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E X T R A O R D I N A I R E

Opening Statement

ADJUSTMENTS OF CARIBBEAN ECONOMIES TO CHANGING INTERNATIONAL ECONOMIC RELATIONS

by

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Mr. Chairman,

I would like to begin by expressing my gratitude to the organizers of the Sixteenth West Indies Agricultural Economics Conference for inviting me to be here today. I participated at the First Conference, and in several of the subsequent sessions. I am, therefore, very glad to see that the Conference continues to make a vital contribution to intellectual life in the Region.

The Intellectual Task before the Region

The Caribbean needs to achieve intellectual clarity about its prospects and its options in a world undergoing convulsive and profound changes. Today we are faced as much with an intellectual crisis as with an economic one - indeed the first cannot really be separated from the second. In the field of economics there is a bewildering variety of schools of thought on the causes of and cures for the present crisis. There are monetarists, supply-siders, exponents of rational expectations, Keynesians, post-Keynesians. As the world becomes more complex, intellectual explanation is tended to become more simplistic. In some quarters, the postulates of neo-classical economics, never intended by their original authors to be much more than simple abstractions from reality, are now being accorded the status of universal truths that apparently are expected to hold, irrespective of time, place and circumstances. In particular, there is the belief that the unrestricted operation of market forces is the most effective mechanism for achieving growth and stability at both the national and international levels. However, it is not clear how this proposition is reconciled with the notion that economic co-operation among countries should be subordinated to strategic interests, and with the preference for bilateral over multi-lateral relations.

The Caribbean has to try and steer its own path through the welter of conflicting theories and identify the particular strategies that suit its objectives and circumstances. Thankfully, we are not starting from scratch. We have over two decades of solid intellectual work to draw upon -- a resource which the two regional universities have played a major part in creating. We have already made important contributions to the conceptualization of international economic relations - to the design of regional

*This statement represents my personal views and should not in any way be attributed to the UNCTAD Secretariat.

integration schemes, both in the Caribbean and in Africa; to the formation of interregional schemes of co-operation among developing countries, such as the Action Programme for Economic Co-operation among Non-Alligned and other Developing Countries, and the ACP Group; and to the construction of a negotiating platform from north/south relations. All of these endeavours demonstrate our capacities to innovate and to experiment rather than being passive recipients of advice from others. It is, therefore, against this background of intellectual capacity and achievement that we need to take stock of the current situation and prospects, in order to chart a course for the period ahead. If you would permit me, I would like in the time available to engage in some personal thoughts about a number of issues - trying to identify some of the major points requiring discussion, rather than attempting to examine them in any detail.

The International Setting

The present situation in the world economy has to be viewed both in its short-term and longer-term dimensions. The elements of the present situation are well known and require no elaborate treatment here. Suffice it to say that this is the worst down-turn that the world has experienced since the 1930s and a sustained recovery is not clearly in sight. The growth of world GDP fell from an annual average of some 4 per cent in 1971/1980 to around 1 per cent in 1981, with only a very slight improvement over the 1981 performance being forecast for 1982. Most forecasts point to a return to 3 per cent growth in 1983, but there are still doubts whether this will be achieved and for how long it will be sustained.

All parts of the world economy have been affected by the recession, including the socialist countries. However, the hardest hit have been the oil-importing developing countries, especially the least developed among them. Everywhere it has been a case of declining growth rates, deteriorating commodity terms of trade and capacities to import, and acute balance-of-payments difficulties. Inflation is continuing, although at reduced rates; but unemployment is becoming more serious, especially in the urban areas. UNCTAD has estimated that the developing countries need to grow by about 6 per cent per annum just to stabilize present rates of urban unemployment. However, such a rate of output growth can only be brought about by far-reaching changes in international economic relations.

The difficulties being faced by developing countries as a result of the recession are compounded by the policy responses to the recession in some of the major centres. The preoccupation with fighting inflation through monetary restraint has contributed to the growth of unemployment and idle capacity which have themselves impacted on the demand for the commodity exports of the south. Moreover, unemployment and spare capacity have also generated pressures for protection against imports of manufactures from developing countries. In the field of finance, monetarist policies have had severe effects on interest rates. Real rates of interest are in a range of 6 to 8 per cent, and are forecasted to reach 11 to 12 per cent in 1983. It is difficult to imagine a recovery in investment taking place anywhere in the world at such real rates of interest.

Altogether, it is fair to say that developing countries are facing an international environment which is tending to undermine rather than to support their development. Commodity prices have virtually collapsed and in real terms are at their lowest level since the Second World War. Over the past two years the prices of many commodities have also been declining

in nominal terms. At the same time support for international co-operation in the field of commodities has weakened by the failure of some major countries to participate in certain international commodity agreements. Imbalances in external payments have become more difficult to finance not only because of the increases in debt service arising from higher interest rates. It is also because of constraints being placed upon the multi-lateral financial institutions in expanding their role in the financing of balance of payments deficits, both directly and by way of support for the recycling of surpluses through the private financial markets. There has also been a tightening of conditionality with insistence upon stricter policies of adjustment in borrowing countries. According to press reports, some 17 developing countries are having difficulties meeting their performance tests under their agreements with the IMF. Meanwhile, the list is lengthening of countries coming up for the re-financing or rescheduling of their debt.

The attitudes towards the multilateral institutions reflect changing views about support for the development effort. As indicated earlier, there now tends to be a preference for bilateral over multilateral co-operation, and for subordinating development assistance objectives to strategic interests. The view is gaining adherents that there should be a phasing down of development assistance either because of urgent public expenditure needs at home or because of allegations that aid is being used to support corrupt elites in developing countries. There is a danger that international co-operation for development could be set back by an unintended convergence of anti-aid views between some sectors of conservative and progressive opinion in developed countries.

The Longer-Term Perspective

Turning from the short-term to the longer-term situation, there are a number of elements that have to be taken into account. First, there are distinct possibilities that the slow-down in growth which has been occurring is both cyclical and secular in character. Some analysts are arguing that the world is entering a phase of slower growth, because of declining rates of growth in productivity and the labour force in most of the OECD countries and in the socialist countries of Eastern Europe. Other factors likely to affect the situation are scarcities of some raw materials and the longer-term possibility of further increases in the real prices of energy, notwithstanding the present softness of oil prices.

Associated with this is the belief that the world economy is becoming more polycentric with the emergence of Japan, the OPEC countries, and to a certain extent the so-called newly industrializing countries (NICs) as major actors in international trade and economic relations. Indeed, some futurologists are arguing that by the turn of this century the centre of the world economy would shift from the Atlantic to the Pacific. Japan itself is expected to achieve by then an aggregate GNP equivalent to that of the United States, but with half the latter's population.

Technological change is an important element in the longer run scenario, although its precise effects are difficult to assess. Developments in micro-electronics are expected to result in radical changes in the structure of output and employment, especially in the manufacturing

and the services sectors. No one has yet fully analyzed what the effects of technological change are likely to be on developing countries in terms of the demand for their raw materials and their capacities to industrialize. However, some developing countries, Singapore being one example, have already begun to make the adjustment to the era of high technology through training and re-training of the labour force, and through public investment in high technology and the adoption of policies and actions involving industrial incentives and disincentives.

Growth, Debt and Finance

It is against this overall setting that the Caribbean has to decide what judgements to make about short and longer-run strategies. The crisis conditions of the 1970s descended so rapidly upon us that, like many other parts of the Third World, we accommodated to the situation by reduced growth, and by external borrowing to finance essential imports and to maintain whatever development momentum was possible in the circumstances. According to the World Bank Atlas, between 1970/79 one CARICOM country - Guyana - experienced zero growth in real per capita GNP, and five countries - Antigua, Dominica, Grenada, Jamaica and St. Vincent - recorded negative rates of growth. Over the past two years, the situation has also deteriorated for some of the countries that experienced positive growth rates during that period. The entire region is, therefore, facing the common task of getting development started again under the global difficulties outlined above.

Official sources indicate that if the CARICOM countries are to achieve growth rates in a range of 3 to 5 per cent per annum over the period 1982-86, they will face an external resource gap of over US\$3 billion. One has, therefore, to make an assessment about how far these resources can be secured through borrowing. In this connexion, it is instructive to examine borrowing patterns over the 1970s. World Bank data on the publicly guaranteed external debt for four CARICOM MDC's show that the total external debt grew from US\$0.6 billion in 1971 to US\$3.3 billion in 1980, with interest payments on that debt currently reaching a total of about US\$200 million per annum.

Data on the non-guaranteed debt are not available, but Jamaican experience alone illustrates the difficulties of dealing with large amounts of non-guaranteed commercial debt. Figures published by the Bank for International Settlements on the short-term debt to overseas commercial banks show that up to end-June five CARICOM countries had a total debt with the banks of US\$1.4 billion of which over US\$500 million had a maturity of up to and including one year. In other words, in the course of this year US\$500 million of this debt has to be financed or re-financed. When to this is added the short-term trade debt, which experience shows is an important part of the total, governments have to seriously examine what the real prospects are for a significant increase in external commercial borrowing.

Governments will also have to examine the prospects, both in relation to terms of availability, of borrowing from the multilateral financial institutions. As far as terms are concerned, the most important

questions are interest rates and conditionality. The decision of the World Bank to adopt a variable interest rate policy will make project financing extremely difficult, especially for projects like infrastructure, involving very long pay-back periods. The Caribbean, therefore, has an interest in encouraging global action that will result in lower and more stable interest rates.

In relation to conditionality, devaluation continues to be a major element in proposals for policy packages. Despite all of the qualifications that have been introduced concerning the use of devaluation as a policy instrument, and despite the adverse experience of the region in this regard, the belief still persists that devaluation can significantly improve the export position of the region, especially in regard to manufactures and tourism. Experience the world over indicated that apart from strictly economic considerations, devaluation will not succeed unless it is backed up by a social consensus of income distribution. No CARICOM country has yet been able to achieve such a consensus.

One must, however, admit that CARICOM countries could respond constructively to those elements of a conditionality package calling for improvements in economic management. There is a need to bring public sector deficits under better control, especially the deficits of para-statal bodies. Governments can try to remedy some of the mistakes made with state capitalism and search for alternative forms of public sector participation that will give greater leeway to private initiative; and allow for the adoption of commercial management practices, including more realistic pricing of inputs and outputs, with the objective of taking the para-statal sector off the budget. A further look needs also to be taken at public investment priorities. Many governments in the Third World are now re-examining their public investment programmes in the context of diminishing resource availabilities, and are postponing or cancelling projects, even on-going activities, in the interest of increasing the development impact of public expenditure.

Turning to the availability of finance from the multilateral financial institutions, there are three particular points that need to be borne in mind. The first is that uncertainties about IDA VI and VII can directly affect the East Caribbean countries, which have recently been receiving some assistance from this source. Barbados and Trinidad and Tobago could also be affected should the World Bank adopt a policy of financial graduation which could terminate or significantly reduce its lending to countries with a per capita GNP of US\$3,000 and above. The Caribbean has to make further efforts to get its situation and development needs better understood, and to join cause with developing countries similarly placed in getting a satisfactory outcome of this question of graduation. Thirdly, CARICOM should press for a wider collective effort among developing countries to persuade the World Bank to allocate a larger share of its resources for programme lending, which as it will be seen later, might be a vital ingredient for Caribbean development in the 1980's.

Direct Investment

If borrowing possibilities are likely to be limited, one has to ask what the prospects are for direct investment. As far as I know, all

CARICOM countries have expressed a willingness to receive direct investment, the question only being the conditions under which the benefits to local development of such investment can be maximized. The Caribbean can take as a starting point the real progress that has been made over the past two decades in developing more realistic positions about direct investment, both on the part of the recipient countries and of the direct investors.

Many governments in developing countries have shifted away from crude policies of expropriation towards the negotiation of partnership arrangements involving a package including capital ownership, technology transfer and development, export market access, indigeneous participation in top management, and labour force development. Moreover, the record shows that there have been very few defaults by developing countries in fulfilling their obligations under these agreements, even where nationalization has been involved.

On the side of the direct investor, there now seems to be a better appreciation of the need to negotiate arrangements that can be viable over the longer-term. There is now a greater willingness, particularly on the part of newer entrants into international business, to negotiate performance requirements: to bring in their own working capital rather than to borrow local savings from the commercial banks; to provide export opportunities for the local affiliate or subsidiary; to do research and development work locally; and to use local management skills, raw material and services. It seems as if, that as a matter of practice, a new order is beginning to emerge in the field of direct investment. The Caribbean can draw upon this by studying comparative experiences and developments in countries involved on both sides of the negotiating table. However, in the final analysis, the room for manoeuver will depend upon production possibilities and upon our policies towards and relationships with the outside world.

Production Possibilities

Turning to production possibilities, I shall confine myself to the non-petroleum sectors, since the situation regarding petroleum is very well known. It is clear that barring any improvements in the commodity terms of trade, growth under conditions of international adjustment would require an expansion in the volume of production for export and/or for import saving. On the export side this would necessitate increases in the production of traditional or new exports. In relation to traditional exports, the two items most sensitive to the level of world economic activity are bauxite/alumina and tourism. Most analysts expect an improvement in the demand for bauxite/alumina during the rest of the 1980s. However, it is doubtful whether the opportunities for export expansion by Caribbean producers will be much more than modest, given the prospects for slower growth in the developed countries alluded to earlier, uncertainties about the future use of aluminum by some sectors, such as the defense industries, the large reserves of bauxite in the world; and the failure so far of the International Bauxite Association to secure adherence by producing countries to a common pricing policy. Downstream prospects involving the smelting of primary aluminum are not good, since firm investment decisions about smelter construction should have been already taken if output is to come on stream during this decade.

So far as tourism is concerned, it is more difficult to make a judgement because of the mixed experiences of individual territories - for example, Antigua and Jamaica on the one hand, and Barbados on the other. However, the fact that the leisure industry has continued to grow despite the recession, and that technological change might in a longer time-frame increase the opportunities for leisure, give some hope for an expansion of the industry. The problem here, as it has always been, is to increase the local linkages of the industry, particularly with regard to food supplies.

Agriculture

This leads to the agricultural sector. It is appropriate here to deal both with possibilities for exports and for import saving. It is now generally accepted that the prospects for most of the traditional agricultural exports are not good. In the majority of CARICOM countries sugar and bananas are dying. All one can hope for is an orderly transition, particularly in terms of re-deployment of the labour force. The prospects for some of the minor crops, such as Blue Mountain coffee in Jamaica, are reasonably good. But by and large the crucial problem for the decade is to find ways of utilising the resources that are now engaged in traditional export agriculture. Since Emancipation, the Caribbean has been fighting this problem of agricultural diversification. The fact that it is still with us in an acute form is a measure of its difficulty. No one should be confident about the answers that he has to offer. I approach this subject with as much diffidence as anyone else.

The experts seem to think that the way ahead lies in the production of the so-called exotic fruits and vegetables, and horticultural products. It is difficult to find reliable data on world trade in these items, largely because of problems of classification. However, there is some evidence that trade in these products has been expanding rapidly since the early 1970s. For example, the total value of OECD imports of cut flowers and foliage grew from US\$97.5 million in 1965 to US\$193.5 million in 1970, to US\$1.5 billion in 1980. The EEC was responsible for the bulk of imports, nearly US\$1.1 billion. The principal suppliers are the Southern Mediterranean and Israel, but some developing countries have begun to break into the market, together accounting in 1980 for OECD imports totalling US\$234 million. Jamaica is the only Caribbean country to start exploiting this trade - albeit in a very small way - being responsible for some US\$0.5 million of OECD imports in 1980.

A major expansion of exports of these items would involve large fixed capital requirements, particularly if vegetable production is based on hydroponics, and for infrastructure; working capital, especially for orchard production with long gestation periods; access to the latest technology; first class management, as well as a skilled and disciplined labour force; and well developed ancilliary services for grading, packing, preserving and transporting the produce. In other words, it virtually requires the industrialization of the agricultural sector. A major problem will be the employment effects. If international experience is any guide, the impact on direct employment is likely to be small, although indirect employment effects on the manufacturing and service sectors could be

important. One of the tasks of economic planning must be to draw up a programme for development in this sector which will identify the precise costs and benefits of such development.

Food

In relation to import-saving, it would come as no surprise to this audience to find that the Caribbean countries continue to be large importers of food. Statistical data on Caribbean imports of food are not sufficiently up-to-date. However, figures on OECD exports of food to the CARICOM countries in 1980 show a total of US\$456.7 million at f.o.b. values. When allowances are made for freight and insurance costs, and for imports from non-OECD sources, it is possible that in 1980 total imports of food from all sources exceeded US\$700 million. If OECD exports to CARICOM are deflated by the UNCTAD price index for exports of food to developing countries, it appears that in constant 1975/77 prices OECD exports of food fell from US\$340.6 million in 1970 to US\$269.2 million in 1980. This was principally due to the direct compression of imports, especially in Guyana and Jamaica, rather than to import substitution as such. The bulk of food imports continues to be concentrated on cereals, meat, dairy products and fish.

Despite the efforts that several governments have been making, we have not yet managed to make a major impact on the food problem. In particular, the Regional Food Plan and its implementing agency, the Caribbean Food Corporation (CFC) have still not fully got off the ground. It is encouraging to note that governments have increased their capital subscriptions to the CFC, and that the management of the Corporation has been making valiant efforts to become fully operational. It is also encouraging to note the Development Fund. However, the international donor community as a whole has not yet given adequate support to these initiatives.

A Plan for Regional Agriculture

I have been arguing for some time that the Regional Food Plan should be the centerpiece of integration strategy in the region. A number of actions need to be taken to achieve this goal:

- Bring quickly to the implementation stage the projects already identified with respect to beef and dairy, small livestock, poultry breeding and fisheries.
- Rescue the corn/soya project in Guyana, and bring on stream the other corn, legume and vegetable projects.
- Further increase the capital of the CFC and encourage the Corporation to step up its work on finding joint venture partners.

If we are to make a comprehensive and integrated attack on the diversification of agricultural exports and on meeting our own food requirements, then we need to reformulate regional action within a broader framework - possibly a Regional Plan for Agriculture rather than a Regional Food Plan. Whatever the form that is adopted, governments should consider making the rural sector the number one priority for development in the 1980's. They will need to go beyond the usual policy package for agriculture - guaranteed prices, credit extension and so on. They should consider a number of bolder policies and actions:

- Shift the internal terms of trade in favour of agriculture by removal of price controls in those territories where they still rise, and the deliberate use of fiscal instruments for redistributing income in favour of the agricultural sector.
- Massive programmes of technical and vocational training to meet the skill and management requirements of high productivity agriculture.
- Accelerated development of rural infrastructure; electrification; water in some areas; flood control in others; feeder roads, storage improvements in farm to port/airport transportation systems; crop insurance.
- Systematic development of the rural manufacturing and services sectors to produce agricultural inputs, such as farm equipment, agricultural chemicals, packing materials and to provide ancillary services.
- Major improvements in rural amenities, especially housing, health services, cultural and recreational activities, etc.
- Upgrade agricultural education and training, with greater emphasis in the curricula on technology, engineering and management - particularly costing and cost control;
- Make land reform the central element in the policy package. Create a new generation of farmers on economic units: businessmen not peasants. Start first with government-owned lands. In many CARICOM countries government are today the largest landowners in the country.

If the CARICOM countries are to succeed with such a strategy, the international donor community - both bilateral and multilateral donors - will have to respond generously with structural adjustment loans on soft and intermediate terms, particularly to finance the development of physical infrastructure and skills. This is why the Caribbean has such a big interest in programme lending for structural adjustment, quite apart from the need to secure increased concessional inflows for developing individual agricultural projects.

Manufacturing

Turning now to the manufacturing sector, it is difficult to make an assessment of the prospects. The CARICOM countries have had preferential access for their exports of manufactures for nearly four decades, starting with Canada/West Indies Agreements, which began in 1925; Commonwealth Preferences from 1932; and more recently free entry under the Lome Convention since 1975. All of these market opportunities have so far failed to result in a big expansion in exports of manufactures. Although additional market access could be useful, the major constraints seem to be on the supply side: to achieve a more competitive cost structure through high levels of productivity and worker discipline; to develop vigorous and innovative management; to develop and maintain an efficient infrastructure, including programmes of research and development; to seek out the most appropriate technologies by shopping in all of the centres of the world.

Just as in the case of agriculture, unnecessary distinctions tend to be drawn between exports and import saving. It is possible to conceive

of patterns of industrial development that involve simultaneous or sequential efforts to satisfy the local market as well as the CARICOM and extra-CARICOM markets. In relation to imports of manufactures themselves, CARICOM taken as a whole still has a long way to go with import substitution. For instance, in 1980 OECD exports f.o.b. of manufactures (SITC sections 5 to 8) to CARICOM totalled US\$2.2 billion, of which exports under Section 6 to 8 which are the categories of light manufactures were US\$769 million. On a constant price basis, OECD exports of manufactures rose only slightly between 1970 and 1980 - from US\$1.28 billion to US\$1.37 billion. Like in the case of food, this was due to the compression of imports. In Jamaica OECD exports fell from US\$603.4m. in 1970 to US\$223.7m. in 1980, in Guyana from US\$131.7 million to US\$104.9 million. One must however be careful about making judgements about the extent to which import substitution has progressed. For example, on the basis of recent import performance it is being claimed that the CARICOM countries have reached the limits of import substitution and should thenceforth devote their attention to extra-regional export markets. However, account must be taken of the suppressed demand for imports in judging the scope for further import substitution.

Policy Priorities for the 1980's

What I have been arguing so far can be summed up in the following proposition. If the CARICOM countries aim to make a successful transition to the changing international environment, then the actions they will need to take will include the following:

- Accord higher priority to agricultural and rural development in their strategies.
- Design and implement an integrated strategy for development of the agricultural sector to take advantage of opportunities for producing non-traditional exports, and food for local and regional consumption.
- Develop a similar approach to the manufacturing sector, both for exports and for import-substitution, giving emphasis to the alleviation of obstacles on the supply side.
- Seek a major increase in concessional assistance in the form of structural adjustment loans to support the development of new production patterns, particularly in agriculture.
- Take a fresh look at the terms on which foreign direct investment can be encouraged, bearing particularly in mind the evolving situation in different parts of the world.

Regional Integration

This leads to some final observations about the strategy of external economic relations that could support the production strategy outlined above. First of all, it is obvious that joint and concerted action will be required on the part of all member States of CARICOM to implement strategies that involve a synchronisation of production efforts for import substitution with those for extra-regional exports. The Caribbean Group of Experts of which I was privileged to be a member, has already argued for a strengthening of the regional integration movement during the 1980's, with the integration of production being given pride of place in the

regional strategy. It is also encouraging to note that the CARICOM Council of Ministers recently took the first steps towards regional industrial programming.

It is to be hoped that governments will now proceed expeditiously to adopt and implement an overall programme for strengthening the integration effort. Apart from arrangements within CARICOM itself, there is a need to strengthen the Caribbean Development Bank, so that it can play an even more vital role than the major role it has already been playing in financing development in the region. This would argue for a replenishment of the Bank's resources - both Ordinary and Special - and for encouraging it to increase its contribution to the financing of industrial and tourist development. For example, might the time not be appropriate to establish an equity window in the Bank, or alternatively to create a new affiliate institution for equity financing? Such an institution could, while retaining present patterns of decision-making, invite the direct participation of overseas financial institutions - both public and private - and governments, or work out co-financing arrangements with them.

In the field of integration and co-operation, we have also to get more involved with the wider region of Latin America, of which we are a part, and where interesting possibilities for co-operation remain to be pursued.

The Need for a New Effort in Multilateralism

At the extra-regional level, it is evident that given the market access which the region already enjoys, the most pressing requirements are in the fields of finance and technology. In order to make any headway with its needs for concessional finance, the Caribbean will have to associate itself with the collective efforts of the Group of 77 to secure improvements in the Bank and the Fund, including more appropriate conditionality and a larger flow of programme lending. A multilateral approach is also indicated in the area of direct investment and related technology transfers. The Caribbean should shop all over the world to find investment partners, and the technology that could best suit our circumstances. In particular, in view of what was said earlier about long-term prospects, a closer look needs to be taken at partnership possibilities with Japan and with some of the NICs. Moreover, we have not yet sufficiently exploited the opportunities for industrial co-operation with the EEC and Canada under the Lome Convention and the Canada/West Indies Agreements, respectively. Here again, the region needs to associate itself fully with the work going on under United Nations auspices to negotiate codes of conduct on the transfer of technology and for transnational corporations.

One of the advantages of smallness is that it increases options. Very small countries are not serious threats to anybody. It is, therefore, feasible to implement a genuinely multilateral strategy - dealing systematically with a number of countries and country groups. Equally, small developing countries more than others, can benefit from the framework of the United Nations where they can take advantage of the collective bargaining power of the Group of 77. The Caribbean must, therefore, work to strengthen the United Nations system and the unity of the Group of 77.

I think that I have said enough to inductate that the CARICOM countries face a full agenda with respect to their international economic relations. It will require among other things, a more concerted diplomatic effort, both within the region and outside of it. It will also require considerable intellectual and technical work. I am sure that the regional universities and the region's technicians - including those in the private sector - are fully up to the task and will discharge their responsibilities as they have done so well in the past.

The Pressing Problem of Unemployment

Let me conclude with a confession. The concepts that I have tried to present about the region's future, leave unanswered or at least not fully answered, the question of unemployment. Neither time nor competence permit me to deal adequately with the problem here. However, it is a nightmare for those working on the region to realize that no clear path has yet been found towards solving the most urgent problem of the day. Quite apart from seizing any opportunities that are present for revitalizing the economy through increases in the level of production and diversification of the economic structure, governments can also try to alleviate the problem by lengthening the school-leaving age through programmes of technical, vocational, and management training; by increasing opportunities for self-employment, by encouraging double-shift working; and by supporting the institution of the extended family. Too much of our social policy, including the tax system, is based upon the unitary family. Altogether, governments should leave no stone unturned in tackling this problem.

Unemployment is not a matter for governments alone. Indeed, there is a point at which government institutions in the form of special employment programmes tend to be counter-productive, merely serving to entrench low levels of productivity in the economy. There is no substitute for a genuine process of employment creation, involving the most intensive use of the existing productive capacity, and the creation of new capability through investment. All sectors of the society have to be involved in this process. Management has to become most alert to opportunities for creating employment by these means. The unions have to make critical choices about the level of wages that would encourage new investment, and avoid the substitution of capital for labour.

I end as I began with a special plea for intellectual vigilance as we tackle the complex problems of the 1980's, and as we begin the difficult ascent into the search for faster growth and transformation. I repeat my conviction that this Conference and the organizations that have sponsored it, will play their part in the crucial tasks that lie ahead.