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## A LARGE COUNTRY IN CARIFTA The Case of Guyana

Wilfred L. David

Lecturer in Economics, University of Guyana

and

Economic Adviser, Ministry of Economic Development, Guyana

### Synopsis of Paper\*

Dr. David presented a very detailed study of the Guyana economy in order to examine

- (a) the role of CARIFTA in transforming the Guyana economy;
- (b) Guyana's contribution to CARIFTA and the development of the Region.

Although starting from the statement 'Guyana is a small nation but a large country' he suggested that the resource base of Guyana was such as to expand the possibilities for development in the Region as a whole.

In considering the effects of CARIFTA in the longer term, the important assumption was made that CARIFTA is only the first step towards a much greater degree of economic integration for the Region. Although studying the role of one (large) country, by adopting this assumption that economic integration would be undertaken, it could be shown that the development potential for the Region was changed.

Integration was viewed as a means of achieving structural transformation in a regional sense. Thus where the role of Guyana may be to transform the resource base and the structure of production, the role of other inputs may be to transform the demand or consumption side of the economy.

The paper analysed the growth of the Guyana economy and in particular the structure of its trade. The composition and direction of the export and import sectors were analysed to demonstrate the lack of integration (inter-sectoral linkages) within the economy and the lack of integration with the Region through the continuing dependence on primary exports to, and manufactured imports from, the metropolitan countries. Measures of the amount of growth and transformation were developed by analysing imports and exports in terms of the proportions of consumer and capital goods.

To achieve any substantial growth in the economy it was thought that the capacity for export diversification and for import substitution requires investigation. It was expected that the development of CARIFTA and further regional integration would assist this process.

A specified study of two selected commodity groups was made to show where Guyana might have a comparative advantage in production and could develop inter-regional trade (regional import substitution) which would aid the growth of regional linkages and import substitution. These two product groups were wood and wood products, meat and its products.

The growth areas for Guyana seemed to arise in land/agriculture based industries, but these would not "compete" with other agricultural developments in the Region provided that regional planning could be undertaken and regional economic organisation of resources could be developed. In conclusion it was suggested that any development policies for export diversification and import substitution, which would provide the needed economic break-through for Guyana, would only succeed with a determined organisational effort including regional planning. Without the regional planning of investment location as well as trade promotion the individual national efforts would be largely vitiated.

### Discussion

The major problem raised during discussion was that while the general thesis was wholly acceptable, the practical problems of adopting such policies appeared to be almost insuperable. The many constraints on development had not been identified clearly and had not been sufficiently weighed in the argument. There would be many interested groups for whom at least the short term advantage would be to remain in traditional lines of activity — these would include the cane farmers for example.

It was suggested that in trying to develop policies on the lines of the paper, many people in the Area would be unable to see the advantages if it meant allowing the larger countries to exploit a comparative advantage in both Agriculture and Industry. There was a real danger of strong polarisation effects which would hamper development of the smaller units.

In discussing the practicability of this type of planning and the problem of convincing the people and their political leaders of the need, it was suggested that the economists should be more realistic and down to earth. For example, while someone had suggested that "consumers would have to accept high prices in order for the farmers to be able to develop" this was likely to be politically unacceptable and since export costs would also be raised it might nullify the intended results of the policy.

It was suggested that while planning was required to redirect the economy, the price mechanism

\* A synopsis of Dr. David's paper is included because the paper was too long to be reproduced in its entirety.

should be used as fully as possible to assist the growth.

In discussing the dangers of polarisation it was suggested that these can be counteracted by other means and that the dangers were exaggerated because speakers were taking too static a view. In a final reply Dr. David emphasised that the discussion must

be conducted in terms of the incremental comparative advantages which might be expected to follow from economic transformation and that the dangers of polarisation would then be seen in perspective. Using the concept of least comparative disadvantage, the dynamic effects of integration would make it possible to obtain growth and for the advantages to be realised by all.

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