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Caribbean Economic Development in the Post Washington Consensus Period

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INTRODUCTORY REMARKS

Chairman, organisers, colleagues, it is a signal honour to address this August body of Caribbean thinkers, policy advisers and practitioners in this 42nd meeting of the Caribbean Food Crop Society and 26th meeting of the Caribbean Agro-Economics Society. To have been asked to do the Arthur Lewis/George Beckford memorial lecture is special because of the scholarship, the insightfulness and the impact on Caribbean thought and development of these two intellectual giants. Their reach makes it difficult to do justice to one, not to mention two of them in one lecture. The organisers have done us an honour, but not a favour.

In thinking about how to address the issue; how to remember these men in a contemporary context, three points struck us, namely:

1. Lewis and Beckford were both passionate about Caribbean development, in particular it's economic development and devoted much intellectual and physical energy to understanding the constraints to and levers for Caribbean development.
2. Lewis and Beckford grappled with the development of the Caribbean as part of a global system in which established theories, systems and structures did not favour their sustained development; and
3. The Caribbean countries are today at a crossroads in global economic relations and in the direction of development. They have been relying increasingly on external thinkers and advisers to point their direction. The Chicago school, the Harvard School, MIT, Wharton Business School and multilateral financial institutions are all now held in great reverence.

These musings led me to the topic "Caribbean economic development in the post Washington consensus period". While much of the presentation will relate to the English-speaking Caribbean, and more particularly the member states of the Caribbean community, we are acutely aware that both Lewis and Beckford had a much broader concept of the Caribbean and their influence has been much wider.

We have structured the presentation in five parts as follows:

I. A brief background
II. Brief notes on Lewis and Beckford
III. A summary view of the Washington consensus
IV. Recent Caribbean economic performance; and
V. Some pointers to the future of the Caribbean through Lewis/Beckford lenses

I. A brief background

The Caribbean economies, as small, colonial plantation societies, have historically been highly open – to people, to ideas, to goods, to services and to finance. As parts of the world-wide British Empire on which "the sun never set", the English-speaking Caribbean states were among the most open of all. The local economy and society were not the primary beneficiary of this openness, this total integration into the world economy, however. Through ownership transactions and other mechanisms the surplus or accumulated wealth of these societies, which

George Beckford, following Lloyd Best, described as plantation societies, was transferred to the centre or metropole.

The period between the two world wars and into the 1970's saw a movement for change – a change to what Lloyd Best described as "the plantation economy modified". It witnessed various movements towards political independence, the growth of a Caribbean literature and culture, and towards more diversified economic structures including production for the local and regional markets. These proposals for change, while by no rational means revolutionary, were not accepted without very strong resistance. There was therefore need for intellectual leadership.

It was into that questing environment that Arthur Lewis (1915-1991) and George Beckford (1934-1990), emerged, moved and made their contribution to Caribbean and world thought and development. Taken together they had a remarkable impact for five decades. They addressed almost every issue of developmental importance to Caribbean economies but with a perspective, methodology and rigor which gave their recommendations much wider applicability. They addressed issues of planning and resource allocation, of excess labour, unemployment and under-employment, of agriculture, agricultural organisation and over-specialisation; of the need for diversification, agro-industry, manufacturing and the services sector, of mining and its impact on other sectors such as agriculture, of international trade, the terms of trade, market organisation and international distribution of wealth, of education, human resource development and infrastructure including transportation, of institutions, institutional development and organisation; of power, political and social organisation; and of the sustainability of development. The challenged received thought which constrained new approaches to development whatever their antecedent and pedigree.

Lewis and Beckford were simultaneously academics, researchers, teachers and policy advisors and practitioners. Their intellectual perspectives were sought not just in the South but also in the North where they were provided with platforms in the most prestigious universities – London School of Economics, University of Manchester, Princeton, McGill, Stanford and Atlanta to name a few.

In the Caribbean they were tenured professors at the University of the West Indies. As Vice-Chancellor of the University, Lewis established the standard of "publish or perish". Simply translated, "think, write or leave". From their various vantage points, Lewis and Beckford developed, encouraged, stimulated and were complemented by a cadre of Caribbean social scientists whose influence far outweigh the number or the size of the region. These included Lloyd Best, William Demas, Havelock Brewster, Clive Thomas, Norman Girvan, Al Francis, Owen Jefferson, Lloyd Braithwaite, Alistair McIntyre, Steve Decastro, Orlando Patterson, and Michael Witter. There were giants in other areas of Caribbean scholarship such as T. P. Lecky in Agriculture and Walter Rodney in history and politics.

By the 1970's, there had emerged a coherent Caribbean perspective on development and the major challenges thereto in the developing world generally and in small, post colonial societies in particular. This had begun to have significant impact on policy and organisation. The provision of incentives for a manufacturing sector, the creation of the Caribbean free trade area and then the Caribbean Common Market; the effort to rationalise agriculture and sea and air transportation; the effort to integrate production and create linkages across sectors and the region, the nationalisation of the bauxite industry and the organisation of bauxite producers world-wide and the localisation of the banking and insurance sub-sectors. The establishment of a regionally-based system of examinations for Caribbean children leaving the secondary school system in a context where the University College of the West Indies had emerged into an independent University, and the active role of the Caribbean in the effort for a new international economic order are but examples not only of the persuasiveness of the theoretical work and involvement in policy but of the confidence engendered.

The Caribbean, significantly due to the work of Lewis and Beckford, was influencing thought and policy and Caribbean intellectuals were being sought in academic and policy centres of the north, in international institutions and in developing countries as policy advisors. At one stage in the 1970’s/1980’s, nationals of the commonwealth Caribbean held the positions of secretary general of the Commonwealth, Deputy Administrator of the United Nations Development Programme (UNDP), Deputy Secretary General of UNCTAD, Assistant Secretary General of the Organisation of American States (OAS), Secretary General of the African, Caribbean and Pacific (ACP) group and were challenging for Secretary General of the United Nations. The inevitable clash with the established intellectual, economic and political order was not long in coming. The economic crisis of the 1970’s due in significant measure to the international energy crises of 1973 and 1979/1980 created the ideal opportunity for the challenge to and reversal of many policies just taking root and for the erosion of confidence. The structural adjustment programmes of the 1980’s imposed on several Caribbean countries by the Washington-based financial institutions were the main vehicles for change reversal and the destruction of confidence.

Caribbean countries were forced to adopt policies for unilateral liberalisation and the preferential employment of foreign policy advisers. By the end of the 1980’s there was, inter alia:

§ A decided shift in development policies and strategies;
§ The near wholesale, uncritical adoption of the Washington consensus; and
§ A situation in which the most important, expensive and potentially dangerous import into the Caribbean was no longer goods, impressive as those figures had become; or services, important as those were; or even narcotic drugs; but of ideas, thought, and cultural practices.

The Caribbean had lost much of the capacity and confidence for critical thinking. There was a return to intellectual dependency which would have been difficult for either Beckford or Lewis to accept. We are left to ponder the coincidence of their departure at the very time the main body of such “thought” redirecting Caribbean development was codified into “the Washington consensus”.

Ii. Brief notes on Arthur Lewis and George Beckford

Lewis and Beckford had much in common, but they were different in fundamental ways. It might therefore be useful, in making our tribute to them to take a small peep at each.

A) <u>Sir Arthur Lewis</u>

Arthur Lewis, born in Saint Lucia in 1915 to migrant (Antiguan) teacher parents, grew to be as urbane and suave a gentleman as any in the empire to bear the knighthood. He completed his primary education at age 14, worked to age 18 and proceeded to the London School of Economics (LSE) on a Saint Lucia government scholarship won in open competition. Lewis stated in his autobiography that the “British government imposed a colour bar in its colonies” which limited employment options. Within those limitations, his intellectual capacity and confidence were such that he could opt for any profession or area of study. He eschewed medicine and law, considered engineering, but opted against it in favour of business and administration on the projection that work prospects would be better. He pursued the Bachelor of Commerce degree at LSE but on completion with first class honours at age 22 he was awarded a scholarship to do the Ph.D in labour economics. Admitting that up to that stage he had little knowledge of what economics was about and even less interest because of the limited use of mathematics. He was appointed assistant lecturer at LSE at age 24 and full professor at University of Manchester in Labour Economics at age 33. This appointment was not in the colonies, it was in the metropole – colour bar notwithstanding.

Lewis, with his typical penchant for simplicity and the essentials, summarised his vast research interests into three areas, namely industrial economics; the history of the world economy after

1870; and development economics. Any of these would have been a full-time career endeavour for most academics. For Lewis they were just aspects of the academic portion of his career. He

published widely in each area bringing forth new, often controversial perspectives. For example, in the effort to come to grips with the determinants of the relative prices of steel (an industrial manufactured good) and coffee (a primary tropical agriculture commodity) Lewis asserted that the classical approach through marginal utility made no sense. Further, he held that the popular Heckscher-Ohlin production and trade theory could not be used since it “assumed that trading partners have the same production functions, whereas coffee cannot be grown in most of the steel producing countries”. If Lewis was writing in the post Washington consensus period, he would have been even more critical of the usefulness of the model as policies and technologies operate to facilitate the movement of physical capital across countries while national and international policies discouraged the movement of the abundant, unskilled labour. Further, he would have perceived that many countries were being forced simultaneously to pursue competitive prices, a prescription for the pauperisation of all of them.

Lewis explained the relative price differences of steel and coffee as well as the phenomenon of the stagnation of real wages in Britain during the first 50 years of the industrial revolution while profits and savings soared by introducing the concept of the “unlimited supply of labour”. He was neither prepared to tweak the heckscher-ohlin assumptions nor to hold to them. He placed a new creditable explanation in the literature. It has been the subject of many studies, critiques and books and continues to be a reference.

Lewis was prolific in other areas of his research. In the decade between 1939 and 1949, for instance, he had at least sixteen major publication as books or articles in established journals. His publications include labour in the West Indies (1939), Economic Problems Of Today (1940), Monopoly In British Industry (1945), The British Monopolies Act (1949), Principles Of Economic Planning (1949), Economic Development With Unlimited Supply Of Labour (1954), The Theory Of Economic Growth (1955), International Competition In Manufactures, Politics In West Africa (1965), Aspects Of Tropical Trade, 1883-1965 (1969), Growth And Fluctuations, 1870-1913 (1978), And The Slowing Down Of The Engine Of Growth: Nobel Lecture, 1980. In the words of the citation for his nobel prize, it was highlighted that Lewis’ “models have…..been the subject of empirical testing which has confirmed their realistic structure and usefulness”. At a more practical level his work had a very significant influence on the industrial policy and development here in Puerto Rico.

In addition to his academic career, Lewis held distinguished and pioneering positions in public administration and international institutions. He was Vice-Chancellor in the conversion of the University College to the University of the West Indies and was the first president of the Caribbean Development Bank (CDB). He had the reputation for setting high standards especially for new institutions.

Lewis had absolute confidence in his abilities. It is said that his remuneration package at the UWI and the CDB was set by him and non-negotiable. His knighthood and Nobel Prize simply confirmed his view of his life-time tenure at Princeton “no institution ever fires a Nobel Laureate”. It might have been more correct to say “no institution could ever afford to fire Arthur Lewis”.

B) George Beckford

George Beckford, G/Beck to all his friends, was born in St. Ann, a deeply rural parish in Jamaica. As Norman Girvan wrote in his lecture “remembering George Beckford”, he was an “intensely rural man with the personal style of a Jamaican peasant”. The essence, the quintessential nature of Beckford is perhaps most vividly captured in his story in the preface to “small garden…bitter weed” on the origin of that title. Engrossed in rap, moving discussion with painter friend and university lecturer friend, he listened and drew inspiration, he would say wisdom, from the painter. He interacted simultaneously, not sequentially, with the highest and lowest in society. He had a single, not multiple personality; he did not change for the occasion. He did not walk with princes and then with the common man, they walked together or not with him.

Beckford, an agricultural economist or more accurately, a development economist, completed his B.Sc. Degree in agricultural economics in 1958 at McGill University, an M.Sc. In international economics at Stanford University in 1960, and a PhD in agricultural economics in 1962 at age 28. He returned immediately to the University of the West Indies first at St. Augustine campus and then the Mona Campus, on the "rock".

The UWI remained the base of his professional operation until his death in 1990. After a long period of what some would describe as punishment, he was promoted to senior lecturer in 1971, reader in 1974 and to a personal chair as professor of economics in 1975.

Beckford was of the UWI but not locked therein. He served as visiting Professor/Lecturer at several Universities including Stanford, Princeton, Atlanta and McGill; adviser to several governments and institutions including Jamaica, Belize, Guyana, Panama, Saint Lucia, St. Vincent and the Grenadines,

Trinidad and Tobago, and to the United Nations and CARIFTA/CARICOM. His wide research interests and the demand for him as lecturer and speaker took him throughout the Caribbean including Cuba, North and South America, Asia, including Malaysia and Africa. Beckford was a networker and institution-builder with the association of Caribbean economists, which he co-founded, and the new world quarterly, among the more important. He wrote or offered detailed comments on development plans for a number of Caribbean countries in the 1960's and 1970's. Perhaps the most famous was his effort with the emergency production plan for Jamaica in 1977 and his contribution towards the rationalisation of agriculture in the english speaking Caribbean and more particularly of the banana industry.

Beckford's scholarly research have led to a number of books and articles but with several unfinished and unpublished. Professor Kari Levitt and Michael Witter have done the Caribbean and the world a great service in putting together most of Beckford's works in "the George Beckford papers". His seminal work is "Persistent Poverty: Under Development in Plantation Economies of The Third World"(1971). But other publications such as "Small Garden….Bitter Weed" (1980) (co-authored with Michael Witter) compete for high position.

Levitt and Witter identified some thirty-five books and papers by Beckford in the collection. Across those publications Beckford brought forward concepts such as "quality of life", the role of the 'institutional environment" in development and "sustainable development". He struggled to develop relevant economics for countries such as those in the Caribbean. These and other innovative concepts will ensure that his work endures as scholars catch up with the teacher, researcher and activist.

Iii. A summary view of the Washington consensus

Economic crises in many Latin American and Caribbean countries, including high external debt burdens, in the 1970's and 1980's forced many to resort to the IMF, world bank and IDB for adjustment and balance of payments support. The crises arose fundamentally from the external oil shocks of 1973 and 1979/80 and slowness in contracting consumption, including petroleum-based energy, which had a large import component.

The World Bank and the IMF interpreted the problem as arising from expansive public sector activities competing with the private sector and the providing of non-productive social services, for example, free secondary and tertiary education and health care. Together with private multinational bankers which had significant resources from the oil-exporting countries to invest and bilateral agencies anxious to maintain their countries' exports, they were prepared to extend loans, but under conditions which they would super intent to ensure that the loans were serviced. They experimented with a range of policy measures under "structural adjustment' programmes. Structural adjustment here has nothing to do with the concept of structural change developed by

Latin American Structuralists such as Raul Prebisch. The measures, enforced in the 1980's were codified in 1990 by John Williamson and dubbed "the Washington consensus". Williamson summarised ten points, as follows:-

1. Fiscal discipline to reduce fiscal deficits
2. Re-ordering public expenditure priorities
3. Tax reform to broaden tax base and moderate marginal tax rates
4. Liberalise interest rates
5. Competitive exchange rates
6. Trade liberalization
7. Liberalisation of inward foreign direct investment (FDI)
8. Privitisation
9. Deregulation; and
10. Property rights

In a follow-up article in 2000, Williamson summarised the three big ideas involved as macroeconomic discipline, a market economy and openness to the world (at least in respect of trade and FDI). It is clear that these ideas rest on the classical theory of market behaviour as imbedded in the Heckscher-Ohlin model. Arthur Lewis would have had an even more severe critique of the model in the context of these measures. First, there is a perverse one-sided opening of the market. The weaker economies are the only ones forced to open. Second, the freeing of capital to move between countries violates one of the key assumptions in the model, namely capital immobility between countries. Third, the size, resource endowment and technological capacity vary tremendously between, say, the Caribbean states and the United States, their main market, while the model assumes equality. In fact almost every one of the nine assumptions in the model is violated rendering it worse than useless for the purpose.

Beckford would point to the fact that competitive exchange rates which is another way of saying devaluation in developing countries, indirect or regressive taxation and open competition for the small farmers in the regional market are individually and collectively poverty creating. They are means of transfer of income from the peasantry to the capitalist class locally and abroad.

Some Caribbean policy advisors in the 1980's, while recognizing the need for adjustment, understood the weakness of the Washington-based approach. They developed, under the Chairmanship of William Demas, then President of the Caribbean development bank, a distinctly Caribbean approach. This was embodied in "the Nassau understanding on structural adjustment, and closer integration for accelerated development in the Caribbean community'. The declaration was agreed by CARICOM heads of government in Nassau, Bahamas in July 1994. The IMF and the World Bank had convinced themselves that certain Caribbean policy advisors, particularly in the Caribbean community secretariat, were opposed to structural adjustment. They communicated that view to at least two CARICOM leaders in 1993, identifying at least one technician by name. This resulted in the mandate for the development of the region's position on structural adjustment – the Nassau understanding – being shifted from the CARICOM secretariat to the CDB. The two institutions however, worked collaboratively in the production of the 1984 position.

The Nassau understanding was used to guide certain policy actions in the region, for example, policies relating to the common external tariff and the use of quantitative restrictions. There is no evidence however, that any CARICOM leader used the Nassau understanding explicitly in their negotiations with the Washington based financial institutions. In any event some CARICOM leaders and an increasing number of Caribbean academics and public opinion makers begun to believe the Washington prescription. This, even as an increasing number of individuals and institutions outside the region were becoming more and more critical of the measures.

The first major criticism, based on empirical research on impacts in several Latin American countries, was embodied in the UNICEF publication, "adjustment with a human face" released in 1988.

The UNICEF publication caused a pause in Washington. Since the train was on track, on automatic pilot, and gathering speed, Washington found it more convenient to introduce the concept of a "social safety net", while widening the package to include measures such as "good governance". At the same time others had begun to give operational content to the Washington

consensus. Trade negotiators, for example, locked in negotiations for a new trade round since 1986, concluded in 1994 with an agreement which, inter alia:

- Enshrined full reciprocal free trade including between developed and developing countries;
- Placed a ten year time frame on existing non-reciprocal preferential agreements;
- Incorporated a programme for the liberalisation of services, except for labour services; and
- Introduced a regime for the strict protection of intellectual property rights with a much longer period of exclusivity

In addition, institutions such as the Inter-American development bank and the European union which had declined to join the consensus in Washington among the World Bank, IMF and the US administration, had by the early 1990's become strong adherents.

The adverse impacts of the policies imposed directly by the Washington-based institutions and the Geneva-based World Trade Organisation have led to an increasing list of critics outside of the Caribbean. We identify here three because of their strategic location. First, there is Joseph Stiglitz, former Chief Economist and Vice President of the World Bank in the last three years of the twentieth century. His criticisms, directed mainly at the sister institution, the IMF, begun while he was in post at the World Bank but are captured more fully in his 2002 book "Globalisation and its Discontents", and the 2005 book co-authored with Andrew Charlton entitled "Fair Trade For All: How Trade Can Promote Development".

Second, is the United Nations Development Programme (UNDP) in its publication, "making trade work for people". The UNDP might not have set out to, and would certainly not admit to, being critical of globalisation or liberalisation policies. The statistics on the relative trade performance of developed and developing countries since the Uraguay round and the very title of the publication, however, convey clearly the reality.

Third, is the Department of Economic and Social Affairs of the United Nations (UNDESA). In its 2005 report on the world social situation, aptly titled, "the inequality predicament" UNDESA demonstrates the increasing inequalities across and within countries arising from the pace and nature of the globalisation and liberalisation processes. In the introduction to this report it is stated succinctly that "for many countries national policy space is increasingly being reduced by liberalisation policies that tend to accentuate asymmetric globalisation and inequalities". It is the creative manipulation of policy space and the innovative use of available resources which offer the prospect of development in a competitive environment.

Neither the realities which are very evident in the trade performance nor the international trade environment where preferential arrangements are rapidly being ended has however sparked any significant intellectual response in the Caribbean region. In fact several Caribbean academics and even policy advisers are still routing for rapid and full liberalisation of trade with all countries being treated equally. They have accepted the argument that preferential arrangements have not led to diversification and development. They have not analysed the objective conditions under the current arrangements to determine the extent to which constraints to the arrangements as distinct from the intrinsic nature of the arrangements might be responsible for the less than satisfactory performance. Further, they have not analysed the alternative arrangement – the fully reciprocal arrangement allowing maximum competition from developed countries and large developing countries – to determine how it would produce superior results.

Lewis and Beckford would set those as work precedent to accepting or recommending any movement to a new untested situation. That leads logically to an analysis of recent performance of the Caribbean Economies.

Iv. Recent Caribbean economic performance

We define the Post Washington Consensus period, for convenience, as after 1990. CARICOM secretariat statistics indicate that the six larger states of CARICOM, namely the Bahamas,

Barbados, Belize, Guyana, Jamaica and Trinidad & Tobago grew at an average rate of 3.4 percent between 1991 and 2006. The growth rate was higher in the last three years as the average was 2.9 percent in the 1991-2003 period. See Table 1. For some details. The six

smaller members which constitute the Eastern Caribbean Currency Union (ECCU) performed at a slightly lower rate than the larger members but with the same profile. The performance was slightly better in the later period. The CARICOM countries performance was better than that of the developed countries during the period after 2003, but only about one-half as good as the economies in transition and slightly better than a half as good as developing countries as a group. The average for the larger CARICOM countries masks the influence of the performance of Trinidad and Tobago, an economy driven by oil and natural gas, and the only one to consistently exceed the average.

The national growth performance also masks sectoral differences. In most of the economies the services sector, in particular tourism, financial services and construction, has been leading the growth while traditional and labour intensive sectors such as export agriculture have been on the decline. CARICOM economies are highly external trade dependent and so external trade performance is an important indicator of overall economic performance. The external trade dependency ratio increased from 66.5 percent in 1984 to 80.3 percent in 2002. The growth was modest, in fact, negative to flat, until 1990 when it jumped to 70.8 percent and exceeded 90 percent in 1997, 2000 and 2001. The ratio of imports to exports in the overall trade dependency ratio was fairly close in the early years but the import ratio shot up after the implementation of the Uruguay round agreement in 1995 while the export ratio has tended to stagnate. In 2002 the import to export ratio was roughly 2:1, up from 1.0 to 0.83 in 1984. These statistics can be reviewed in Table 2. The adverse extra-regional trade balance would have been worse in the later years but for the positive impact of high oil prices and the expansion of natural gas on the exports of Trinidad and Tobago.

Data on actual trade performance for the period 1995 to 2004 is contained in Table 3. Over the period, extra-regional imports increased from US$6.54 billion to US$10.89 billion while export to extra-regional sources increased from US$4.2 billion to US$8.1 billion. The adverse extra-regional trade balance which was US$2.3 billion in 1995 increased to US$2.8 billion in 2004 but exceeded US$3 billion every year in between. It was above US$4 billion in 1998 and 2002.

The Caribbean is a tropical agricultural region. The mandate of this meeting is agriculture in the broadest sense. The performance of agriculture, therefore, especially as this pertains to food security, rural income and nutrition, is important. In that context the data available shows that food imports have increased from approximately US$1.0 billion in 1995 to US$1.5 billion in 2004 or by almost 50 percent with a steady increase every year after 1996. It might be worthy of

Recall that the region's food import bill was US$0.4billion in 1975. The absolute growth in the last 10 years has therefore been just fractionally less than in the previous 20 years.

The export terms of trade is also very important for such highly export dependent countries. In the case of the eleven most important exports of CARICOM the unit value of seven fell between 1995 and 2000. In the case of five of these the fall in the unit price was in excess of 25 percent. Export products which lost value included big ticket items such as sugar and bananas where export volumes are constrained by access conditions. It was not possible in such cases to offset price reductions with increased sales even if there was increased production.

The analysis of the market and the implications of the changed situation for these two products must be done carefully. First it must be done not just individually but collectively. The exporting countries are losing two sets of income simultaneously. Seen from that perspective, it should be clear that the annual financial loss to the region of over US$135 million for the two commodities is not small. It will require a major effort to recoup that level of earnings from new crops. To suggest that this is due simply to a loss of preference, something which the region should not have had, misses at least one fundamental point. It misses the fact that, in respect of sugar sold

to the european union (EU), this is not a preferential transfer by the EU. The sugar protocol is a long-term marketing contract under which the ACP countries have been committed individually and collectively to supply a fixed quantity of sugar to the EU at a price to be negotiated each year. The ACP supplied the contracted quantity at a price well below the world market price in the initial

years of the contract. The EU was therefore the first beneficiary of the negotiated price. Legally, the EU cannot now determine and dictate a price. The contract stipulates determination by a process of negotiations. These two commodities, although traded in the same market, and within the general framework of a cooperation agreement, must be analysed on their own bases.

CARICOM banana exports, particularly from the four small Windward Islands – Dominica, Grenada, Saint Lucia and St. Vincent and the Grenadines, increased significantly after the first Lome Convention in 1975 to earn an average of US$187 million in the 1991/1995 period. Earnings have fallen rapidly in the period after the WTO panel rulings to an average of US$154 million between 1996/2000 and further to US$110 in 2001/2004. The impact on countries like Dominica and Grenada has been devastating. Data on banana exports is in Table 4.

The adverse impact on sugar earnings begun later, after 2000 when the EU introduced the "everything but arms" (EBA) for the LDC's and transferred the sugar sold by the ACP suppliers under the preferential special protocol sugar (SPS). Annual average sales fell from US$368 million in the 1996/2000 period to US$262 million in the 2001/2004 period. The rate of decline will accelerate with the EU's proposed unilateral imposition of a reduced price. Data on CARICOM sugar earnings are in Table 5.

The discussions on sugar and bananas are illustrative. There is need for detailed analyses and projections of the prospects for the other key exports.

V. Some pointers to the future of the Caribbean through Lewis-Beckford lenses

Caribbean economies and societies are at a cross-road. The traditional pillars of economic growth and income are under threat, the international environment is hostile and the time for fundamental solutions short. We draw on the intellectual legacy of Arthur Lewis and George Beckford to proffer eight ways forward.

First, difficult problems require the consistent application of intellect based on correct diagnosis. Caribbean intellectuals must repatriate with confidence the art of original thinking and apply themselves to solving clearly defined Caribbean problems. In agriculture the Caribbean needs new crops, new ways of creating products from existing crops, and systems to increase competitiveness and sustainability. There are examples of Caribbean agriculturists like "cow-pickney" T. P. Lecky and "Grass-Man" Sam Motta on which to draw inspiration.

Two, identify key opportunities. The CARICOM Caribbean countries alone have a food import bill of US$1.5 billion and rising. World-wide, there is increasing demand for natural foods. Research into varieties, good production practices and markets should highlight some key opportunities on which resources should be concentrated to create new avenues of investment, production, trade and employment.

Three, there is the opportunity, the need to link the agricultural production to the agro-processing industry and to key services such as transportation, marketing, quality assurance and consultancy thereby creating a larger pool of employment opportunities. Caribbean nationals in the diaspora could play major roles in many of these areas including as investors, service providers and markets.

Four, new production of the nature and sale envisaged require rationalisation and organisation within and across countries in the region. Traditional crops such as sugar and bananas had such organisation from research through to marketing. Beckford, a strong proponent of agricultural

rationalisation across the Caribbean would have had no difficulty extending this to industry and services he had proposed the Community Economic Organisation (CEO) as an institutional vehicle for rationalising and integrating production and spreading the benefits. This might not be the precise or only modality. We need to apply creative thinking to the issue but its essential features of involvement and comprehensiveness are worth preserving in any solution. The creation of the CARICOM single market should make rationalisation and trans-regional organisation of production and trade much more feasible than when Beckford promoted the idea.

Five, as small states, even as a group, the future of Caribbean economies will still depend significantly on their involvement with the global economy. Currently they are “hog-tied” and being strangled. They are being forced or have gotten themselves involved in a number of negotiations, the ground rules for which will ensure that they will be severely disadvantaged. These negotiations include the new round in the WTO, the Free-Trade Area of the Americas (FTAA), the European Partnership Agreement (EPA) and their proposals for negotiating free trade agreement with Canada and possibly the United States. All these negotiations start from the new WTO doctrine of reciprocity among unequals. Worst, they start from an abandonment of preferential advantages which Caribbean states enjoyed so that the developed partners can be brought on an equal footing within very compressed timeframes. Within those rules Caribbean countries are losers ab initio. Caribbean countries will be making hugh concessions for few new benefits. They must develop the intellectual argument and insist on rule change. Strategically, this must be done at the level of the WTO. Nothing short of change, roll-back in cases of current WTO rules will provide an environment for rational negotiations. Fundamental rule change, not accommodation – the experiment of 1994 has worked perversely and must be reversed in several ways if small economies, in particular small island economies are to have a fair chance.

Six, a major component of the current Caribbean challenge derives from irrational changes in the international economic and trading environment. We are not arguing here that there are not changes being driven by hard economics, technology and consumer preferences. We are however contending that many are being driven by ignorance, greed, selfishness and power - the power of the major countries and mega-transnational corporations. These changes are continuing and are being institutionalised and given legal authority “with consent”, through international, hemispheric and bilateral agreements. Caribbean policymakers, advisers and negotiators must research their own situations and bring their facts to the negotiating table. CARICOM countries, for example, which are among the most preference dependent in the world, and have seen the unit value of the majority of their major exports fall with the partial liberalisation under the WTO, must bring to the negotiating table facts on the potential impact of any further erosion of preferences or liberalisation of their market on their economies and societies. Neither short-term aid nor an undertaking to review should be acceptable.

Seven, use international collaboration to advantage. Both Arthur Lewis and George Beckford received their tertiary education at the best universities in developed countries. They worked and collaborated with thinkers in these countries. They however used the resources to focus on problems of relevance to the Caribbean and other developing countries. Technological development and the number of Caribbean nationals now in institutions in developed countries should make such collaboration much more feasible. The key is to define the issues for collaboration.

Collaborative work, in the framework of this conference, which focus on issues such as the control of "invasive species" respond to an area of Caribbean priority as well as united states interests. Why should such collaboration not produce definitive work on the impact of trade liberalisation, whether through the WTO or bilateral free trade agreements, on specific Caribbean exports or products for the domestic market.

Eight, Caribbean countries will need to find new products, new markets and new marketing arrangements to secure their economic future. The United States should not only be the Caribbean's largest supplier of imports, it should be its largest export market and not only for its energy and mineral based product. Florida is the nearest US state to the Caribbean with a large Caribbean population and tremendous infrastructure, including links into the large cruise industry and to the growth centres in Asia. We have argued elsewhere that Florida could become an entrepot for Caribbean products into the United States and elsewhere. This conference, with such intellectual capacity, could begin or could place on its agenda the exploration of such issues.

Individual entrepreneurs might even now see investment opportunities.

Ladies and gentlemen, I thank you for the opportunity to unload my burden for the Caribbean on you. My friend G/Beck and Sir Arthur Lewis, who would often remind me that while we disagree on many things, we share similar objectives, would demand no less.

Table 1: Rate of Growth of Caribbean Countries (1996-2006)

Country/Grouping	Avg. 1991-2003	2004	2005	2006	Avg. 2004-2006	Avg. 1991-2006
The Bahamas	2.0	3.0	3.5	4.0	3.5	3.1
Barbados	1.1	4.4	3.1	3.3	3.6	2.9
Belize	5.1	4.6	2.2	2.2	3.2	3.7
Guyana	4.0	1.6	-2.6	-2.6	0.8	1.2
Jamaica	0.7	2.5	0.7	0.7	2.3	1.9
Trinidad and Tobago	4.4	6.2	6.3	6.3	7.5	6.8
Average [(a)]	2.9	3.7	2.0	2.3	2.7	3.4
Haiti	0.0	-3.8	-1.5	1.5		
ECCU	2.7	2.7	3.2	3.2	3.0	3.0

Notes: (a) Figures do not include Suriname
Source: World Bank and UN/DESA Estimates

Table 2: CARICOM's Trade as a percentage of its Total Gross Domestic Product and Constant 1990 Prices (US$ Million)

Year	GDP Constant Prices	Imports	Imports as % of GDP	Exports	Exports as % of GDP	Total Trade	Total Trade as % of GDP
1984	12,629.8	4601.7	36.4	3802.0	30.1	8403.7	66.5
1985	12,286.5	4180.4	34.0	3559.1	29.0	7739.5	63.0
1986	12237.6	3936.3	32.2	2793.3	22.8	6729.5	55.0
1987	12407.0	4067.2	32.8	2908.8	23.4	6976.0	56.2
1988	12458.6	4365.4	35.0	3101.2	24.9	7466.6	59.9
1989	12844.8	5105.1	39.7	3476.3	27.1	8581.4	66.8
1990	13238.7	5257.4	39.7	4117.5	31.1	9374.9	70.8
1991	13927.5	5747.8	41.3	4033.6	29.0	9781.4	70.2
1992	14145.6	5347.6	37.8	3957.6	28.3	9305.2	65.8
1993	14429.9	5922.4	41.0	3778.7	26.2	9701.2	67.2
1994	14701.2	5952.9	40.5	4471.0	30.4	10424.0	70.9
1995	16661.3	8064.3	48.4	5597.8	33.6	13662.0	82.0
1996	16995.6	8484.6	49.9	5758.4	33.9	14243.1	83.8
1997	17266.0	9908.9	57.4	5760.2	33.4	15669.1	90.7
1998	17772.2	9715.4	54.7	5311.0	29.9	15026.5	84.6
1999	18373.6	9493.9	51.7	5683.3	30.9	15177.8	82.6
2000	19153.2	10708.3	55.9	7389.0	38.6	18097.3	94.5
2001	19339.7	10861.2	56.2	7157.4	37.0	18018.7	93.2
2002	19821.5	10503.1	53.0	5413.3	27.3	15916.4	80.3
2003	-	12011.4	-	7605.6	-	19617.0	-
2004	-	13491.7	-	9383.6	-	22875.3	-

Notes: Imports: 2004 Excludes data for Grenada
Exports 1985 Excludes Antigua and Barbuda
1994 – 1996 Exclude data for Antigua and Barbuda
1997 – 1998 Exclude data for Antigua and Barbuda and Monsterrat

Source: CARICOM STATISTICS 2006

Table 3: CARICOM's Imports, Exports and Trade Balance, 1995-2004In US$b

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total Imports	7.250	7.620	9.029	8.792	9.494	10.180	10.123	9.701	10.916	12.351
% Growth	27.4	5.1	18.5	-2.6	8.0	7.2	-0.6	-4.2	12.5	13.1
Total Exports	5.090	4.618	5.914	4.801	5.684	6.875	6.738	5.916	7.625	9.323
% Growth	13.8	-9.3	12.5	-7.6	18.4	21.0	-2.0	-18.1	38.2	28.8
Extra-Regional Imports	6.541	6.833	8.153	7.896	8.388	9.007	8.988	8.699	9.587	10.888
% Growth	28.4	4.5	19.3	-3.2	6.2	7.4	-0.2	-3.2	10.2	13.6
Extra-Regional Exports	4.248	3.744	4.254	3.769	4.587	5.667	5.391	4.515	6.268	8.072
% Growth	11.5	-11.9	13.6	-11.4	21.7	21.4	-3.2	-16.3	38.8	28.8
Extra-Regional Trade Balance	2.293	3.089	3.899	4.127	3.801	3.340	3.597	4.184	3.319	2.816
Total Food Imports	1.028	1.017	1.216	1.256	1.294	1.293	1.310	1.243	1.367	1.455
% Growth		-0.9	19.6	3.3	3.0	0.0	1.3	-5.1	10.0	6.4

Source: Calculated From Caribbean Trade and Investment Report, 2005, Caribbean Community Secretariat 2006, Tables 1.1, 1.3 and 1.25

Table 4: CARICOM Banana Exports (“000 US$)

	1970/75	1991/95	1996/2000	2001/04
Total	31,135	187,429	154,061	110,035
Belize	5	19,500	27,733	30,959
Dominica	4,237	25,026	15,735	7,709
Grenada	1,433	2,522	203	244
Jamaica	15,029	43,097	35,685	17,780
Saint Lucia	5,687	58,364	34,824	21,090
St. Vincent & The Grenadines	2,322	29,056	18,920	15,068
Suriname	2,422	9,864	20,961	17,185

Source: FAO Statistics

Table 5: CARICOM Sugar Exports (“000 US$)

	1970/75	1991/95	1996/2000	2001/04
Total	225,815	320,087	367,967	262,051
Belize	17,213	41,771	43,606	34,816
Guyana	78,869	118,760	147,318	103,779
Jamaica	65,113	87,523	97,281	74,333
St. Kitts/Nevis	5,159	11,692	11,527	5,691
Trinidad & Tobago	37,493	32,948	37,737	22,473

Source: FAO Statistics