

Focus on educational improvement over many years has brought higher overall levels of achievement and a larger proportion of skilled workers in the labour force. This has contributed to growth through increases in average labour productivity, and improvement in the quality and variety of Caribbean output.

Another significant contributing factor is the improvement in infrastructure, in particular transport and public utilities. The difference between the transport, electricity, water and telephone services of the good and poor performers is marked.

Private foreign investment has made a major contribution to the growth of Caribbean economies. It has brought expertise in foreign market structure and requirements, quality control and sourcing, as well as finance for establishment costs and the purchase of imported materials. It has proved relatively easy to attract the attention of potential foreign investors when labour costs are very low relative to those in well established competing centres. More active domestic investment strategy is needed as living standards rise closer to those of industrial countries.

Judicious official foreign borrowing helped to stimulate growth, but excessive foreign borrowing caused instablity which eroded previous improvement in some countries. Where governments kept external debt service ratios low and used the proceeds of foreign loans to build infrastructure the results were improved quality of life for citizens and a stronger incentive for investment.

The countries that have good prospects of continuing growth are characterised by one or more of the following: they are in the early phase of tourism development and the introduction of modern technology; they have political links to metropolitan countries to ensure a continuing stream of transfer payments; they have sustained investment to improve quality, develop new markets and increase the productivity of labour and capital they employ; their labour costs are still very low.

Tourism usually grows very quickly in the early stages of the development of new resorts. The latest examples are Aruba, the DR and St Lucia. Thereafter expansion slows, as may be seen in mature resort destinations such as Jamaica, the Bahamas and Puerto Rico.

Puerto Rico, the Virgin Islands, the French and Dutch Antilles retain some form of link to metropolitan countries which gives access to financial transfers into these countries.

Labour costs remain very low in the DR and Guyana, making for an obvious incentive to labour intensive industry. However, poor infrastructure reduces considerably the competitive edge offered by low labour costs. Moreover, should these countries experience rapid growth they will be confronted with the challenge now facing their more prosperous neighbours as the work force feels able to express its repressed demand for a better quality of life.

Pessimism about the outlook for the Caribbean seems justified to some extent by the fact that very few countries base their prospects for growth on continuing investment in quality enhancement and greater productivity. In many countries there are pockets of such investment, but overall this seems to be the driving force only in the tiny countries of Bermuda and Cayman. The other engines of growth may be viewed as elements of a catching up strategy which can serve to bring new players and countries where living standards have lagged up to the Caribbean average. The only strategy which can improve the Caribbean condition, apart from dependence on unrequited transfers, is one that depends on improved productivity, quality and variety.

Countries that have major adjustment problems suffer from one of the following: low policy credibility because of repeated changes of strategy; domestic aggregate demand too high relative to levels of export production; and external debt service commitments that absorb too large a proportion of foreign earnings.

Jamaica is the Caribbean country whose government suffers most from a lack of credibility, after close to two decades of changing policies, from extremely interventionist to extremely liberal, with no lasting improvement in the quality of life for the average worker, no containment of inflation and no reduction in unemployment. There is, at the time of writing, very little confidence that current economic policies will stabilise the economy and set the stage for renewed growth (Money Index, Sep. 28, 1993, p.3).

High foreign debt service is a problem for Guyana, where debt service commitments exceed foreign earnings, and Antigua and Barbuda, where arrears continue to build. Jamaica has been successful in reducing its debt service to one quarter of foreign earnings from almost 50%, but further reduction is desirable.

In Barbados and Trinidad and Tobago the levels of domestic demand, fuelled by the size of government's deficits, are too large in relation to the country's national output. Because of the openness of the economies this results in a balance of payments deficit and, if not contained, a depreciation of the nominal exchange rate. Efforts in both countries to address the problem by fiscal adjustment have not definitively rectified the imbalance.

Dominica and St Vincent have doubtful prospects because the export of bananas to the UK, which has been the foundation of their economic growth, will not be viable if the special marketing arrangements now in force come to an end. The banana protocol of the Lomé agreement between the EC and African, Caribbean and Pacific (ACP) countries is being challenged by lower cost suppliers in Central America, with the support of Germany and other members of the EC. Unlike other banana producers Dominica and St Vincent have been unable to diversify into tourism and the assembly of manufactured components. Montserrat's fortunes depend on the market for resident retirees, which no longer seems to be growing.

The poor performers have suffered from inappropriate economic policies, persisted with over many years, as well as political instability. Studies of economic change in developing nations are unanimous in finding that political stability is an essential for economic development (Nelson et al., 1990). The processes for democratic transition did not exist or broke down for an extended period during the post-war period in all the poorly performing countries. In the DR, Grenada and Guyana functioning democratic processes have now been restored, and unrealistic regulation, restrictions and state intervention have been eliminated. The DR and Guyana have encouraging prospects, but Grenada's future is clouded by its dependence on the banana marketing arrangement with the EC.

This brief survey has uncovered the roots of Caribbean pessimism. Of the countries with good performance and prospects, only two of the very smallest seem to have developed the internal capacity to drive their economies forward, by initiating productivity-enhancing investment. The other growing economies depend on unrequited transfers from rich countries, paid for by the surrender of political autonomy; or they have recently begun to exploit some major resource such as tourism, and will eventually have to face the problems of maturity which have already overtaken their Caribbean neighbours; or they are so poor that their prospective growth still leaves them well down the development ranks.

However, the problems of most countries may be addressed by economic policy measures available to Caribbean countries, so long as there is a functioning democracy in place. Independent monetary policy to contain aggregate demand and stabilise the balance of payments would lay the foundations for growth oriented policies in most Caribbean countries. The credibility of such policy would be buttressed by monetary union and a fixed exchange rate in terms of the US dollar, supported by sufficient foreign reserves to meet contingencies, counter speculation (with the help of controls on large capital transactions only) and accomodate normal seasonalities. Factor mobility within the Caribbean would help in the evolution of firms with the knowledge and flexibility to reach international standards of competitiveness.

Moreover, economic development in the post-war period has endowed the Caribbean with relatively advanced infrastructure and comparatively rich human resources. The indicators of the human condition for Caribbean countries are always higher than average income levels would lead one to suspect. Some pockets of destitution remain - most of Haiti, some rural districts of the DR, Guyana and Jamaica and the Kingston ghetto - but the majority of the Caribbean population enjoys a healthy lifestyle. Since the prospects for development depend, more than any other factor, on the quality of the workforce, the Caribbean is better placed in the international competitive race than its citizens realise.

Cuba is the Caribbean's special case. So long as the Soviet Union existed Cuba's economic circumstances paralleled those of Puerto Rico and the French Antilles, with average income boosted above the average product by transfers from the Soviet Union, mainly through marketing arrangements for Cuban sugar and the supply of petroleum from Russia. The collapse of the USSR devastated the Cuban economy, interrupting the supply of fuel, machinery and essential inputs, forcing Cuba to seek alternative markets for sugar and eliminating all elements of subsidy, all in a haphazard process of unmet commitments, rather than through formal abrogation of pre-existing arrangements. The rest of the Caribbean views the prospect of Cuba's inevitable integration into the North American economy with apprehension, and expects an even greater challenge to its competitive position than is anticipated from Mexico.

However, the impact of Cuba-North American integration should be seen in the perspective of the size of the North American market, compared to the productive capacity of the Caribbean. Although Cuba accounts for about one third of the Caribbean population, the addition of its production to Caribbean capacity still leaves the region with a miniscule potential share of the North American market. There will, however, be major transitional problems, in the mass tourism market and in the competition for investment in labour intensive production.

5. Integration in the English Speaking Caribbean

If the economic benefits of integration are real it is surprising that so little progress has been made towards an economic union in the Caribbean. Various attempts at integration, dating back to earliest colonial times, all encountered difficulties because of parochial sentiment. Sometimes the economic motivation was evident, because integration threatened the advantages of a privileged and powerful group, but integration has also been resisted because of colonial loyalties, linguistic barriers, and religious and ethnic differences. Still, the surprise may be that so many regional arrangements do exist, when one takes account of the divisiveness of the region's history, the complexity of Caribbean society and the idiosyncracies of human motivation.

The end of World War II saw the beginnings of change in the colonies of European nations, including all of the Caribbean except the Spanish speaking countries, Haiti and the Virgin Islands. Fortunately for the Caribbean there emerged a generation of political leaders with a vision of a united Caribbean that might one day include all linguistic groups. However, that was regarded as a distant ideal. The immediate goal was greater political autonomy for the colonies, and the alleviation of the terrible poverty characteristc of most of the region. The Moyne Commission report, the most comprehensive documentation of the Caribbean condition just prior to World War II, recorded generally poor health, widespread insanitary living conditions, low educational achievement, dilapidated housing, average incomes below subsistence levels and high levels of joblessness.

Because of colonial fragmentation the agenda for political and economic reform came to be tackled on a linguistic basis, with British, French and Dutch colonies moving on different tracks and often in different directions. The Spanish speaking Caribbean and Haiti remained apart from these developments, undergoing a series of upheavals of their own which had far more revolutionary effects. Puerto Rico embarked on a strategy, based on US investment, which at one time was expected to be the model for economic development in the rest of the Caribbean.

The French colonies were incorporated as departments of metropolitan France, which effectively cut them off from subsequent developments in the rest of the Caribbean. The most influential integration mechanisms depend on the existence of national decision making institutions which can enter into mutual arrangements. No such institutions - legislatures, taxing authorities, central banks, autonomous judiciaries - exist in the French Antilles. These services are all directed from Paris. The immigration and travel restrictions of metropolitan France inhibit interaction between the French Caribbean and its neighbours. Puerto Rico and the US Virgin Islands are similarly compartmentalised, but less severely. They both have more local government, which has facilitated commercial links with the rest of the Caribbean in recent years.

The English-speaking Caribbean has produced most of the analysis of integration possibilities in the Caribbean, and done most to implement forms of integration. Efforts in the immediate post war period aimed towards a federation of the English-speaking Caribbean. A federated nation seemed the minimum size of unit required for economic and political viability in any post-colonial arrangement. A series of conferences leading up to the establishment of the Federation of the West Indies in 1958 was arranged to work out the structure of the federal government, the powers of the centre and the make up of the legislature. The Federation was dissolved in 1962, soon after Jamaica seceded. In hindsight it has been argued that insufficient attention was paid to the economic underpinnings of the Federation, but focus on the political arrangements was inevitable. The major concern was to bring an end to colonial relationships while preserving and reinforcing the traditions of parliamentary democracy which were inherited from the British.

Moreover, there was considerable economic analysis, even though much of it seems not to have informed popular debate. There were recommendations on the establishment and functions of a central bank, and analysis of the extent of labour mobility in the region (Roberts and Mills, 1958; Reubens, [Undated]). However, analysis of the probable transfers of jobs and finance, and the provision of funds to offset regional disparities, might have allayed some fears and provided better ammunition against the anti-federalist lobby.

Concerns about the implications of monetary, fiscal and other stabilisation policies seemed unimportant in these early debates, compared with the problem of growth. Economists worried about securing finance sufficient to accelerate economic growth rates in societies where the propensity for domestic saving was thought to be very low, even negative in some cases. Moreover, since the colonial relationship permitted free capital flows to the metropole, it was feared there would be insufficient incentive for growth promoting, but potentially risky, investment in the Caribbean. Policies were recommended to attract foreign investment and to ensure there would be no cut-throat competition to offer more attractive regimes of tax and other incentives. It was recognised that investment might not be distributed among the members of the Federation in the same way that it might be for individual countries, but there was little sentiment for individual country independence prior to the 1960s, so the issue was not considered crucial.

In fact colonial arrangements provided some integration mechanisms which have subsequently been lost. All colonies were members of the sterling area, within which capital could be moved without exchange controls. Countries of the East Caribbean from the British Virgin Islands to Guyana used a single currency; there were three currencies in use in the English speaking countries of the West Caribbean, but the Jamaica currency dominated. West Indians could migrate within the region with relative ease, though labour movement was subject to restrictions. In all these areas the end of the Federation and the establishment of independent nations has been retrogressive: fierce restrictions have at one time or another been put on intraregional capital movements, there has been a proliferation of regional currencies, the majority of which have proven unreliable stores of value, and there are severe restrictions on the movement of skilled persons, along with a virtual ban on the legitimate migration of the unskilled.

The demise of the West Indies Federation threw the question of political integration off the agenda for 30 years. Attention shifted to economic aspects, driven by a perception that the Federation's failure was largely to be blamed on an inadequate economic foundation. The new efforts bore fruit first in the form of the Caribbean Free Trade Area Agreement (Carifta) of 1969, which was superceded in 1973 by the Caribbean Community (Caricom) Treaty.

The arguments for economic integration were that the creation of a single regional market, the temporary proscription of some imports, the zoning of new enterprise and the development of major industry that combined regional natural resources would attract additional domestic saving into investment in import substitutes, and raise the local value added in export industry (Brewster and Thomas, 1967). It was expected that the removal of intra-regional tariffs would significantly increase the degree of integration of the Caricom market, but it was recognised that high transport costs would remain a major factor in market segmentation. Studies were commissioned on the regional transportation systems (Keirstead and Levitt, 1963; De Castro, 1967), but they had little impact. No attention was paid to the potential disruption of markets by rising transactions costs. At that time there were few currencies in circulation in the English Caribbean, and they were all members of the sterling area, eliminating the major cause of high transactions costs in later years.

The strategy envisioned a role for government in providing fiscal incentives for investment and that fiscal saving would be used to make direct investment in large scale industry such as a proposed aluminium smelter. Governments were also expected to enter mutual agreements for the zoning of industry, distributing activities around the region to ensure greater complementarity between the economies and to combat tendencies for regional polarisation.

The Treaty of Chaguaramas, which established Caricom, provided for a common external tariff (CET) to be introduced in stages, with a longer phasing-in period for those members who were deemed less developed. However, the tariff remains so riddled with exemptions and special provisions, even after major revision, that it is of little consequence. This has occasioned great distress in the popular mind in Caricom, but failure to implement the CET seems of little consequence for the economic future of the Caribbean. The Caricom treaty includes provisions for the marketing of agriculture - which have had only sporadic effect, and for the zoning of industry - a dead letter which has at last been abandoned as impractical and unproductive. A new outward-oriented industrial strategy is recommended in Girvan et al., 1993.

The most influential and useful provisions of the Chaguaramas Treaty initiated a network for regular consultation among members at the technical and policy level, together with a secretariat to service these functions. There is now a 20-year tradition in the English Caribbean of collaboration, not only in economic areas such as trade, finance, industry, tourism and agriculture, but also in health, education and labour. This collaboration has been extended to women's affairs, the environment, the arts and sports. Much to the disappointment of the Caricom public, these networks do not often produce unanimous policy decisions, but they have played a crucial though little recognised role in framing the policy agenda for the Caribbean, and in sharpening perceptions of the options available. The institutional arrangements of Caricom have fallen far short of intentions, but critical analysis - which remains to be done - might reveal a degree of cohesiveness in decision making that would probably not have been possible without Caricom (See Time for Action Ch. 2 for one evaluation of Caricom's achievements and failures).

Caricom's efforts at collaboration are given high profile by meetings of Heads of Government, originally intended as annual affairs, but more recently held twice a year, with more frequent sub-committee meetings. These meetings may have produced more contention than agreement, and agreements reached do not have a good record of implementation, but that has itself intensified pressures for more effective enforcement, rather than for dismemberment.

Caricom is supported by a wide range of institutions and associations, some of which predate the Treaty of Chaguaramas, which are official and private, technical, professional and voluntary. They include the University of the West Indies, the Caribbean Development Bank, the Caribbean Tourism Association, the Caribbean Association of Industry and Commerce and a variety of professional bodies.

By the late 1980s Caricom members had developed a profound discomfort with the regional arrangements, mainly because they seemed to have been of little assistance in overcoming the region's widespread economic malaise. There was little real progress on the CET, a regime to encourage regional enterprise, and other agreements, and there were no sanctions to prevent beggar-thy-neighbour policies (which invariably proved self destructive for the implementing country, as well as harmful to other members). The search began for ideas to provide new impetus for integration that might enhance economic performance.

Another motive for strengthening regional ties was to resist increasing intrusiveness of externally determined policies. Many Caribbean countries enjoyed only a brief interlude when local policy makers were at liberty to determine fiscal and monetary policy independently of the opinions of the international institutions for economic surveillance: the IMF, World Bank and Interamerican Development Bank. As the views of Washington prevail over local opinion on interest rates, trade liberalisation, exchange rates, fiscal strategy, the privatisation of state enterprises and financial regulation, the perception grows that Caribbean economies now suffer a new form of dependency which condemns the majority of their populations to frustration of their ambitions. It is hoped that regional collaboration will restore to economic decision makers a greater degree of autonomy.
The example of the European Community has encouraged interest in strengthening of the Caricom arrangements. Europe's problems have renewed interest in regionalism and have given prominence and respectability to the notion, providing ideas and examples from which the Caribbean may borrow.

Yet another influence is the threat of marginalisation of the Caribbean in the consolidation of regional trading arrangements. The establishment of NAFTA is seen as a major threat to Caribbean economic interests (Bernal, 1993), and Caribbean exports to the EC face challenges. There is a strong sentiment that the region's common interest in resisting marginalisation should be reflected in stronger arrangements for collective action.

In response to these sentiments the Caricom Heads of Government commissioned a group of prominent administrators, businessmen, technicians and scholars to hold public consultations, develop background papers, evaluate the Caricom arrangements and make recommendations. The Heads of Government are now trying to come to terms with the report of this West Indian Commission (WIC), which was presented in August 1992.

The WIC report is the most comprehensive and influential of recent efforts to develop a new paradigm for Caribbean integration. There was one previous evaluation of Caricom (Group of Experts, 1981); it did not depart from the original objectives which had informed the Chaguaramas Treaty, nor from the mechanisms that were expected to achieve them. However, the failure of many aspects of that economic strategy pointed to the need for a re-evaluation.[7] The West Indian Commission's report Time for Action is the culmination of efforts to redefine the objectives and strategy of Caricom. These efforts include analyses of social and economic issues by Bourne et al. (1988) and Beckford and Girvan (1989), economic assessments by Bourne and Worrell (1989) and Worrell, Bourne and Dodhia (1991); economic policy analysis by Worrell (1992); and a number of reports specially commissioned by the Caricom Secretariat (Field-Ridley, 1991; Blake and Sanatan, 1991).

The main economic elements of the new paradigm of integration for development would seem to be the following, though policies may sometimes appear to deviate from them:

- Growth to depend on exports, tourism and internationally traded services;
- Tax systems should provide incentives for investment in these areas;
- Regional mobility of skilled labour and capital to enhance production capabilities;
- Monetary union to reduce transactions costs within Caricom (and the wider Caribbean), and to reduce uncertainty;
- Independence of the monetary authorities, so as to achieve greater credibility for policy;
- Currency stability to reduce expectations of high inflation.

Some weaknesses remain in the policy framework:

- Weakness of investment incentives (because of inflation uncertainty, absence of credible policy, short term horizons) mistakenly viewed as insufficiency of finance. The result is a misguided faith in high nominal interest rates as an instrument to increase finance, resulting in interest rates that are themselves a major source of inflation;
- Continued over-emphasis on the importance of tariffs in regional trade;
- The notion that tiny Caribbean home markets may form the basis for companies that may later expand into the extra-regional market diverts too much initiative to local markets and import substitution;
- The leisurely pace envisaged for monetary union, potentially the most powerful instrument for regional convergence.

6. Caricom and the Wider Caribbean

Because of economic and political circumstances the non-English speaking Caribbean has devoted less effort to integration, and there are no institutions similar to Caricom elsewhere in the region. The issue did not arise in the French speaking Lesser Antilles; Haiti and the Spanish-speaking Caribbean were preoccupied with the search for political stability. The Dutch-speaking Caribbean suffered a degree of disintegration, with the withdrawal of Aruba from the joint Netherlands Antilles administration.

In recent years interest has grown in the establishment of links between Caricom and the rest of the Caribbean. Initiatives have been motivated by recognition of shared features and problems, and the sentiment that cooperation might offer the best outcomes.

Private investors from Caricom countries have sought out investment opportunities in non-Caricom countries, as the relaxation of capital account controls by Caricom countries has made such investment possible. There have been major tourism investments from Caricom in Cuba, and the private sector has shown interest in selling to non-Caricom countries, but the principal barriers are high transport costs, and the low average spending power of Haiti and the Spanish Caribbean.

The leadership of Puerto Rico and some French Caribbean intellectuals are reaching out to their neighbours, perhaps as a way of acknowledging and sustaining their Caribbean identity. They are sensitive to their dependent status, their lack of influence in regional affairs and the fact that they have no forum for a voice in international affairs. Puerto Rico has actively sought to develop regional links through its development bank and its Department of State. There are also a number of business, sports and professional groups with an active Puerto Rican membership. The participation of the French speaking Caribbean in regional organisations is very low, where it is in evidence at all. They do not have institutions such as the Puerto Rican Development Bank at the Caribbean level, and there is nothing to counter their professional and business links to France.

Fear of beggar-thy-neighbour policies has motivated efforts to link Caricom and the rest of the Caribbean. There is, inevitably, competition among Caribbean countries for investment and markets, because of their many similarities. Countries have an incentive to collaborate in setting environmental standards, establishing regulations for financial probity and agreeing a regime of tax concessions. There remains considerable variety in the tax regimes on offer in the Caribbean, but collaborative efforts in environmental protection and financial regulation embrace the majority of the Caribbean, of all language groups.

A recognition of shared heritage, traditions and cultural practices is uniting the Caribbean across language barriers. Collaboration in music, festivals, sports and the performing arts is increasingly common, with practitioners and performers borrowing freely from each other, blending styles developed in their different communities (See, for example, Caribbean Festival Arts, Caribbean Style).

The Netherlands Antilles has been drawn to Caricom in particular because their political problems very closely mirror those of the English speaking Caribbean, with the danger of political fragmentation at a time when the region needs to consolidate and strengthen alliances. The Netherlands Antilles participates in many economic and business fora of Caricom, though they are not members of the community.

Caricom and other Caribbean countries have begun to reconcile their interests in external economic relations, particularly in negotiating agreements such as the Lomé accord with the EC and trade arrangements with North America. This collaboration is too episodic to be satisfactory, and there continue to be differences of policy, opinion and interpretation. The most recent example pitted the DR and Haiti against Caricom banana producers in discussions with the EC.

The Caribbean is being driven together by a common fear of marginalisation and loss of identity, as world trading blocs develop. The fear may be exaggerated, and the trading blocs less homogeneous than at first appears, but the sentiment is a powerful motivation for deepening regional ties.

In time these motivating factors may produce more influential links among all the countries of the Caribbean, but at the moment there are relatively few institutions that serve the whole region. The Caribbean Tourism Organisation does research, coordinates marketing and acts as liaison between individual country tourism organisations; there is a region-wide programme for bank supervision, which acts as liaison and supervises training; and there are ad hoc bodies for international economic relations. Non-governmental organisations dealing with environmental issues have wide coverage (Caribbean Natural Resources Research Institute, Caribbean Conservation Association), and so do some professional organisations (The Caribbean library association, the Caribbean Studies Association).

The most significant regional initiative involving the non-English speaking Caribbean is the special provision under the Caribbean Basin Initiative (a programme of trade liberalisation, debt relief and investment promotion launched in 1982-83) for surpluses of multinational firms accumulated in Puerto Rico to be invested anywhere in the Caribbean basin (including Central America) free of US federal taxation. Significant investment resulted, mainly in the DR, Jamaica and Trinidad-Tobago,[8] but the overall amounts fell well below the expectations of the scheme's Puerto Rican supporters. The provisions are to be phased out within five years.

The Caribbean Community has developed a number of linkages which reach out to the wider Caribbean. They take the form of joint working parties on issues of interest such as the negotiation of trade agreements with the EC, participation in joint trading and investment missions, and provisions for non-Caricom countries to attend Caricom meetings as observers.[9]

There are limited traditional trade, travel and migration links between Caribbean countries of different linguistic groups. English-speaking Dominica and St Lucia have strong links with French-speaking Martinique and Guadeloupe, born of their proximity and the fact that the English-speaking islands were for a long time part of the French colonial empire, and the four countries now share a common indigenous dialect, which is based on a French vocabulary. The US Virgin Islands attract tourism workers from nearby St Kitts. Guyana-Surinamese trade is a product of their shared and easily accessible border, and their common Dutch heritage. Trinidad and Venezuela also share a linguistic inheritance (Spanish) and close proximity. The volume and value of these transactions is small in comparison with the total of any one of these country's external transactions.

There is a more significant growth of informal and illegal trade of more recent provenance. Trade between Guyana and Suriname grew to important proportions because of restrictive Guyanese policies, from the mid-1970s, which provoked a large expansion of informal activity (See Thomas, 1989; Hope, 1990). Informal activity resulting from unrealistic policy was also responsible for the expansion of Jamaica's trade with Haiti and Puerto Rico. These informal transactions have declined in importance in the 1990s, as the Guyanese and Jamaican economies have been liberalised.

7. Caricom, the Wider Caribbean and North America

North America is by far the most important source of earnings of foreign exchange for Caribbean countries, and it has increased steadily as a source of foreign exchange, relative to other areas. A similar pattern can be seen with respect to the Caribbean's imports of goods and services. The Caribbean's trade in goods, tourist services and other services is equal to the region's GDP,[10] so the dominance of North America in the region's trade implies a pervasive influence on all economic activity. Moreover the strength of that influence has been growing in the post-war period.

North America has been the primary source of private investment in the Caribbean, with major investments in tourism, minerals, utilities and light manufacturing. The UK, France, the Netherlands, the Far East and Venezuela have all been sources of major foreign investment in the Caribbean, but their contribution all together falls well short of the level of investment from North America. Levels of private foreign investment fell after peaking in the 1970s, but the proportionate contribution from North America continued to increase.

The decline in official bilateral finance for the Caribbean since the 1970s has been precipitate, and in many years net flows have been negative. Nevertheless, the dominance of North America is reflected here as well, in net flows in both directions. Such information as is available on the source of remittances to the Caribbean confirms the importance of North America as the principal source of foreign exchange.[11]

The operations of financial markets in the Caribbean provide further evidence of Caribbean integration into the North American economy. Attempts to insulate Caribbean financial markets from the US have all come to nought, and have had to be abandoned. Several countries attempted in the 1970s and early 1980s to increase the domestic money supply and keep interest rates low by imposing exchange controls on financial flows, but the controls were circumvented with impunity, and capital flight depleted the money supply, frustrating the authorities' intentions. More recently countries have acknowledged the link between the financial systems of the Caribbean and North America by keying domestic interest rate policy to US dollar rates and the rate of domestic inflation.[12]

Largely because of the ease of financial flows, the Caribbean rate of inflation is closely linked to US inflation. The rates deviate significantly only where there is a depreciation of the local currency. Imports dictate domestic pricing because of the high import content of consumption and domestic production (Downes, 1992; Holder and Worrell, 1985).

High levels of migration between the Caribbean and North America contribute to the strong ties between the regions. Caribbean migration to North America, relative to the size of Caribbean populations, has been significant throughout the post-war period, though there have been periods when flows diminished or increased from one country or another, and Cuba's isolation makes it a special case (Pastor, 1985, p.7). The extent of migration is reflected in the size of remittances to the Caribbean (See Note 11). In addition there is considerable remittance in kind. For the poorest Caribbean countries remittances have for some years been the most important source of foreign exchange.

The Caribbean is already highly integrated into the North American economy, in trade, services and labour and capital movement. Whatever the fate of Caribbean economies, that process seems set to be a permanent feature. The scope for autonomous policy in the Caribbean is thereby circumscribed: interest rate policy must take US monetary policy as its point of departure, while the rationing of foreign exchange, non-tariff barriers and exchange rate manipulation prove ineffective.

Caribbean countries should allow their economies to converge on the US rates of inflation and interest. Attempts to deviate lead to stagflation. Over the medium term the Caribbean may better US growth rates of real output by upgrading the use of technology and modernising techniques, improving quality and the mix of products, so that total productivity, of capital and labour, rises more quickly than it does in the US.

The limited choice of domestic policy options need not inhibit growth potential if the right choices are made from the available options to improve productivity. A policy regime which has been popular in the Caribbean, but which is to be avoided, expands domestic demand to create jobs, coupled with devaluation and/or trade controls to divert expenditure away from imports. The policy is stagflationary because the domestic suppliers to whom demand is to be deflected cannot expand their output unless they are able to increase their imports, in countries where the import ratios are as overwhelming as they are in the Caribbean.

Caribbean governments should invest in education and social amenities that improve the quality of the work force, in finance and expertise for development of new markets and in incentives - fiscal and administrative - to promote investment which specifically raises the productivity of labour and capital. Furthermore, barriers to the regional movement of capital and skills should be eliminated so as to improve the efficiency with which skills and capital are employed.

7a Impact of Trade Arrangements on Caribbean-North American Integration

Arguably the most significant North American trade policy change affecting the Caribbean has been the reduction in the size of the US sugar import quota. It has resulted in a significant decline in Caribbean agricultural exports to the US, in spite of the increase of citrus products, vegetables and other food products. The impact on the DR was especially severe, giving urgency to tourist development in that country. It remains unclear whether the loss of a dependable market in the US contributed to the decline in overall sugar supply in much of the rest of the Caribbean, though cost factors are probably the most important reason for the decline (Indalmanie and Leon, 1993).[13]

The persistence of non-tariff barriers continues to be the most significant obstacle to the growth of Caribbean exports to North America. Exports of clothing may be subject to maximum amounts under the Generalised System of Preferences, and to limits on their sourcing of materials, under special tariff provisions that are the basis for duty free access for most Caribbean clothing exports to the US. Any level of government in the US - federal, state or local - may obstruct trade with arbitrary changes in standards of health, quality and content. State and local regulations have been known to conflict with federal policy; legal battles to prove this are long and costly, and the knowledge that such a challenge may be mounted is enough to deter potential exporters (For the Canadian experience, see Grinspun and Cameron, 1993, Ch 2). Prohibitive US legal costs cause exporters to the US to acquiesce in trading practices that put them at a disadvantage. US firms, which are usually many times the size of their Caribbean counterparts, may use their muscle to deter entry in markets they dominate. International patent and copyright laws may also encourage monopoly. These non-tariff barriers are the greatest actual and potential brake on Caribbean-North American trade (Erzan and Yeats, 1992).

The Caribbean Basin Initiative provides duty free access to the US for the exports of the Caribbean and Central America, along with some debt relief and promotion of US investment in the region. However, the largest items in Caribbean trade with the US were excluded, and continued to be subject to the conditions of access which predated the CBI. Among the excluded items were petroleum, which accounts for about a quarter of Caribbean exports to the US, and remains subject to a 3% tariff; textiles, clothing and footwear, where restrictions mentioned in the last paragraph remain in effect; and sugar. When we take account of the fact that tourism, which is now the Caribbean's largest 'export', and other international business services, which are important exports for several countries, are not affected by trade policy, there is little benefit that may be attributed to the CBI. Exports of manufactured goods to the US have risen in the 1980s[14] but they grew no more rapidly than in the 1970s, and total foreign earnings have grown less rapidly in the 1980s.[15]

The Enterprise of the Americas Initiative for Latin America and the Caribbean, announced by the US in 1991, was not a significant improvement on CBI from the Caribbean viewpoint, though it was enthusiastically welcomed in South America, as reassurance that US attention would not be fully diverted by the unfolding events in Eastern Europe. There are few additional benefits for the Caribbean: some additional debt relief for Jamaica and the DR, and entitlement to a portion of the small fund set up to make grants to hemispheric countries for support for private sector development. Provision is being made for consultations on non-tariff barriers and other contentious issues, but it is not yet clear what arrangements will be made for resolution or what procedures and powers there will be for enforcement. The disappointing experience of Canada with conflict resolution arrangements under CUFTA does not give reason to expect the current situation to change very much. The EAI does bring threats for the Caribbean: the rules about the minimum domestic content for goods to qualify for free access to the US may be less favourable than under the CBI; and earlier accession to a free trade agreement with the US gives Mexico an advantage over the Caribbean.[16]

Canada has had provisions allowing duty free access for a range of goods from the English-speaking Caribbean since the 1920s. They were updated in the Caribbean-Canadian Agreement (Caribcan) of 1986, which also contained provisions for official financing[17] (mostly documentation of existing programmes, however). The agreement mirrors the CBI in excluding textile products, and its impact on Caribbean exports to Canada has been attenuated by non-tariff barriers such as provincial regulations on the standards for alcohol and regulations over how it is sold, which have inhibited sales of Caribbean rum.

In light of this experience the following observations may be made about Caribbean-North American relationships:

- Economic links between the Caribbean and North America remain very strong however institutional links and tariff arrangements evolve;

- This imposes constraints on Caribbean economic policy options, but there is still scope for the Caribbean to accelerate its growth by suitable economic strategy;

- The principal issues for Caribbean negotiators ought to be the removal of non-tariff barriers, compensation for the losses that may result from the exercise of monopoly power by US corporations and payments for externalities, including compensation for accelerated polarisation of activity that may result from faster integration of the Caribbean and North America;

- Following a path of convergence on the US economy facilitates integration within the Caribbean, reducing transactions ·s within the region, eliminating exchange rate uncertainty, and facilitating mobility of capital and skills. That increases the region's viability, reduces the incentives for polarisation that will draw industry away from the Caribbean and thereby lessens the tensions inherent in the Caribbean-North American relationship.

8. The Caribbean and Latin America

Economic links between the Caribbean and Latin America are few and isolated. Each has a specific motivation and history, and carries no implications for the trend in Caribbean-Latin American relationships. They are unlikely to intensify with present trends and current policies. The Caribbean's geographical location suggests that it might attract financial and trading services for commerce between North and South America. Panama and Miami, at the southern and northern ends of the Caribbean, have developed these markets extensively. Only a few Caribbean countries have the institutions, legal framework, telecommunications and linguistic skills to attract such business. Significantly, the US dollar is the domestic currency in both Panama and Miami.

Oil is by far the most important product in Caribbean-Latin American trade. Crude oil from Venezuela is processed in Curaçao and Trinidad, while Venezuela and Trinidad are the principal suppliers of oil to the insular Caribbean. Oil is the only significant Mexican export to the Caribbean.

Other Caribbean-Latin American trade is small. Between Guyana and Brazil there is a little trade in beef, gold and consumer goods, but Guyana's communications with Brazil are poor, and confined to the Amazonian state of Roraima, where the population is sparse. Belize, among the smallest of Caribbean economies, imports a small portion of its consumption needs across its border with Mexico. Venezuela exports foods to Curaçao in colourful wooden boats which are a tourist attraction in Curacao. Argentinian processed meats are imported throughout the Caribbean, but seldom directly from Argentina.

Latin American tourists to the Caribbean comprise mainly Venezuelans visiting Barbados and the Netherlands Antilles. Their numbers fell dramatically with the decline in oil prices in 1981, and the subsequent fall in the value of the bolivar.

Close familial links between Venezuela and Trinidad have produced some migration between them, but the flows are not large. There has been no other migration of note between the Caribbean and Latin America in the post-war period.

Curaçao and Cayman are hosts to financial and trading companies which have a substantial Latin American clientele. However most of this business from Latin America favours location in Panama and Miami.

Both the Caribbean and Latin America have shown an interest in strengthening economic links. Venezuela has been most active, initiating a Caribbean Oil Facility jointly with Mexico in 1975, to provide credit for oil purchases by Caribbean countries. Credit accumulated in bolivares or pesos can be used to finance purchases of Venezuelan and Mexican goods and services, at favourable interest and repayment terms. The fund has financed low cost housing in Barbados and Jamaica.

In 1992 Venezuela announced free trade access for exports from Caricom members. It is too early to assess the impact. Venezuela maintains a network of cultural and language institutes throughout the Caribbean, and its universities have established a tradition of Caribbean scholarship.

Colombia has made efforts to strengthen economic and cultural links with the Caribbean, to a much lesser extent than has Venezuela. Arrangements have been made for trade credits for exports from Caribbean countries to Colombia.

Colombia, Mexico and Venezuela provide finance to the Caribbean through the Caribbean Development Bank (CDB). The Caribbean also has access to finance from BLADEX, the Latin American bank for export finance, with headquarters in Panama.

There are numerous meetings and interchanges among officials and policy makers of the Caribbean and Latin America, often through such agencies as the UN Economic Commission for Latin America and the Caribbean (ECLAC), the Centre for Latin American Monetary Studies (CEMLA), the Latin American Integration Secretariat (SELA) and the Organisation of American States (OAS). Caricom has established ongoing contacts for discussion of mutual concerns such as the GATT and hemispheric free trade with Latin American integration groups such as Mercosur (Argentina, Brazil, Paraguay and Uruguay) and the Andean Group (Bolovia, Colombia, Ecuador, Peru and Venezuela).

None of the current strands of the Caribbean-Latin American relationship is sufficiently robust to promise a deepening of the relationships over time. If the Caribbean is to take advantage of its geography to become an important centre for commerce between the Americas, countries of the region will have to take major initiatives. Treaties to eliminate liability to double taxation on a single source of income must be negotiatied. More widespread linguistic versatility is needed, particularly in English-speaking countries. A major effort to inform Latin America of the Caribbean's capabilities and the services being offered is also required.

9. Global Changes Affecting Caribbbean-North American Relations

The advent of floating exchange rates among major international currencies in the 1970s created dilemmas for the Caribbean and strengthened their link to the US. At that time the currencies of the DR and Haiti had their values fixed in terms of US dollars, but those of the rest of the Caribbean were linked to European currencies. With the exception of the French Antilles they all switched to pegging their currencies to the US dollar during the 1970s, because that was the currency of most of their external transactions. That reinforced the bias towards the North American market, away from the swings and uncertainties of commerce with Europe. Traditional exports such as sugar and bananas continued to be sold to Europe, and the Caribbean's share of European tourists increased, but the receipts from these transactions were subject to wide exchange fluctuations. There was very little expansion of agricultural and manufacturing exports to Europe or other non-US destinations. Non-US markets in all activities, including tourism, were seen as a form of export insurance, in case of a depressed US market, rather than as the primary market for any export or service.

Lacklustre US economic performance in the 1980s reduced the official and private financing made available to the Caribbean, but appears to have had little effect on trade and services. The growth of US holiday making abroad remained robust, and the Caribbean retained its share. The Caribbean's share of US imports of minerals, agricultural produce and manufactured goods is so small that no correlation may be detected between the performance of the US economy and the volume of Caribbean trade. However, the amount of US official finance to the region was reduced as part of the effort to reduce the federal budget deficit (even though the amount of US finance to the Caribbean was so small that savings would have made no measurable impact on the deficit). The crisis over sovereign credits by US banks led to a general cutback of financing to all Caribbean countries, even those whose payments record remained impeccable.

The fact that the US has lost some of its pre-eminence in the world economy does not materially affect the Caribbean's economic options, as is sometimes suggested. The North American market more than exhausts the Caribbean's productive capacity, so the relative performance of Europe and Japan hardly matters. The Caribbean continues to have more than ample marketing opportunities, and can therefore attract the investment needed to take advantage of them, from North America as well as from Far Eastern and European entrepreneurs eager to gain access to North America.

The end of the Cold War has no meaningful implications for the level of North American official finance for the Caribbean. The battle with communism for the hearts and minds of the Caribbean people was lost almost before it began; communist parties never held the allegiance of more than a handful of people in any Caribbean territory, with the exception of Cuba. The communist People's Progressive Party of Guyana, the only one to have any substantial following, based its support on racial solidarity rather than on political ideology. The popular belief that perceived threats of communists gaining power motivated the US to provide extra finance to the Caribbean is not supported by evidence. The per capita official development assistance for countries such as St Kitts and Barbados, where there was never any suspicion of a radical government, was no lower than for Grenada and Guyana, where unstable and undemocratic governments held power for some time.

There has emerged competition from the Eastern bloc countries for official development assistance and technical skills. This is a potentially serious threat, particularly as the technical skills deployed for the analysis of Caribbean problems is scarce in any case, because of the countries' small size. Able and experienced technicians, researchers and policy makers tend to move on from the Caribbean to larger countries and areas relatively quickly, leaving the field to a succession of the young and inexperienced. This has led to superficial analysis and policy error. The situation is aggravated by the pull from Eastern Europe and the former Soviet bloc, but the impact should not be exaggerated. Caribbean specialists have no comparative advantage in Eastern Europe and the lure of working in that part of the world has already begun to wear off, in the harsh light of social and political conditions in those countries.

The revolution in telecommunications looks to have a very profound impact on the Caribbean. It has created a vast new market in information services, making what were formerly domestic services into tradable commodities. Some of the technically feasible services have shown more promise than others, but processing of forms, publishing and design are areas of rapid growth where the Caribbean may provide competitive services. The telecommunications revolution has reduced the importance of the Caribbean's proximity to North America, but the region's relatively high levels of education and skill give it a competitive edge in this field. The telecommunications revolution also has begun to affect the way firms are structured, with greater dispersion of function and the spin-off of service activities. Both trends may offer greater opportunities for the Caribbean.

10. Caribbean-North American Integration: The Future

There will inevitably be a high degree of trade integration between the Caribbean and North America into the indefinite future. The ratio of imports from North America to Caribbean GDP when projected into the future implies continuing high import penetration, even if there is no change in policy. Lowering of tariffs results in no measurable intensification of North American import penetration. High variability of the exchange rate of the dollar to other international currencies should strengthen the trade link to the US, but Caribbean preferences may mitigate against that tendency. A preference for Japanese automobiles has persisted despite the wide fluctuations in the US dollar value of the yen in the past decade.

No change in the destinations of traditional Caribbean exports is expected, but traditional exports are set to decline because of the contraction of volumes under the negotiated marketing arrangements for these products. Manufactured and non-traditional exports are almost exclusively for the North American market; the potential for growth in this area would expand significantly if arrangements for a Caribbean-North America FTA resulted in significant lowering of the present non-tariff barriers, but the prospects are not encouraging. The specialisation in exports for the North American market continues under any scenario, with or without NAFTA, whether or no the Uruguay round of GATT negotiations is brought to a successful conclusion. NAFTA threatens to slow the growth of non-traditional exports if the Caribbean fails to achieve immediate parity with Mexico, however.

The North American share of tourists to the Caribbean has not declined, despite the opening up of new business from Europe in the 1980s. In addition to growing numbers of conventional 'long-stay' visitors the Caribbean has seen phenomenal growth of cruise tourism. The emerging information services industry in the Caribbean serves the North American market almost exclusively. Other international services such as banking, trusts, insurance and trading have some European and Latin American clients, but their business is preponderantly North American.

Investment is coming to the Caribbean from the Far East and Europe, but as far as one may tell the majority of investment continues to originate in North America. North American investment covers all major areas of new investment in the Caribbean - tourism, manufacturing, agriculture, minerals, services; investment from the Far East gravitates towards manufacturing, while most EC investment is for tourism.

No change is likely in the pattern of migration and remittances, both heavily biased towards North America. Ties of family and history, and Puerto Rico's political link with the US, ensure that migration will continue to be an important link between the Caribbean and North America. Remittances should decline in relative importance if overall Caribbean economic performance improves, but the actual amount should continue to increase.

Travel and telecommunications reinforce the trade bond to North America. They foster aspirations to the artifacts of the North American lifestyle, and the variety, styles, products and services that go along with it.

The extent of Caribbean-North American integration, for all countries except the French Caribbean (but including Haiti), will continue to strengthen, whatever the fate of NAFTA or world trading arrangements. NAFTA does have the potential to slow Caribbean exports, if it contains provisions that benefit Mexico at the Caribbean's expense, but it will not weaken the Caribbean's links to North America or divert exports elsewhere. In the Uruguay round of international trade deliberations the proposed agreements on services are of special interest to the Caribbean because they are a potential growth area for the region. There should be no regulations to protect monopolies that would deny the Caribbean access to technology needed to be competitive in services. This is another source of danger of loss of export potential, but it will not affect the degree of integration into the North American market.

The concept of the Enterprise of the Americas, with which the Caribbean reluctantly acquiesced, is that countries of Latin America and the Caribbean would successively join NAFTA, the free trade core. Tariffs would be removed bilaterly, subject to special provisions for sensitive items; there would be guidelines on non-tariff barriers and procedures for resolving conflicts over them; and some additional finance and technical assistance was provided for.

Whether NAFTA develops into LAFTA or no is of little consequence for the Caribbean, but the region has specific interests for which it should lobby in every available forum: the elimination of trade restrictions on clothing; liberal and equitable stipulations about the domestic content of duty-free imports; an effective framework for eliminating unwanted non-tariff barriers - both the provisions of CUFTA and bilateral treaties the US has negotiated with Caribbean countries have been ineffectual; and greater financial flows from the US to the Caribbean, to combat the danger of economic polarisation away from the Caribbean as the integration of the northern part of the hemisphere intensifies.

Except for the last item the Caribbean might be better served by negotiations within the GATT framework. There the Caribbean does not face the dilemma that confronts Lomé signatories in negotiating entry to a North American free trade: under the provisions of Lomé the EC would be entitled to free trade access to Caribbean markets as well. As it stands the EAI is a poor bargain for the Caribbean: the additional finance and debt relief offered are very small, in relation to the needs of all of Latin America; the proposed mechanisms for resolving conflicts over non-tariff barriers are unconvincing; exceptions for clothing are to be retained; Caribbean countries would need to restructure their tax systems as a result of accession to the FTA because they would lose a major source of revenue, which would have to be replaced.

Free trade in the Americas is to the advantage of the Caribbean only if it leads to greater free trade globally. Many supporters of NAFTA, CUFTA and LAFTA argue that this succession of agreements is the least painful progression towards global free trade, serving to condition US public opinion towards an outward orientation, away from an isolationism that impoverishes the US and reduces growth prospects for the rest of the world. The detractors of the NAFTA are represented as protagonists of an ineffectual protectionism. But many supporters of openness and global free trade remain profoundly suspicious of the EAI and LAFTA, as attempts at isolationism on a grander scale. The motivation for the EAI, in apparent reaction to the threat of 'Fortress Europe', gave cause for this concern, though that initial motivation seems to have receded with Europe's economic difficulties.

The establishment of a 'Fortress America' in competition with 'Fortress Europe' was never practical. Europe is much less a policy-making entity than casual observation and the texts of formal agreements would suggest; that has now become clear, with Europe's dithering over every major political crisis since the Gulf War, and the recent economic conflicts within the alliance. The history, economics and politics of American societies make for even greater difficulties in engineering an American economic community. With fewer rich countries and very large and populous poor countries like Brazil and Mexico the prospect that the Americas will emulate the European example of free movement of capital, labour and commodities is remote.

There is therefore no foundation for the argument, advocated by the US State Department and supported by some Caribbean intellectuals, that the Caribbean must climb quickly aboard the EAI/LAFTA train for fear that the region will be left stranded and alone. So far is the train from departure that its makeup, cargo and destination have yet to be determined - indeed, it remains uncertain whether there will be a LAFTA train or no. More to the point, the Caribbean is already on the march, LAFTA or no, and has been for generations, through migration, exports, tourism, business connections and imports, and this commerce continues unabated.

The Caribbean should focus on co-operative mechanisms to address their joint interests with North America, and on the development of institutions for collaboration and interchange, many of which have existed for decades: the Pan American Health Organisation, the Organisation of American States, the Latin American Centre for Monetary Studies (CEMLA), the Interamerican Development Bank. The establishment of regional co-ordinating mechanisms is the fastest way to make real progress on the issues material to the ongoing relationship between the Caribbean and North America, and this process is helpful in the deepening sentiment towards an outward orientation for the US, since all these organisations form part of global networks.

The removal of Caribbean tariffs on imports from North America will have no noticeable impact on US exports. Exports to the Caribbean total less than the margin of error in US trade statistics. The removal of Caribbean tariffs is clearly not vital to US interests. It may harm some Caribbean industries where tariffs are high. However, most protection in the Caribbean is by way of non-tariff barriers in agriculture, where genuinely free world markets do not exist and the prices quoted on international exchanges reflect a considerable element of national subsidy for producers in industrial countries.

The Caribbean may take unilateral action to intensify integration with the US by instituting policy regimes that fix their currency values to the US dollar. This strategy keeps inflation as low as in the US, reduces the cost of US-Caribbean commerce, encourages investment in the Caribbean and removes the incentive for capital flight. There are no meaningful disadvantages. In theory a flexible exchange rate offers scope to adjust to temporary export shortfalls by temporary expansion in government spending, but in practice government expansions are never temporary. Removing this possibility is therefore a benefit to the economy.

The free movement of capital and labour holds out the prospect of faster growth for the Caribbean. Unfortunately the US will not permit free labour movement for countries which are independent of its political jurisdiction. Caribbean countries should however aim to maximise labour mobility within the region. The degree of labour mobility will ultimately be determined by a complex of factors, including shared language, economic disparities, size, the degree of economic concentration in a few locales, political divisions and cultural affinities. The strongest currents will continue to run between the US and Caribbean nations, rather than within the Caribbean. However, the volume and direction of labour flows will be influenced by policies which Caribbean nations put in place. Policy should aim for the fastest trajectory for removing restrictions on labour movement within the region, compatible with political reality.

Exchange controls on capital movements might also be removed, except for a monitor on large transactions to discourage currency speculation. However, the changeover to a regime of liberal controls should be undertaken only after the external value of the currency has been stabilised and the central bank's foreign exchange reserves are adequate to sustain it. Liberalising the capital account with an unstable exchange rate institutionalises hoarding in foreign currency.

The Caribbean has at its disposal powerful measures to deepen integration among members and with North America, to the region's benefit. Currency stability, capital mobility and labour mobility within the region do not involve negotiation with the US, Canada or Mexico. Policies for currency stability are now fairly well understood; for some English-speaking countries monetary union and a common currency will make them more easily attainable. Stable currencies make free capital movement possible without the danger of exchange rate crises. Labour mobility may be introduced in incremental fashion to take account of the political realities of the region, beginning with the proposal for the English-speaking Caribbean recommended by the West Indian Commission.

The principal issues for negotiation with North America are effective mechanisms to remove remaining barriers to Caribbean exports, soliciting additional finance to develop human resources and infrastructure in the Caribbean, and measures to accelerate technology transfer. No progress has been made on the removal of non-tariff barriers or protection for garments, either in the CUFTA or NAFTA. The laboriously negotiated provisions for ensuring fair trade in the CUFTA have proven a dead letter, and the same may be expected of comparable provisions in NAFTA.

The Caribbean abounds with evidence of the benefit of expenditure on infrastructure and human development. Further investment is required, especially in areas where there is the greatest disparity with North America and therefore the greatest danger that economic integration - which is inevitable - will intensify motives for emigration from the Caribbean. Investment that reduces the deficiencies in Caribbean economic and social infrastructure - hospitals, transport facilities, schools, public utilities - helps promote return migration to the Caribbean. Returning migrants are fewer in number than emigrants, but they boast much higher levels of skill, on average.

The Caribbean cannot be on the cutting edge of technology, but it needs to employ modern methods which make most effective use of its relatively skilled workforce. Incentives should be biased in this direction, and technical assistance sought from North America to speed up the transfer of knowledge, techniques, market developments and new systems of organisation.

Notes

1. Caricom is the Economic Community of English speaking Caribbean countries, comprising Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. The British Virgin Islands and the Turks and Caicos Islands are associate members.

2. Unfortunately, the few empirical analyses of Caribbean integration which have so far been attempted failed to incorporate realistic assumptions, leading to misleading results. See World Bank, 1990, critically analysed in Hilaire et al., 1990.

3. Intra-Caricom exports for 1990 were US$526.8 million (Marshall, 1992, table 4). Intra-Caricom travellers accounted for an estimated 13% of tourists and we assume they account for the same proportion of total expenditure by tourists in Caricom, estimated at US$1.918.4 (Estimates calculated from CTO, 1993 and IMF, 1992). Exports of oil and related products from Trinidad to other Caricom countries were US$101.5 million (SITC sections 3 and 7, Trinidad and Tobago Central Statistical Office, 1993). The proportion of exports and tourism that might have been affected by tariffs works out at 55%. This is overstated because of the exclusion of traded services other than tourism.

4. The higher figures often quoted - in excess of 10% - are arrived at by omitting services, an extraordinary oversight in a region where tourism is the principal traded commodity.

5. These effects are known in the economic jargon as economies of scale, economies of scope and external economies.

6. Too often in the Caribbean interest rate policy has been targetted on current rates of inflation which are high during the period of transition to the new regime, either because of the devaluation needed to eliminate the parallel market or because of the unrecorded inflation that preceded the adjustment, where controls had driven activity underground. This results in very high nominal interest rates - implying very high real rates if the adjustment measures prove successful in curbing inflation - which themselves become a source of ongoing inflation, undermining confidence in the adjustment strategy.

7. The weaknesses of the overly interventionist approach to economic development, which informed Caricom, was pointed out by some economists and policy makers at the time (Blackman, 1982; Worrell, 1980). Many Caricom member countries deliberately made no effort to implement strongly interventionist policies.

8. An amount of US$537 million to end-March 1992, with the largest beneficiaries being Jamaica ($248.7 million), Trinidad-Tobago ($135 million) and the DR ($76.1 million) (CANA, 1992).

9. The following countries have observer status in various organs of the Caribbean Community: the DR, Suriname, the Netherlands Antilles, Puerto Rico, Mexico, Colombia and Venezuela. At the time of writing (December 1993) full membership for Suriname is reported to be imminent. Haiti's observer status with Caricom institutions has been suspended because of the coup against President Aristide.

10. GDP for Caricom countries for 1990 is US$15.7 billion (calculated from Marshall, 1992, Table 1). Exports are $4.8 billion and imports $6.4 billion (Marshall, Table 6). Tourism receipts are $3.5 billion and other service receipts $0.8 billion (IMF Balance of Payments Yearbook, 1992), for a total of $15.2 billion of foreign transactions.

11. Pastor (1985, p.76) gives North America as the principal source of remittances in a survey for Barbados and St Kitts-Nevis. For St Lucia and St Vincent, the other countries in the survey, the most important source was other Caribbean countries, followed in the former by North America and in the latter by the UK. The study confirms the magnitude of migration to North America, with one estimate of the migrant population as high as ten percent of the resident population in the Caribbean (p.12), which suggests the importance of remittances from North America.

12. I discuss the nature of the link between Caribbean and US financial markets more fully in Worrell (1992). Financial policy in the Caribbean is discussed in Farrell (1986), Danns (1990) and Bourne and Worrell (1987). See Stewart and Payne, 1988 for additional references.

13. This is not a defense of the old US sugar policy, which was in contravention of the GATT, but the US provided little compensation to cushion the employment effects of the abrupt reduction of this effective subsidy to Caribbean sugar producers.

14. This is the basis for most claims for the benefits of the CBI (Congressional Research Service, 1992; Coppin, 1992).

15. Logically the argument requires a counter-factual, about which views may diverge widely.

16. If the Caribbean joins a North American free trade area that advantage will be lost to Mexico, but by then Mexico may have established a reputation that makes it difficult to attract the attention of new entrants, who might gravitate to the centre which had already established itself, where there would be external economies to be had.

17. See Institute for Research on Public Policy, 1986.

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Appendix Table 1

Exports to U.S. as % of To.	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Antigua & Barbuda	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	23.53	13.33	11.11	18.52	35.29
Bahamas	30.00	82.09	57.62	50.58	65.75	50.93	74.89	72.85	74.31	79.37	53.83	74.97	54.55	153.02	60.21	27.13	69.73	60.98	63.58	42.41	48.48	51.37	56.26
Barbados	11.49	22.22	8.04	9.09	19.65	20.23	39.51	40.96	15.65	16.03	22.55	41.00	22.90	43.16	49.52	45.37	57.59	39.35	36.11	27.65	21.43	22.86	22.86
Belize	14.58	31.25	10.00	35.90	61.11	56.45	32.50	40.38	35.23	24.63	44.37	50.00	29.92	33.33	41.38	47.12	60.00	45.00	43.55	31.03	40.83	43.64	37.58
Bermuda	0.62	8.51	2.44	2.47	0.88	1.26	13.43	11.76	3.04	2.74	2.58	24.66	2.61	2.47	1.91	1.31	7.89	1.32	1.06	1.64	1.81	1.27	4.70
Cuba	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.14	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dominica	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.26	9.88	9.76	4.65	4.07
Dominican Republic	70.14	72.55	65.60	71.96	61.92	74.27	73.89	79.57	58.32	56.45	51.91	75.74	44.93	57.31	70.45	66.17	86.16	83.70	78.84	80.10	86.14	88.62	88.52
Grenada	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	23.53	22.86	25.00	33.03	14.55
Guadeloupe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.54	1.27	1.38	1.10	0.58
Guiana, French	13.73	50.00	15.79	13.79	9.80	8.33	27.27	60.00	2.26	3.05	9.09	62.22	1.82	7.62	4.19	2.03	44.44	19.23	18.33	7.06	1.98	1.35	3.49
Guyana	40.35	27.49	36.89	29.75	38.73	32.43	25.80	22.42	31.14	28.36	40.54	26.04	40.71	38.95	39.82	21.60	27.63	23.16	24.05	26.09	19.55	31.25	30.67
Haiti	50.75	66.67	55.30	47.86	58.25	49.56	75.00	72.13	57.38	55.98	49.35	79.94	65.73	61.22	63.20	63.54	78.04	85.95	85.26	83.69	82.22	84.62	73.51
Jamaica	42.04	46.39	37.28	28.99	27.61	34.08	49.05	49.15	53.62	42.16	41.40	36.93	23.36	24.62	36.89	28.40	42.09	45.24	46.06	44.20	40.22	41.04	43.99
Leeward Islands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.82	n.a.	n.a.	n.a.	n.a.	3.87	74.32	95.74	4.35	3.85	0.00	3.23	13.33
Martinique	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.44	4.82	0.35	0.40	0.80
Montserrat	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	100.00	50.00	50.00	66.67	50.00
Netherlands Antilles	43.89	58.40	137.66	58.16	67.59	55.88	53.65	61.12	32.55	30.46	31.95	53.29	77.03	101.63	115.28	57.85	45.09	55.33	51.80	43.04	38.00	43.18	38.87
St. Kitts/Christopher, Nevi., Ang	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	70.97	65.71	61.54	58.06	55.81
St. Lucia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.53	19.08	16.88	17.97	19.61
St. Pierre-Miquelon	3.67	100.00	9.09	7.14	5.26	5.00	66.67	40.00	9.52	10.71	6.06	26.67	11.36	14.29	13.95	17.65	42.86	29.63	27.27	0.00	16.67	21.21	5.88
St. Vincent & Grenadines	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15.53	11.00	7.83	6.96	3.85
Suriname	60.18	40.68	65.18	51.54	37.98	44.80	32.06	38.72	47.94	35.00	43.26	38.12	14.98	17.51	32.28	21.84	12.79	14.96	21.75	14.81	9.27	13.18	11.93
Trinidad & Tobago	58.69	45.60	50.67	62.90	64.02	62.04	74.11	78.14	86.88	93.81	101.20	60.35	60.25	49.65	58.96	87.28	58.13	60.62	56.30	54.23	55.75	49.68	47.90

Appendix Table 2

Imports from U.S. as % of Tot	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Antigua & Barbuda	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bahamas	59.66	49.47	31.79	33.94	15.82	11.41	7.46	9.11	20.67	15.99	11.99	14.85	29.63
Barbados	25.29	20.20	22.32	23.78	21.97	20.81	26.06	27.06	30.15	33.15	31.21	30.04	32.56
Belize	22.92	26.37	32.50	30.77	35.19	41.94	34.85	44.93	45.45	50.00	40.85	52.27	51.18
Bermuda	56.79	56.88	39.02	32.10	21.36	26.36	25.65	35.08	22.11	30.17	24.64	31.85	37.47
Cuba	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.13	n.a.	n.a.	n.a.	0.05	0.07
Dominica	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dominican Republic	51.44	47.40	48.80	50.55	50.37	51.13	49.26	44.31	48.87	48.84	49.84	46.65	44.59
Grenada	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Guadeloupe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Guiana, French	5.88	4.35	5.26	5.17	5.88	5.00	4.69	5.15	2.82	3.05	7.58	6.93	3.64
Guyana	21.93	21.67	24.59	25.95	29.07	30.07	29.41	21.75	24.56	26.91	28.83	39.12	19.76
Haiti	50.75	50.00	54.08	55.00	60.68	61.72	58.14	59.36	57.46	58.13	58.13	57.01	60.28
Jamaica	45.63	41.78	42.91	41.55	37.36	38.76	38.96	37.12	37.47	30.32	30.14	33.03	33.84
Leeward Islands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Martinique	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Montserrat	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Netherlands Antilles	12.51	14.80	39.61	11.87	6.04	7.81	5.41	5.94	9.32	6.75	5.35	6.44	23.26
St. Kitts/Christopher, Nevis	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
St. Lucia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
St. Pierre Miquelon	10.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
St. Vincent & Grenadines	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Suriname	40.91	34.29	33.04	33.85	35.10	28.32	33.31	33.06	33.82	31.39	29.57	29.74	28.19
Trinidad & Tobago	19.72	17.31	23.24	19.28	9.03	12.65	12.70	12.93	19.15	26.72	28.60	26.78	32.31

Imports from U.S. as % of Tot	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Antigua & Barbuda	n.a.	n.a.	n.a.	n.a.	n.a.	44.74	42.20	43.13	42.37	38.20
Bahamas	39.61	27.43	32.71	41.49	46.88	39.45	41.05	34.26	31.20	28.62
Barbados	41.05	46.63	38.11	33.87	32.75	34.34	34.42	30.39	34.17	30.70
Belize	41.38	45.69	53.85	54.13	54.55	50.74	49.03	49.30	52.78	52.47
Bermuda	41.48	35.77	48.22	51.88	48.07	33.65	45.33	33.86	29.52	27.91
Cuba	0.06	0.04	0.03	0.04	0.06	0.12	0.12	0.04	0.05	0.06
Dominica	n.a.	n.a.	n.a.	n.a.	n.a.	2.07	20.50	15.35	26.88	32.67
Dominican Republic	42.36	42.61	47.63	54.50	57.07	58.29	59.79	61.18	60.33	59.20
Grenada	n.a.	n.a.	n.a.	n.a.	n.a.	30.86	28.87	33.98	31.07	37.27
Guadeloupe	n.a.	n.a.	n.a.	n.a.	2.12	2.74	2.81	3.65	5.94	4.18
Guiana, French	20.51	15.09	37.81	7.51	11.38	36.92	23.50	17.77	8.43	5.08
Guyana	17.73	23.08	17.60	27.33	38.46	44.16	41.94	34.23	33.46	38.51
Haiti	63.65	67.04	61.97	68.37	66.04	59.38	63.71	67.71	65.99	57.87
Jamaica	36.25	44.00	39.30	48.77	44.43	49.12	53.02	49.68	55.86	56.78
Leeward Islands	n.a.	n.a.	52.11	74.50	n.a.	23.53	31.61	n.a.	21.14	25.61
Martinique	n.a.	n.a.	n.a.	n.a.	n.a.	2.49	2.21	2.38	2.62	2.38
Montserrat	n.a.	n.a.	n.a.	n.a.	n.a.	40.00	44.00	50.00	27.59	46.15
Netherlands Antilles	24.21	35.37	29.62	42.48	23.33	38.92	38.58	35.89	34.91	25.66
St. Kitts/Christopher, Nevis	n.a.	n.a.	n.a.	n.a.	87.50	54.32	55.96	52.51	55.42	42.86
St. Lucia	n.a.	n.a.	n.a.	n.a.	n.a.	41.52	41.30	44.57	44.67	40.39
St. Pierre Miquelon	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.56
St. Vincent & Grenadines	n.a.	n.a.	n.a.	n.a.	n.a.	41.86	31.30	28.00	31.85	26.72
Suriname	29.70	28.82	29.35	35.90	30.77	32.98	39.54	37.47	34.26	33.13
Trinidad & Tobago	26.64	25.11	33.73	41.92	40.79	39.25	51.09	41.59	37.67	38.07

Appendix Table 3

Caribbean Tourism

	Arrivals (000)					Expenditure	
Country	**Year**	**US**	**Canada**	**Caribbean**	**Total**	**Year**	**US$m**
Anguilla	1992	18.2	0.7	6.7	30.4		
Ant.-Barbuda	"(Air)	70.6	15.5	40.6	193.6	1991	314.0
Aruba	"	286.5	20.2	12.1	541.7	"	388.4
Bahamas	"	1,128.0	97.6	n.a.	1,398.9	"	1,222.4
Barbados	"	110.6	50.0	52.9	385.4	"	457.2
Belize	"	82.1	8.9	n.a.	247.3	"	32.4
Bermuda	"	308.1	32.7	n.a.	373.4	"	n.a.
Bonaire	"	20.9	1.2	4.0[a]	50.6	"	Neth.Ant.
BVI	1991	97.7	5.3	16.6	136.4	"	n.a.
Cayman	1992	190.2	9.7	17.4	241.8	"	n.a.
Cuba	"	26.2	94.1	n.a.	460.6	"	n.a.
Curacao	"	18.4	1.9	51.4	206.9	1989	371.0 Neth.Ant.
Dominica	"	7.3	1.7	9.0	47.0	1990	21.0
Dom. Rep.	"	n.a.	n.a.	n.a.	1,523.8[b]	1991	877.2
Grenada	"	24.4	4.2	15.8[c]	87.6	1990	49.6
Guadeloupe	"	n.a.	n.a.	n.a.	340.5 (Est.)	"	n.a.
Guyana	"	34.6	14.0	14.4	74.9	"	n.a.
Jamaica	"	563.0	100.8	20.0	909.0	1991	764.0
Martinique	14.1	7.5	37.6	320.7	"	n.a.	n.a.
Montserrat	"	6.9	1.9	8.7	23.2	n.a.	n.a.
Puerto Rico	FY 91/92	1,822.3	n.a.	30.6[d]	2,639.8	n.a.	n.a.
Saba	1991	2.1	0.1	4.1[e]	7.3	n.a.	n.a.
St. Eustatitus	1992	2.8	n.a.	10.7	23.6	n.a.	n.a.
St. Kitts/ Nevis	"	42.0	9.2	22.0	88.3	1991	49.5
St. Lucia	"	44.4	14.1	43.4	177.5	1991	127.5
St. Maarten	"	265.9	26.7	59.7	568.7	"	n.a.
St. Vincent/ Grenadines	"	12.9	4.2	19.0	53.2	1991	32.0
Suriname	1990	0.9	0.2	0.6	28.5	1990	0.6
T'dad & T'bgo	1992	84.4	30.6	53.7	234.7	1991	103.6
Turks & Caicos	"	34.7	7.5	n.a.	52.0	n.a.	n.a.
USVI	"	n.a.	n.a.	n.a.	658.5[f]	n.a.	n.a.
TOTAL					12,125.8		
Ex. DR, Guad., VI		5,320.2	560.5	551.0	9,603.0		
Percentage		55.4	5.8	5.7	100		

Notes:
a. From Aruba
b. At Puerto Plata
c. From Trinidad & Tobago
d. From the Virgin Islands
e. From Holland, other Dutch Antilles
f. 84.7% of a non-random sample were from US

Sources: Arrivals: Caribbean Tourism Organisation; Expenditure: IMF, Balance of Payments Yearbook, 1992.

Appendix Table 4

Human Development & GDP in the Caribbean

		Difference in rank GNP per capita and HDI[a]
High HDI	Barbados	14
	T'dad & T'bgo	15
	Bahamas	-7
	Dominica	19
Medium HDI	Grenada	12
	Ant. & Bar.	-19
	Suriname	-17
	Jamaica	17
	St. Lucia	-8
	Cuba	26
	St. Vincent	3
	St. Kitts-Nevis	-34
	Belize	-8
	Dom. Rep.	15
	Guyana	36
Low HDI	Haiti	6

Note: (a) a positive value indicates human development rank higher than GNP per capita. HDI = human development index, pioneered by UNDP.

Source: UNDP, Human Development Report 1993, Indicators, Table 1.

Appendix Table 5

Social Indicators for the Caribbean and Latin America
CARIBBEAN

Countries	Birth Rate Most Recent	Infant Mortality 1960	Infant Mortality 1970	Infant Mortality Most Recent	Death Rate Most Recent	Life Expectancy 1960	Life Expectancy 1970	Life Expectancy Most Recent	Illiteracy 1960	Illiteracy 1970	Illiteracy Most Recent	Primary Enroll Most Recent
Bahamas	24.1	38.2	19.2	23.3	5.5				10.3	8.8	3.0	92.8
Barbados	15.7	38.2	19.2	9.7	8.8	66.9	70.5	75.1	1.8	0.7	0.5	111.2
Belize	36.6			42.8	6.3			68.3			9.2	93.0
Dominican Republic	26.8	109.8	88.0	54.0	6.1	55.7	61.2	67.2	35.5	33.0	16.7	95.0
Guyana	24.8	58.0	51.8	49.6	7.7	61.9	65.4	64.7	12.9	8.4	3.6	115.0
Haiti	34.7	178.4	145.4	94.0	13.0	45.2	49.8	54.5	85.5	78.7	53.1	86.0
Jamaica	24.3	48.6	29.4	15.0	6.5	65.5	68.5	73.4	18.1	3.9	1.6	105.0
Suriname	33.0			38.0	6.5	62.7	64.3	68.2	16.4		5.1	124.0
T'dad & T'bgo	23.9	42.2	27.6	1.9	6.4	65.3	67.1	71.1	6.6	7.6	3.9	97.0

Social Indicators for the Caribbean and Latin America
LATIN AMERICA

Countries	Birth Rate Most Recent	Infant Mortality 1960	Infant Mortality 1970	Infant Mortality Most Recent	Death Rate Most Recent	Life Expectancy 1960	Life Expectancy 1970	Life Expectancy Most Recent	Illiteracy 1960	Illiteracy 1970	Illiteracy Most Recent	Primary Enroll Most Recent
Argentina	20.5	57.6	44.2	25.0	8.6	65.8	68.1	71.2	8.6	7.4	4.7	111.6
Bolivia	35.7	159.8	141.2	83.0	10.1	44.4	47.9	59.0	61.2	36.8	22.5	82.0
Brazil	24.0	103.6	81.8	58.0	7.5	57.1	61.0	66.0	39.7	33.8	18.9	108.0
Chile	22.7	101.4	55.6	17.0	6.5	59.6	65.7	71.9	16.4	11.0	6.6	99.4
Columbia	24.3	96.8	66.1	21.0	5.8	56.3	61.0	69.1	27.1	19.2	13.1	110.0
Costa Rica	26.6	73.8	37.8	13.2	3.6	64.6	69.0	76.1	15.6	11.6	7.2	93.0
Ecuador	30.3	111.8	87.2	47.0	6.9	55.9	60.4	66.3	32.5	25.8	14.2	113.7
El Salvador	33.6	59.0	88.0	42.0	7.2	54.5	57.9	65.5	51.0	42.9	27.0	82.6
Guatemala	38.7	112.4	87.2	60.0	7.7	48.9	55.4	64.2	62.2	54.0	44.9	79.0
Honduras	37.6	128.2	101.0	49.0	7.0	49.7	56.2	65.4	55.0	43.1	26.9	111.2
Mexico	28.4	81.8	63.6	36.0	5.4	59.6	64.3	70.0	34.5	25.8	12.4	115.3
Nicaragua	39.9	121.4	95.8	56.0	6.8	50.4	55.7	65.8	50.4	42.5	13.0	98.0
Panama	25.3	56.4	36.4	21.0	5.1	63.4	68.1	72.7	23.2	18.7	10.7	93.1
Paraguay	33.4	72.6	50.6	35.9	6.4	64.7	65.8	67.2	25.5	19.9	9.9	109.5
Peru	27.7	130.0	107.0	53.0	7.7	50.6	56.4	63.9	38.9	27.5	14.9	126.3
Uruguay	17.2	48.0	45.2	21.0	9.7	68.1	69.3	73.3	9.5	6.1	3.8	107.5
Venezuela	30.4	65.2	45.4	20.2	4.5	62.6	67.1	70.2	37.3	23.5	7.3	109.2

Source: Interamerican Development Bank, Economic and Social Progress in Latin America, Reports for 1990 and 1991

Note: "Most Recent" usually 1990 or 1991

Appendix Table 6

Changes in Human Development Index

Country	HDI 1970	HDI 1990	Difference 1970-90
Dominican Republic	0.513	0.586	0.073
Haiti	0.200	0.275	0.075
Jamaica	0.797	0.736	-0.061
Trinidad & Tobago	0.784	0.877	0.093

Appendix Table 7

Trends in Human Development
CARIBBEAN

Countries	Life Expec. at Birth 1960	Life Expec. at Birth 1990	Infant Mortality 1960	Infant Mortality 1991	Pop. with access to safe water 1975-80	Pop. with access to safe water 1988-90	Daily Calorie Supply 1965	Daily Calorie Supply 1988-90	Adult Literacy 1970	Adult Literacy 1990	Combined Primary and Secondary Enrolment Ratio 1970	Combined Primary and Secondary Enrolment Ratio 1987-90	Real GDP Per capita 1960	Real GDP Per capita 1990
Bahamas	63.2	71.5	51.0	25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Barbados	64.3	75.1	74.0	11.0	98.0	99.0	0.0	0.0	0.0	0.0	0.0	0.0	3443.0	8304.0
Belize														
Dominican Republic	51.8	66.7	125.0	59.0	55.0	62.0	85.0	102.0	67.0	83.0	63.0	92.0	1227.0	2404.0
Guyana	56.1	64.2	100.0	50.0	72.0	81.0	0.0	0.0	0.0	0.0	80.0	82.0	1630.0	1464.0
Haiti	42.2	55.7	182.0	89.0	12.0	42.0	88.0	89.0	22.0	53.0	36.0	53.0	921.0	933.0
Jamaica	62.7	73.1	63.0	15.0	86.0	72.0	100.0	114.0	97.0	98.0	75.0	80.0	1829.0	2979.0
Suriname	60.2	69.5	70.0	30.0	88.0	84.0	0.0	0.0	0.0	0.0	0.0	0.0	2234.0	3927.0
T'dad & T'bgo	63.5	71.6	56.0	20.0	93.0	96.0	103.0	114.0	0.0	0.0	83.0	90.0	4754.0	6604.0
Trends in Human Development														
LATIN AMERICA														
Chile	57.1	71.8	114.0	17.0	70.0	86.0	108.0	102.0	89.0	93.0	87.0	90.0	3103.0	5099.0
Columbia	56.5	68.8	99.0	38.0	64.0	92.0	94.0	106.0	78.0	87.0	82.0	79.0	1874.0	4237.0
Costa Rica	61.6	74.9	85.0	15.0	72.0	94.0	104.0	121.0	88.0	93.0	76.0	77.0	2160.0	4542.0
Ecuador	53.1	66.0	124.0	59.0	36.0	58.0	83.0	105.0	72.0	86.0	63.0	89.0	1461.0	3074.0
El Salvador	50.5	64.4	130.0	50.0	53.0	41.0	80.0	102.0	57.0	73.0	60.0	67.0	1305.0	1950.0
Guatemala	45.6	63.4	125.0	51.0	39.0	60.0	93.0	103.0	44.0	55.0	35.0	52.0	1667.0	2576.0
Honduras	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mexico	57.0	69.7	92.0	37.0	62.0	78.0	111.0	131.0	74.0	88.0	67.0	82.0	2870.0	5918.0
Nicaragua	47.0	64.8	140.0	58.0	46.0	53.0	107.0	99.0	0.0	0.0	54.0	73.0	1756.0	1497.0
Panama	60.7	72.4	69.0	22.0	77.0	83.0	98.0	98.0	81.0	88.0	75.0	83.0	1533.0	3317.0
Paraguay	63.8	67.1	66.0	48.0	13.0	33.0	112.0	116.0	80.0	90.0	67.0	72.0	1208.0	2790.0
Peru	47.7	63.0	142.0	80.0	0.0	0.0	98.0	87.0	71.0	85.0	0.0	0.0	2130.0	2622.0
Uruguay	67.7	72.2	51.0	21.0	0.0	0.0	106.0	101.0	93.0	96.0	87.0	92.0	4401.0	5916.0
Venezuela	59.5	70.0	81.0	34.0	79.0	89.0	94.0	99.0	75.0	88.0	70.0	83.0	3899.0	6169.0

Source: United Nations Development Programme, Human Development Report, 1993