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THE POOR AND THE POWERLESS : ECONOMIC POLICY

AND CHANGE IN THE CARIBBEAN TO 1986

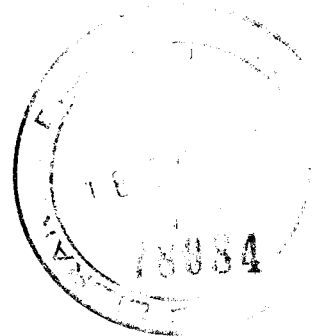
by

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Introduction:

The close of the 15th century witnessed the explorations of Columbus and the beginnings of the systematic penetration of Europeans into the western hemisphere. While it may not have been appreciated at the time, this encounter heralded a new era of human development, one which has been variously described as "the dawn of the modern period", "the birth of capitalism", and "the rise of the New World". Today, five centuries later it is no exaggeration to claim that the situation in the Caribbean is at least as pivotal as that of any other region in determining whether as a species we nuclear self-destruct, or advance to a more humane civilisation, where among other things there would be no poor and powerless among us. Situated in the geo-political backyard of the United States, the world's leading capitalist power, at a period of intense confrontation with what the Reagan administration describes as "international communism", places like Jamaica, Grenada, Cuba, Puerto Rico, Haiti, Suriname, Nicaragua, El Salvador, Honduras, Guyana and the Dominican Republic conjure images of momentous social upheavals of global proportions. This book attempts an analysis and interpretation of the course of economic development of the region since World War II. However, given the variety and complexity of the region as well as the need to make the subject matter manageable I have resorted to a number of methodological devices some of which I refer to at the outset, as I believe this would aid the reader's appreciation of the direction and thrust of the book.

To begin, while this is a study of economic change the target audience is not economic specialists, (although it is hoped that this category of readers would find the book useful). The audience I have aimed at is the large number of persons with no specialist training in economics, but who nevertheless realise that in order to comprehend contemporary Caribbean reality, it is imperative to have a grasp of how the economic and material basis of the region's societies is organised and reproduced. It is therefore intended that a wide range of persons would find the text useful either as a point of departure for further studies, or as reference material. Among these I would include trade unionists; workers and activists in non-governmental organisations (churches, professional associations, community and cooperative groups, etc); students; managerial and executive personnel in both the private and public sectors; activists of political parties and social movements such as, women's groups, peace groups, human rights organisations, environmental protection bodies, etc; participants in the decision making structures of regional and multilateral institutions either exclusively concerned with the area or having regional programmes; Caribbean people who live outside the region and sustain an active interest in developments within the region; and social scientists generally. From this rather long list it should be evident that the book is designed to serve an educational role among intellectual workers, this category being construed in its broadest meaning, that is, as

comprising all those persons who regardless of their level of formal training deal with ideas, either as part of their livelihood, or as an expression of their commitment to some voluntary social activity.

The reader may conclude from this that the book is simply written for the "lay-person". While in a sense this is true, I would caution however, that this does not mean it is by design either simplistic, or intellectually illiterate. No effort has been made to dilute the presentation of any of the ideas or insights which I might have to offer. The process of simplification has been by and large confined to keeping the technical language, jargon of economics, and statistical detail to the barest minimum. One of the major reasons why I have found that this task has not been as daunting as it might at first appear is that a standard, compartmentalized "economic" analysis of the Caribbean would be truly meaningless. The force of historical circumstances has made it impossible to separate politics, sociology, law, culture, science and technology, and history itself from the analysis and interpretation of economic issues. The primary method of the study is therefore multi-disciplinary, or as it is sometimes described I have used a "political economy" approach. Because of this multi-disciplinary, or political economy approach, I believe that almost all the persons in the groups listed above would find that from the standpoint of their own experience and/or training, that there is one or more vantage points of familiarity

from which to follow the contents of the book.

A second point of method I wish to refer to, is that as the title of the book suggests the point of departure is the interests of the poor and the powerless. The reason for this is simple. Throughout the region's recorded history these groups have always made up the majority of the population. As the saying goes "the poor have always been with us", but while this is the stark truth, the poor have taken many forms over the past five centuries: the indigenous inhabitants of the area, the early waves of European immigrant settlers, African slaves, indentured workers, the small peasants, urban and rural workers as well as the unemployed of the post-slavery period. By the powerless, I refer to all those groups in these societies who under prevailing social and institutional relations have been unable to exercise control over the machinery of state or other established institutions of authority. In other words they do not make up the dominant or ruling political group(s) or class(es). With rare exceptions, throughout the region's recorded history the dominant class(es) has always comprised a small fraction of the population, and the powerless the vast majority.

Within the region, it may be argued that by and large the poor and the powerless have always made up the same constituency of persons. It should not, however, be inferred from this that the position taken in this book is that the poor do not make up

a powerful social group. To the contrary, because they have always comprised the bulk of the work force, the producers of social wealth, they command a tremendous amount of social power. Except, however, for a few very brief insurrectionary interludes, over the past five centuries and more this has not been translated into their taking control of state power as a necessary step in the direction of re-ordering social priorities with the view of eventually securing a permanent end to their continued poverty and subjugation.

Because for so much of the region's history it has been colonized by one or other European power and then later fallen under the domination and sway of the United States, powerlessness has to be conceived at both the national level (in the sense that the colonial and imperial powers have historically oppressed all groups and classes in a given territory depriving them thereof of effective control of the machinery of state) and at the internal social level or class level, where in this structure some groups and classes are better placed than others. This and other aspects of the poor and the powerless will be taken up more fully in the text.

A third point of significance in the method of this work is that the analyses and interpretations offered are explicitly oriented towards raising the consciousness of another or

alternative path of development for the region. Such an objective, however, has had to confront the well recognized truth that in order to comprehend the present, let alone plan or conceptualize the future as we aspire to do here, one must be thoroughly grounded in an understanding of the past. This places a premium on the historical method. Here this is attempted, but not with a view to providing historical detail or insights as ends in themselves, but as a way of infusing the analysis with a sense of historical direction. Without this I believe that the major continuities and discontinuities of the present and future cannot be comprehended, and we shall find ourselves repeating past errors as many before us have.

One might argue that it is this historical sense which in the last analysis justifies the treatment of the Caribbean as a legitimate area of social study, and this observation brings us to our fourth point of method. Some measure of the difficulties and complexities which this approach encounters can be gleaned from the fact that while we seek to advance a regional or area approach, the contradiction of reality is that no other part of the world boasts the same degree of fragmentation and balkanization as the Caribbean area! In addition, the almost continuous entanglement of the region as an actual war zone in the struggles between East and West (as well as North and South) adds further difficulties to our project. Consider the following examples.

First, frequent daily reference is made to the English-speaking Caribbean. This, however, constitutes the following:

i) The Caricom territories as a core group (Antigua-Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Christopher-Nevis, St. Lucia, St. Vincent, Trinidad-Tobago and Montserrat). These 13 countries have a population of 5 million people.

ii) The United Kingdom dependencies: Anguilla, British Virgin Islands, Cayman Islands, the Turks and Caicos, and possibly Bermuda.

iii) The United States Virgin Islands.

When examined closely we find that this linguistic grouping includes Guyana and Belize which are not islands. It also includes the dependencies of the United States and the United Kingdom, although all the Caricom territories with the exception of Montserrat obtained independence from Britain during the past two and a half decades. It also ignores the special status of the U.S. Virgin Islands. Within this grouping there is also the "Caricom group of countries", sometimes referred to as the Commonwealth Caribbean or the West Indies. This is also another very loose piece of terminology since it is never clear whether the UK dependencies (except Montserrat) are included. What clearly emerges therefore, is that an exclusively linguistic determination of the area of social study is inadequate and must

be combined with other elements: cultural, economic, geographical, political and historical.

A second example is the frequent attempt at a geographical determination of the area of social study. This approach defines the Caribbean as the islands of the Caribbean Sea and as such would include all the islands listed above, together with Cuba, the Dominican Republic, Haiti, Puerto Rico, the French overseas - departments of Martinique and Guadeloupe, as well as the Dutch Antilles. The strictly geographical definition would then comprise 22 countries and about 28 million people. This definition is so severely limited that it has been conventional to add to it the four non-island territories of Guyana and Belize (part of the English-speaking grouping), Suriname and the French overseas-department, Cayenne. If the mainland four are added we have 26 countries and approximately 30 million people.

This definition of the area of social study has limited usefulness, however, because it ignores the different levels of nation building arrived at in the region. It includes countries ranging from socialist Cuba, non-socialist independent states of long standing, and several of very recent vintage, as well as surviving European and American colonies. The limitations of a unidimensional definition of the area of social study are again revealed in this example.

At present the US inspired notion of Caribbean Basin is the concept with the widest usage, except possibly for the more traditional culture area of the West Indies which generally refers to the Caricom grouping of countries. This definition includes all the countries mentioned above, plus all of Central America (including Mexico and Panama), as well as Colombia and Venezuela. This leads to 36 countries and over 150 million people. This conception owes much to the US government's view of its strategic-cum-geo-political concerns in the area. As we shall see later in the text, in its Caribbean Basin Initiative (C.B.I.) the US government has sought to give this conception programmatic economic content through its external aid, trade and investment relations.

As a strictly geographical definition this concept includes states in Central America (even where they do not have a Caribbean coastline) and excludes the US (which has one). This is similar to some conventional geographical definitions which exclude Venezuela which has the largest Caribbean coastline. In the programmatic aid, trade and investment strategy of the C.B.I. the East-West conflict emerges in the exclusion of countries like Cuba and Nicaragua and the bias in favour of places like Jamaica and El Salvador.

All these complexities raised here reflect the earlier observation concerning the extent of fragmentation and balkanization in the area. Additional problems, however, also emerge. One of these is that a certain level of aggregation the numbers of societies and separate nation states to cover became too large to be handled by one scholar in one volume. The sheer variety of territories is likely to lead an all embracing treatment of the region in a single general study into a simple gazeteer or compendium of data with little indepth analysis. Another problem is that at a certain stage of their development some territories acquire a distinctiveness of their own (even within the region) and this necessitates an analysis from a single country focus. The best example of this is Cuba, where the radical alteration of class and other social relations which followed on the revolution makes it impossible to study that country exclusively or even primarily, from the perspective of a general treatment of the Caribbean qua region. This, of course does not rule out the isolation of particular themes and issues in Cuban development for treatment from a general Caribbean perspective.

The approach of this text combines two elements. On the one hand it was necessary to blend historical, cultural, linguistic and geographical features to help define a meaningful area of study. On the other, a judgement had to be made about the strength and direction of regional consciousness among the population at large in the various territories. The judgement

exercised here is that despite its many weaknesses (which are identified later in the book) the regional integration effort of Caricom reflects the area of greatest potential and immediate cohesiveness within the Caribbean. It would be true to say that at this historical juncture, all the major classes, groups and strata in these territories, as part of their social consciousness share and/or compete over a view or views of the Caribbean in ways which are important to the pursuit of their interests. This demonstrably influences their group behaviour quite significantly. In no other significant grouping of territories in the region (except possibly Central America which I believe should not be treated together with the Caribbean for the purposes at hand) is this community of interest as far advanced.

It is out of these considerations that I have chosen the Commonwealth Caribbean or the Caricom Group of countries or the traditional West Indies as the core territories for purposes of study and analysis. Having indicated this, I should immediately stress that in dealing with many of the thematic issues, for both comparative and analytical reasons, the treatment embraces wider definitions of the area. Examples of these are the treatment of the historical forces shaping the early formation of the region's economy, the pattern of the region's industrialization, the role of plantation and peasant agriculture in the food systems of the region, the dominance of transnational corporations in the

region, the militarization of the area, the effects of East-West confrontation, etc. I should also stress that the argument of the previous paragraph has been reinforced by the additional consideration that most of the states in the core group identified here are recent post-colonial states. By this I mean much more than that they were formally subjected to "colonial office rule" and have recently acquired "political independence". The distinction is based on the treatment of **colonization** as an inherently distinctive process which has shaped these societies, and the potential for a "break" with this process which is inherent in independence which at the least makes it no longer legally possible for colonial domination to mediate itself through all the important structures of the society.

Despite the limited area constituted by the core group of this study, it nevertheless combines territories of enormous complexity, with both unifying and disintegrating tendencies. Perhaps by definition an area study tilts the balance in favour of unifying tendencies, however, the fact that these territories have evolved out of British colonialism into separate and independent nation states means that local diversities in resource availability and its management, economic opportunity, location, leadership, as well as factors such as historical accident cannot be ignored. In the region a continuous tension exists between unity and further fragmentation and this is reflected in the tension between unifying and disintegrating tendencies at the theoretical base of this book.

In concluding this introduction I would like to draw attention in a preliminary way to a couple of other recurring themes which are at the base of this work. One of these is that in my evaluation of the historical past I have recognised the region as having gone through three fundamental periods of transition. The first is associated with the break-up of the systems of forced labour (slavery and indenture), the second with the liberation and independence movements of the Spanish speaking countries, and the third has been the impacting of the global economic and political crises of the 1930's and World War II on the region in general and the core-group of countries in particular. The third was the immediate precursor of the independence movements in the core group of countries. The further point however, should be stressed and that is that I interpret the present historical conjuncture as comprising elements with the potential for an equally fundamental transition as those which have already occurred. This judgement has given my task a certain immediacy, if not urgency.

The second theme was raised earlier in an indirect manner when I referred to the fragmentation and balkanization of the region, and that is, the issue of size and scale. When defined in terms of any appropriate combination of population, geographical area and size of national market, all of the territories of the Caribbean are small. Despite this, however,

it should be borne in mind that even within the sub-group of the Commonwealth Caribbean, there are remarkable variations in size. Thus in terms of area the countries range from Guyana with 83,000 sq. miles to Montserrat with 33, Jamaica with 4,411 square miles accounts for 40% of the group's population and along with Trinidad-Tobago (1,980 square miles) these two comprises about two-thirds its population. Meanwhile, Trinidad-Tobago alone accounts for 60 % of the regional market. Given such circumstances, the issues of size and scale must necessarily arise in a continuous way throughout the study.

Looking at the broad sweep of human history, arguably, the three most powerful vehicles of cultural penetration and dissemination have been migration, trade, and investment. Nowhere else in the world have these been as highly developed, in relative terms, as in the Caribbean. While in the text I deal extensively with trade and investment, the continued role of the movement of people in shaping the area should always be kept at the forefront. The migration of Europeans to the region and the enforced movement of millions of slaves and indentured labourers in one of history's most despicable enterprises is too well known to be overlooked. The abolition of legally enforced labour, however, did not bring to an end this process of tremendous movement of people. While, from time to time occurrences such as the flood of West Indian migrants to Britain in the 1950's

and 1960's, and later the Mariel ~~boat~~-lift and the plight of the Haitian boat people have brought world focus to this movement, it has been since the abolition of slavery a continuous feature of the area. Movement within the region (the building of the Panama canal, oil refineries in Curacao, sugar plantations, in Cuba; the migratory movement of workers from the Windward Islands to Barbados, Haiti to the Dominican Republic, Grenada to Trinidad-Tobago), and from the region to countries overseas constitutes an important characteristic of the region and has therefore helped to shape the underlying theoretical structure of this study.

Part I : Roots

This part of the study contains three chapters. Chapters 1 and 2 direct attention to the major historical forces which have shaped the contemporary political economy of the region. The discussion here is organized around four periods, namely, the period of European conquest, plunder and penetration from the end of the 15th century up to the middle of the 17th century; the period of colonial settlement and the consolidation of slavery which followed after and lasted until the early 19th century; the period of collapse of the colonial slave system and the rise of the peasantry which lasted until the end of the 19th century; and finally the 20th century up to World War II. The last period witnesses the consolidation of modern imperialism, the development of a clearly defined periphery and center in the capitalist world economy and the rise of mass movements in the periphery, noticeably in the core group of Caribbean countries. These two chapters do not pretend to offer an historical narrative, let alone a coherent history of the region. I have simply exercised my own judgement and isolated what I think are the principal interpretative/analytical themes, vital to the later analysis of the text. The third chapter offers a brief sketch of the socio-economic conditions prevailing in the West Indies as we approach the end of the decade of the 1930's and World War II. Taken together the three chapters indicate the roots of the contemporary political economy of the region.

CHAPTER 1: CONQUEST, SETTLEMENT AND SLAVERY :
THE MAKINGS OF THE COLONIAL ECONOMY

Prior to European penetration and conquest of the Caribbean, early forms of communal subsistence economy based on fishing, hunting and shifting agriculture dominated the area. Even with the low levels of technology prevailing at the time the region could be considered then as being generally under-populated. There was at the time also, a certain amount of inter-island, inter-territorial movement of persons and commodities based on the Amerindian canoes. There were no developed forms of private property relations and the notion of possessions outside of the group or tribe was barely known. It was into this situation of communal subsistence economies with limited exchanges between groups that the European arrived and transformed the Caribbean forever more. In this chapter we shall briefly identify the main forces shaping the formation of the Caribbean economy during two periods: the period of conquest, plunder and early settlement, and the subsequent period where the colonial economy was consolidated in its main essentials, slavery and the plantation.

I: The Treasure of the Indies: Conquest, Plunder and Rivalry

As Gordon Lewis has aptly remarked, what passes for Caribbean recorded history comprises a remarkable admixture of legend, myth, and distortion.^{1/} From the so-called "discoveries

of Columbus" right up to today's tourist brochures which depict the region as an "earthly paradise" the tendency has been to project a romantic view of the area. But behind this romantic mask there has always lain a brutal system of economic exploitation of the region and the peoples associated with it. From its earliest recorded history the Caribbean has witnessed some of the worst excesses of humankind: unrelieved plunder, genocide, slavery, indentured immigration, and other unspeakable barbarisms. Thus under the layers of myth of Columbus' "genius and visionary character" lay an enterprise for commercial gain financed by Spanish monarchs and their moneyed allies. As "soldiers of fortune" the romantic conquistadores were really promoters of genocide, and while the English buccaneers were romanticised as "bearers of protestant liberty in the struggle against Catholic tyranny", they were in truth after their piece of the action: the slave trade and other people's territory.

The colonization of the Caribbean was part of the first wave of modern colonisation. The inner drive behind the voyages of exploration was to expand the sources of wealth for its financiers in light of the disruption of the traditional Mediterranean routes to the East produced by the Turks, the Crusades, and the strategic domination of that area by the city-states of Venice and Genoa. The early emphasis was on plunder and trade, that is reaping the benefits of the hoarded treasures

of native peoples either through so-called exchanges or force of arms. There was, however, a built in limit to this system of simply appropriating the produce of others - the stock of wealth already possessed and the capacity of these groups to produce surpluses. With the low level of prevailing technology among the Amerindian inhabitants, further extortion depended on the installation of a system of production in the region which could expand the source of gains for the colonizers. This system was the seed from which the contemporary economies of the region grew, and it is therefore important that we understand the character of what was implanted. For the purposes of this study, I identify nine elements of this period as crucial to the later formation of Caribbean economy. While this listing is not complete and some of the elements clearly overlap for our purposes we can consider these to be:

European confrontation with the original Taino - Arawak - Cibola Indian peoples of the area which resulted in the latter's marginalization and the marginalization of the simple communal economies which they practised, produced a situation in which the Europeans were operating with a "clean slate" as it were. Unlike other colonized areas, e.g. India, they did not have to build on indestructible indigenous bases or preserve extensively, indigenous forms of economy for their own use. As Sidney Mintz observed:

"The Caribbean colonies were not European imperial possessions erected upon massive indigenous bases in areas of declining great literate civilizations, as was true in India and Indonesia, they were not mere ports of trade, like Macao or Shanghai, where ancestral cultural hinterlands could remain surprisingly unaffected ... they were not 'tribal' mosaics, within which European colonizers carried on their exploitation ... they were in fact, the oldest 'industrial' colonies of the West outside Europe, manned entirely with introduced populations, and fitted to European needs with peculiar intensity and permissiveness". 2/

The system of production that was installed, was from the outset oriented almost exclusively towards serving the needs of European expansion and development and the factor which made this possible was ultimately Europe's decimation of the indigenous peoples of the region and the removal of their culture.

ii) Because the original peoples were nearly all killed off, production and development within the region depended almost exclusively on labour imported into the region. Thus Europeans from the North and South, Africans and Asians were to form eventually the bulk of the labour force. Initially, it was expected that Europeans would settle the area and those fleeing religious and political persecution in Europe made up the bulk of the work force, along with the surviving Amerindian inhabitants. As it became obvious, however, that these numbers were too few for the rapidly growing enterprise of producing and exporting tropical staples to Europe, other sources of labour were resorted to. Here the Portuguese exploration and conquest of the West

African coastline which started as early as 1415 was to be of immense strategic significance, as it formed the basis for the slave trade as a solution to the labour shortages. The combination of an immigrant labour force and enforced labour were therefore among the most distinctive features of the early organization of Caribbean economy. This meant that although the processes of penetration and development of the region were first fuelled by the development of a capitalist momentum in Europe, (and that later this was to become a mutually self reinforcing sequence as the Caribbean made further capitalist development in Europe possible), the line of development pursued in the Caribbean was different from that of Europe in one of its most fundamental essentials, i.e., the character and organization of the work force. This feature was later to be of immense significance to the evolution of contemporary Caribbean economy.

i) The Caribbean was not, and indeed could not have been quered and settled in one go. In some instances centuries e to elapse before a colonial power could guarantee ective possession of a territory against the ambitions of al colonial powers. This consideration, together with the naturally drawn out processes of physical exploration and acquisition, helped to generate within the region a sense of a continuously moving frontier. Thus the Spanish used the discovery of the islands as initial points of plunder and exchange, then

later reserved these as areas of protection of its sea lanes as the frontiers of its colonization moved to the mainland. Each new territory before it was exhausted seemed inexhaustible in its riches and this view reinforced a speculative outlook on Caribbean ventures. However, because the gains of conquest were held to be high, it fostered intense rivalries and wars among the European powers. All these developments combined to produce significant effects on the early development of the region's economy, but one that has been of long run importance is that they have produced an uneven character in the region's development. Variations in geographical position, resources, size and sometimes the sheer accidents of history in a region seen as a moving frontier alone would have ensured this. This character of the region's uneven development was, however, compounded by the historically observed tendencies of capitalism as an economic and social system to grow unevenly through time and space.

1. During the early periods of colonisation, the situation of insecurity of economic ventures in the region, combined with the remarkable swings in the fortunes of individual territories which accompanied this, was further complicated by the exceptional degree of physical terrorization which characterized day to day living in the Caribbean right up to the end of the 17th century. For most of this period the buccaneers operated as serious predators, preventing the consolidation of settled forms of

economic life. Thus Parry and Sherlock report that during the six years of Morgan's ascendancy (1655-1661), as many as 18 cities, 4 towns and nearly 40 villages were sacked; several more than once. This estimate does not include English expeditions after 1670, nor French pillaging. ^{3/} It was not until the end of the 17th century that such activities were more or less brought under control, and without this settled forms of economic enterprise could not have become triumphant.

v) The social cleavages inherent in enforced labour and a system of different racial groups enjoying unequal access to society's wealth and power combined with the shifting fortunes of the territories and made it impossible to forge societies with common consensual values. Inevitably, therefore an extraordinary role came to be played by force, terror, fear, fraud and ideology in shaping the region. Authoritarianism was essential to those in control, and along with this attempts to sow the systematic internalization within the majority of the population of beliefs, values, and ideas which rationalized their continued subservency and dependency. In opposition to this, oppressed groups developed attitudes of unremitting resistance to servitude. Insurrections and revolts occurred almost on a continuous basis, thereby forcing the considerable diversion of resources into the development of local militias, as well as the back-up forces of the colonial military machines.

vi) The development of early capitalism in Europe and the drive to create a world market in the 16th and 17th centuries would not have resulted in the successes which occurred if developments in science and technology did not match the aspirations of the European merchants and monarchs. Improvements in nautical technology (maps, compasses, quadrants, ships, etc) were necessary for the explorations of the West African coastline to take place and the later crossing of the Atlantic and the slave trade. To establish and sustain their domination the Europeans had a comparatively well developed armaments industry and systems of logistical support. Similarly improvements in medical technology were essential to the success of transporting slaves in the millions as was done under the inhumanly cramped conditions of the typical slave ship, without the regular decimation of slaves and crew from disease. Although mortality ratios were as high as 3 in 10 in the Atlantic crossing, because slaves were packed in holds where they had less living space than a typical coffin, the survival rate was an achievement only possible because of advances in medical sciences. Similarly, the high mortality rate on the plantations (as much as one-third in three years) should not obscure the advances in the medical sciences, without which the situation would have been far worse.

If the early development of European science and technology was central to the conquest of the region, their

subsequent evolution was also central to shaping the fortunes of the area. Thus the fortunes of ports like St. Thomas and Castries, St. Lucia, which depended on their terminal roles in the Atlantic trade where the mode of travel depended on coal, ended when this was later replaced by oil. Similarly the number of quick fortunes reaped in Barbados and the Bahamas was much reduced when shipwrecks became less frequent as advances in navigation and meteorology were achieved. Perhaps of greatest importance is the fact that few of the region's indigenous plants and domesticates were initially developed to a level where they could feed the growing populations. Without developments in the agricultural and animal sciences the successful transference of new plants and domesticates into the region would not have been possible. As we shall see, however, because the scientific and technological efforts were from the outset directed towards substituting indigenous plants and domesticates with imported material, this has had a tremendous effect on shaping the subsequent course of scientific and technological change in the region. Thus by the 16th century the sugar cane plant (an import into the region) had become the most profitable agricultural activity of plantations in Santa Domingo (Hispaniola), Puerto Rico and Jamaica (then a Spanish possession), and its production was geared towards export to Europe.

vii) Because the territories were all colonies of one or other imperial power, positions taken by the imperial state were

important to the fortunes of the individual territories. Each imperial state sought to protect the interests of its ruling class in Europe and therefore promoted the development of the territories in so far as this contributed to it. To ensure that the contributions were positive a number of devices were put in place by various imperial states to ensure that the benefits of colonization were kept to itself; hence the infamous Navigation Acts of Britain in the 16th century. The intense rivalry over colonial possessions inevitably produced a remarkable succession of wars. The initial Spanish monopoly of colonies was challenged early by Portugal and the Pope's effort through a series of Papal Bulls to arbitrate between two colonizing Catholic powers was of little real effect. Later, other less developed powers were to challenge both Spain and Portugal in the region. Despite these developments, however, by the end of the 16th century the Spanish monopoly remained by and large intact, with the only fully settled colonies in the West Indies being Spanish. It therefore took more than a century for its monopoly position to seriously disintegrate.

It was because practically every European nation fought for and controlled territory in the Caribbean including such lesser powers as Denmark which held the Virgin Islands until 1917 and Sweden, St. Barthelemy up to 1877, that the process of balkanization referred to in the introduction was set in train.

This tended to breed a certain insularity in the outlook of the territories which was reinforced by the fact that the developed communication of the time was by sea and this focussed on linking the imperial center to its own island possessions with little consideration of inter-territorial links in the area.

The inter-island commerce and trade using canoes which was practised by the original inhabitants of the area was swept aside to meet the demands of European conquest of territory abroad. The insecurity which flowed from continuous European rivalry and war with each other also meant that in each local territory the inhabitants could not be sure which power would be in control and for how long, and also what retribution would follow when a territory changed hands. Nevertheless, the practice was that each colonial power sought to promote its own culture in its possession, if only as a means of cementing ties with the mother country. Thus the promotion of Barbados as Little England, Martinique as the French Antillean jewel, and Cuba and Puerto Rico as the pride of the Philip II of Spain.

viii) If the imperial state fought to protect its own interests in the region, the colonial states which arose during this period mediated these interests to the local population. Despite the apparent anarchism and lawlessness of the period of conquest and plunder, the colonizing forces had sought early to establish various forms of governmental authorities. Thus early in the

16th century territories like Jamaica (1509), Cuba (1511) and Puerto Rico (1512) boasted the rudimentary forms of Spanish town government - the cabildo. The striking feature of the states of this period was the naked way in which they sought to promote the interests of the imperial power and the dominant local class of planters and colonists. To ensure this, the vast majority of the population had to be dispossessed of all claims to exercise governmental authority. The colonial state therefore played a vital role in cementing the economic realities of the time. Later, some of these local states ran into conflict with the imperial state as they sought to represent more and more the interests of the local ruling class. This was in many instances to give way to open revolt and secession from Empire (the United States), and to fuel the struggles for liberation from Europe (Spanish America).

ix) The period covered by this section has usually been described as the commercial phase of capitalist development in Europe. This is because of its emphasis on market expansion, the simple exchange of commodities already produced, and the seizure of treasure and surplus produce from others. In this phase the Caribbean had undoubtedly played an important role as a source of primitive accumulation for the expansion and deepening of capitalist development in Europe. The changes forced upon the New World were so profound (the decimation of

the people and the destruction of their culture, the continued, if not systematic loss of precious metals and tropical produce to Europe, the creation of white settler colonies mainly in North America, . . . the conversion of territory into trading posts and ports in order to facilitate European appropriation, and the early growth of the slave trade and slavery as the white settlers and indigenous inhabitants proved to be too few) that external factors seemed to be the overriding consideration in the development of the area. It should be borne in mind, however, that the more local settlement was consolidated and the local populations began to grow, the more factors internal to the territories of the region began to play important roles in their evolution. If the conquest and early settlement of the region can therefore be said to represent the first primary moment in the evolution of the Caribbean as a region, then the process should not be interpreted one-sidedly as it is sometimes done. It must be seen as a continuous situation of the dynamic interaction of both external and internal factors. The internal forms of economic exploitation and domination of the region have from the inception been in substance exceedingly complex, despite their simple appearances. While as these societies expanded economic factors manifested themselves, they invariably occurred in an exceptionally fluid manner. Additionally, the potent admixtures of class and non-class factors which have shaped the development of the region - particularly race and religion, have made the social understanding of these societies very difficult indeed. Thus the well

known Protestant/Catholic struggles of the time were to combine with the struggles of the slaves to preserve their ancestral religious survivals, to give a complex configuration to religious issues in the region. Similarly, the ideologies of racism which were developed to justify the economic enterprise of capitalism and slavery in the Caribbean became so deeply interwoven into the fabric of the society, that they were to take on a life of their own, often times in apparent direct contradiction to the pursuit of the economic interests of the ruling group.

II: Colonial Settlement: Slavery and the Rise of the Plantation

While the period covered in the previous section coincided with the commercial phase of capitalist development in Europe, the period of this section (from the middle of the 17th century to the early 19th century) covers the industrial revolution in Europe which saw capitalism advance to a new stage. Inevitably, this development produced new demands on the enterprise of empire building. Thus within the Caribbean, this period witnessed the transformation of land and property relations from the communal/tribal structures of the indigenous inhabitants to one predominantly based on private ownership. This development created the legal basis for the emergence of

plantation agriculture as the major form of activity in the region. At the same time, the commercial basis for this development derived from the links these territories had to the rapidly growing industrial needs of Europe. The crucial resource bottleneck was of course a more reliable and abundantly available labour force than that which characterized the earlier period, and it was out of the pressures created by this that slavery and the slave trade developed to the mind-boggling proportions they did. Since plantation agriculture was a commercial enterprise in which systematic production (and the reproduction of the conditions for further production) of products for export took place, it created the basis for the introduction and widespread use of money in the region, both as a means of exchange and as a store of value. However, because the pre-colonized societies had no developed commercial activity and industry (since productive activity centered heavily on subsistence economy based on the production of corn, potatoes and bread, with some tobacco, cotton and tropical fruits, and no domestic animals), the curtailment of output by native producers to give way to commercial forms of agriculture did not assume the same proportions as in other colonized areas.

In this period also, unlike the previous, the Dutch and later the English were the most important colonizing powers. The commercial agriculture which they established was initially based on a succession of tropical staples, with sugar eventually

assuming dominance in the English and French territories by about the middle of the 17th century. In the Spanish Caribbean, however, other products remained important: tobacco, cotton, cocoa, spices, dyes, meats and hides. Everywhere, however, production was principally based on forced labour. The pace of this development was fastest in the British territories where the islands were of greater importance than the mainland possessions.

The phenomenon of slavery in this period is perhaps sufficiently familiar that there is no need in a work such as this to elaborate on details. The main features which I would like to stress from the point of view of the purposes of the text are the following. First, the sheer scale of the operation should be fully recognised. The slave trade lasted for nearly four centuries, and although estimates vary, it involved the movement of no less than 13-15 million people to the Caribbean and North America. This colossal movement was an enterprise borne principally by four of the European countries: Britain, France, Holland and Portugal, all of which held slaving bases in West Africa. The object of these bases was to secure a monopoly of slaves, both for their own possessions and for sale to the Spaniards. The slave trade was based on a triangular movement of people and products with a cycle of about one year. Thus slaves would leave Europe with "trade goods" (textiles,

weapons, tools pots, pans, trinkets etc) and take about four months to reach West Africa, where slaves were acquired in exchange for the "trade goods". As quick a journey as was possible would then be made along the infamous Middle Passage to the islands. Several weeks would be spent in the Caribbean selling slaves, resting and recuperating as well as acquiring cargoes of sugar, hides, tobacco, cotton, etc for taking back to Europe.

As Eric Williams has pointed out:

"The slave trade kept the wheels of metropolitan industry turning; it stimulated navigation and shipbuilding and employed seamen; it raised fishing villages into flourishing cities; it gave sustenance to new industries based on the processing of colonial raw materials; it yielded large profits which were ploughed back into metropolitan industry; and, finally, it gave rise to an unprecedented commerce in the West Indies and made the Caribbean territories among the most valuable colonies the world has ever known". 4/

As an example as he points out that for the period 1714 - 1773 it has been calculated that one-fifth of Britain's imports came from the British West Indies and these territories absorbed one-sixteenth of its total exports. The triangular trade accounted for 21% of Britain's imports, 8% of its exports, and 14% of its total external trade. Indeed no less a source than a Royal Commission of Inquiry has pointed out that:

"In the eighteenth century indeed the ownership of sugar estates in the West Indies was the main foundation of the fortunes of many wealthy British families. West Indian Colonies were regarded by the state-craft of the day as an asset of the first importance; hence the prominent part played by expeditions to the Caribbean in the naval warfare between France and Britain". 5/

Settlement when it did develop was widely organized around the tropical plantation. This has led many scholars of the region to see as key to understanding it, an appreciation of the internal structure and dynamics of the plantation. Today the phrase plantation economy or plantation society is still widely used as an shorthand description of West Indian society. While acknowledging the importance of the plantation, it is nevertheless important that we do not misrepresent its significance. Since this issue is key to later interpretations of the region's history, I shall devote the remainder of this section to a discussion of this topic.

It is important at the outset that we recognize that several factors led to the choice of the tropical plantation as the vehicle of sugar cultivation. First, costly overheads were required to produce sugar commercially in the Caribbean. The land had to be prepared, water control systems had to be set in place, factories had to be established near the fields as the loss of sucrose in the sugar cane plant is rapid once it is cut and transportation facilities for moving the sugar cane plant

after reaping to the factory, and the sugar from the factory to the point of export had to be acquired. Second, outlays in the acquiring control of the technology of the sugar production process had to be undertaken. Cultivation of the sugar cane plant and its ratoon system required careful knowledge of the plant, soil types, etc. Extraction of the sugar also required fairly elaborate processes from milling and crushing, through clarification, filtering, crystallization, etc, to drying, bagging and weighing. Third, because these outlays were costly the scale of operations had to be large to be profitable. This in turn required investments in slaves, livestock and food supplies to feed all persons on the plantations, buildings to house them, associated agricultural implements and machinery etc. Fourth, operation on a large scale was possible only because sugar was produced for sale to the rapidly expanding markets of Europe, so that the industry was from the outset exclusively export oriented. Fifth, this large scale operation permitted the exploitation of certain economies of scale: land utilisation, access to credit, better bargaining position on freight and shipping costs for sugar exports as well as imported inputs, and so on.

Because of the scale of operation and the fact that sugar required a large proportion of relatively unskilled labour under the close supervision of a small skilled labour force, the attraction to slavery referred to earlier as a solution of the work force problem was obvious. The planters pursued

the production of sugar with single minded fervour and in the process in many territories they consolidated a mono-crop agricultural export economy. Because sales were taking place in overseas markets, some form of control over these markets was always implicit to the arrangement. In practice this frequently took the form of a colonial preference given by the colonizing power to the produce of its own colonies. This practice conformed to the mercantilist view of trade and external economic relations among countries.

It would be an error to deduce from these considerations, however, that the plantation's true significance to the region at the time lay in the fact that it could, and did provide the large amount of skill, technology and capital outlay required for a commercial agriculture. What is of deeper significance is the fact that the plantation was itself a capitalist institution. This was expressed in its internal structure as well as in its dependence, as an institution, on the development of capitalism on a world scale. In the latter regard, it is important to remember that it was the development of capitalism in Europe which created a large work force divorced from agriculture which was to constitute the mass consumption outlet, and hence market for the profitable disposal of large scale sugar production. It was also the concentration of wealth in the hands of a few in Europe in which created the possibilities of large amounts of

surplus available for overseas investment in both the capture and use of slaves and the provision of the physical inputs required for large scale sugar cane cultivation, processing and distribution. It was the development of industry, science and technology in Europe which created a market for the smaller, but increasingly significant industrial uses of sugar, while this same development also made possible the production of inputs of equipment, machinery and raw materials needed in sugar production. Finally, it was Europe's industrial base which progressively made possible the systematic development and application of science and technology in the search for "cheaper" ways to produce tropical staples.

While the process of capitalist transformation on a world scale and its impact on the region were the dominant factors in consolidating the institutional forms of the plantation, the plantation in itself, did not constitute a separate and historically distinct 'mode of production'. It did not grow out of either the communal or slave forms of production which preceded it, nor was it derived from feudal origins in Europe. The plantation was no more and no less than the institutionalization of the dominant form of production. It was in other words the basic producing unit, and as such it was one socio-economic form of the period, and like others, e.g. the state, it has existed both during slavery and after - albeit with important changes in its characteristics.

The distinction made here is not purely semantic. To define Caribbean economy as a plantation economy because of the dominance of the plantation as the producing unit for sugar would be to leave the analysis at a primarily institutional level. To understand the essential mode of producing the means of livelihood in society we need to know more than the institutional form of production. Thus no one would think today of equating capitalism simply with the joint-stock company or the trans-national corporation. If to do so would be methodologically incorrect, so too would be to restrict the definition of Caribbean society to the plantation, even at that time.

Elsewhere I have argued that a more accurate specification of the region at this time would be to define it as a "colonial slave mode of production". ^{6/} Two sets of reasons support this description. "First, despite the existence of a small number of petty commodity producers, and the survival of a natural economy among the indigenous Amerindian inhabitants, slave labour was the legal and customary status of the overwhelming majority of direct producers". ^{7/} This status, allows for what can be described as an "extra-economic" appropriation of the surplus. That is the appropriation of the produce of the direct producers did not inhere to the workings of a market economy. Thus although commodities were produced for sale on the market, labour itself was not a commodity, in that it was not

normally bought and sold. In this sense the status of the direct producers of wealth was distinctly different than in a capitalist economy. The second set of reasons is the process of colonization itself. This process mediated the ways in which capitalism in Europe impacted itself on the region, and produced distinctive forms. Thus while the plantations were profit-producing enterprises, the manner of acquisition of profits and its use was subject to colonial influences. So we find that in spite of the heavy overheads in plantation agriculture which should orient the owners towards long term gains, the planters' outlook was essentially speculative and short-term. Frequently also the profits obtained were "consumed" in the purchase of peerages, estates and other forms of conspicuous consumption in Europe. Profits therefore did not constitute the same "driving force of self-expanding value", which is the chief characteristic of capitalism. Similar tendencies are found in the ways in which science and technology were utilized and the forms of expansion. Generally extensive rather than intensive methods were preferred and this was rational because the extra-economic appropriation of the surplus diluted the economic impact of payments to the direct producers on costs and profits. It is in the combination of forced labour (slavery) and colonization as an all prevailing process that we therefore find the key to the determination of the mode of production at that time. Hence the description "colonial slave mode of production".

If the distinction between the plantation and the determination of the prevailing mode of production I have tried to raise is appreciated, we can then conclude this section with some further comments on the plantation, qua institution, as this would aid our understanding of points developed later in the text. It is importantⁱⁿ interpreting the role of the plantation in this period against the background of a dominant colonial slave mode of production, that certain features of this institution be kept to the forefront. First, it has to be placed at all times in the larger context of the colonization process, where it can be seen to be concretely expressed in two forms. One was the link already referred to, of the mass consumption requirements of sugar being satisfied by the European masses and the other was the simultaneous integration of the local planter class into the merchant classes and later the emerging industrial bourgeoisie of Europe. As we shall see, it was out of this link that grew the basis for the modern forms of dependency which prevail today. Second, this integration with Europe was aided by, and reflected in, the direct colonial administration of territories in the region. This in turn had two further aspects of note. One was that the high degree of centralization of political authority associated with colonial rule, was mirrored in the political power of the planter class which came to dominate these economies. Indeed, in the West Indies, one may argue that right up to the mass movements for national independence which began in the 1950's

the plantocracy exercised a dominance over the control of the local state machinery. The other aspect of note is that the export trade of sugar was highly dependent on economic policies in Europe. As indicated before, in the early mercantilist phase an elaborate system of colonial preference was administered to protect the interests of the planter class. But later, as Europe industrialized, and the industrial capitalists of Britain rose into world prominence, they clamoured for free trade. The result was eventually a Sugar Act passed in 1846 which led to the eventual abolition of preferences. The whole movement away from mercantilist policies to free trade created severe crises in the region, forcing alterations in major aspects of plantation activity. In the process, however, the vulnerability of local sugar interests to the dominant tendencies in the international economic system was exposed. A vulnerability which remains as marked today.

A third feature is that sugar cane cultivation where it took hold, was pursued to the virtual exclusion of all other productive activities, with the result that many of these territories developed overspecialized mono-cultural cropping systems. The demands of sugar cane production brooked no alternatives. Thus even in extremely marginal areas such as the growth of perennial fruit trees, these were not permitted even though they could be left unattended and utilize estate lands which would otherwise have been idle. Whatever the rationalization

offered, the planters felt committed to the single-minded pursuit to the activity of sugar-cane cultivation and processing. Thus such flimsy excuses were offered as:

"The absence of trees upon the 'dams', or walks, and particularly in the extensive frontlands, is attributable to the fact that the slaves systematically robbed the original mango and other fruit trees, which were in consequence abolished by the planters". 8/

Fourth, the labour force in the plantation at that time was highly stratified. Dominated by capital, a sharp distinction between owner-supervisor and worker existed. The former through control of capital virtually monopolised political, economic and social authority. The latter was, at worst a slave, and at best a "freed" labourer in a system where the tradition of authoritarianism and commandist social relations was long and all pervasive. This system of sharp and rigid class differentiation was also integrated into a system of sharp and rigid racial differentiation, accompanied by the physical separation of the various ethnic groups. The slaves were initially all African and the supervisors European. It was not until after emancipation, that other racial groups were added in large numbers to the work force.

Fifth, ideology and culture have played important roles in rationalizing the obvious defects of the system. Thus

to take the most dramatic examples: "white supremacy" as an ideology developed to justify putting men into bondage and to sustain the structures of inequality in the plantation. The dispossessed classes also created elaborate social mechanisms to cope with this reality, including in some cases "flight from reality". Thus to explain the present day paradox of selective labour shortage on the estates, in economies with substantial unemployment Patterson offers the following viewpoint of the social structure of the Caribbean sugar economy:

"Do we ask the Jew to live and work in the concentration camps in Germany? Do we ask a recently released prisoner who has been unjustly imprisoned for the better part of his life to continue living in his cell? Do we expect him to like it? Is it not natural for him to loathe it and despise it? Why then is it that when the ex-slaves and their descendants express an abhorrence for the sugar estate we do not accept the obvious explanation?" 9/

Sixth, the physical hardship of sugar cultivation combined with the high incidence of malnutrition and debilitating disease associated with the poverty of the rural population cannot be overstated as aspects of plantation life. Cane cultivation was so arduous that Adamson noted that in Guyana:

"A disturbing reflection on the exhausting conditions of field labour emerges from a report that an attempt was made to use horses for plowing, but it was found that they had a short life span and could only work a few hours per day". 10/

The final feature of the plantation to note here is its general pattern of accumulation and resource use. To develop the point made earlier, although heavy investments in overheads for water control systems and slaves were required, the outlook of the early planters was largely speculative. Instead of the "normal" association of a small, but steady yield on long term infra-structural investments for agricultural production, the planter always looked forward to the big bonanza when prices sky rocketed. The object here was to make a "killing" which would then compensate for the leaner intervening years. As we shall see more clearly in the next section this approach to investment had three important components to it. First it emphasized the extensive exploitation of labour. Instead of seeking to raise productivity per man hour the emphasis was on acquiring more labourers. Slavery and later indentured immigration made this possible. Second, the land was also exploited extensively. Expansion of new acreage rather than new methods and better farming practices accounted for most of the increase in output right up to the Second World War. Thirdly, this extensive use of land and capital was reflected in the relatively low level of development and application of technology.

The ownership structure of the plantation reflected some of these tendencies referred to. Thus instead of a settled resident farming population, by the end of the period under consideration an absentee landlord structure dominated the industry in the West Indies. These overseas owners relied on managerial staff exported from Europe on periods of contract to run the estates. The owners themselves later developed other interests connected directly or indirectly with sugar, e.g. shipping, procurement of supplies etc, and these connections were to provide eventually, as we shall see, the basis for the diversification of plantation activity at the expense of the region. Eventually, the resident owners in Europe were to be closely linked to the development of capitalism. This development, however, occurred after the period under consideration here.

The colonial slave mode of production which became fully formed during this period was essentially the product of the impact of colonialism on the Caribbean. It took root in the specific conditions of geographic environment and cultural adaptation to a new world of African slaves and European slave master locked in deadly antagonism with each other. In practice this produced an orientation of these economies towards serving the capital expansion requirements of Europe. This orientation prevented the development of an internal momentum strong enough to ensure that the surpluses produced in the region were ploughed

back into the region. One of the central features of the modern character of dependency therefore emerged during this period, that is the region's resource ownership and use led to the production of commodities (sugar and tropical staples) which were not consumed at home and the importation of products consumed at home (clothing, food, housing etc). This systemic divorce between consumption and production was reinforced by the systemic divorce between the consumption of products and the basic needs of the broad mass of the population. In this context the scope for indigenous technological development was non-existent as neither social pressures (satisfaction of domestic needs) nor material pressures (reflected in the alien ownership and direction of resource utilization) were enough to generate the "necessity" for domestic invention. Consequently, the true resource structures of the region remained largely unknown, as the rhythm of discovery and use of these resources were dictated by the imperatives of capitalist expansion in Europe. 11/

Notes to Chapter 1

1. See G.K. Lewis, *The Growth of the Modern West Indies*, Macgibbon and Kee, London, 1968, and *Main Currents in Caribbean Thought*, Johns Hopkins University Press and Heinemann, Jamaica and Baltimore, Maryland, 1983.
2. Sidney W. Mintz, "The Caribbean as a Socio-Cultural Area" in Peoples and Cultures of the Caribbean : An Anthropological Reader, ed. M.M. Horowitz, (New York: Natural History Press for the American Museum of Natural History, 1971) p.36.
3. Cited in J.H. Parry, & P. Sherlock, *A Short History of the West Indies*, Macmillan Press, London, 1971, p93-94.
4. Eric Williams, *From Columbus to Castro : The History of the Caribbean*, 1492-1969, p148.
5. Report of West India Royal Commission, appointed 1938 (1945- HMSO Cmd. 6607) Usually referred to as the Mayne Commission Report, p4.
6. See Clive Y Thomas, *Plantation, Peasants and State*, University of California, Los Angeles, and ISER, University of the West Indies, Jamaica, 1984, especially Chapter 1.
7. ibid p11.
8. Colonial Office, *Report of a Commission of Inquiry into the Sugar Industry of British Guiana*, H.M.S.O., London, 1949 p10.
9. H.O. Patterson, contribution to the Symposium on Sugar and Change in Readings in the Political Economy of the Caribbean, N. Girvan and O. Jefferson (eds), New World Group, January 1971, p66.
10. A. Adamson, *Sugar Without Slaves*, New Haven, 1972 p183.
11. For a fuller elaboration of this thesis see Clive Y Thomas, *Dependence and Transformation : The Economics of the Transition to Socialism*, Monthly Review Press, New York & London, 1974.

CHAPTER 2: TRANSITION: FROM COLONIAL SLAVE
ECONOMY TO CENTRE - PERIPHERY RELATIONS

In this chapter we consider in outline the circumstances related to the two fundamental transformations which have occurred in the recorded history of Caribbean economy. The first is associated with the process of disintegration of the colonial slave economy and the spread of independence movements, particularly in the Spanish possessions. This process started early in the 19th century with the abolition of the slave trade and later led to the abolition of slavery beginning with the British territories in the 1830's. Concurrently, following on the successful war of independence in the USA, a wave of independence movements developed in the Spanish possessions : Argentina (1816), Colombia (1819), Peru, Mexico and Venezuela (1821). By then Haiti (1804) had already succeeded in declaring itself independent of France. The second transformation took place during the 20th century in the period leading up to World War II. During this period the capitalist world system matured and the roots of what has become known as modern imperialism were firmly implanted. Within the Caribbean, the economies took on more and more the classic configurations of underdevelopment and its associated dependency. While the roots of this development originated with the first European encounters with the region, the period under consideration here forms a watershed between the old colonial forms of economic domination and the neo-colonial forms which prevail today.

I: Collapse of the Colonial Slave Economy and the
Rise of the Peasantry

In 1803 Denmark halted the slave trade, to be followed by Britain in 1807, France in 1817, Holland 1818 and Sweden 1824. Slavery was abolished in the British colonies in 1833, Sweden in 1846, France in 1848, Holland in 1863, Puerto Rico in 1873, and Cuba in 1880. While much controversy surrounds the causes of these events, one factor stands out indisputably, and that is, if it can be argued that the slave trade and slave production in the Caribbean contributed substantially to the formation of capital in Europe thereby helping greatly to finance the industrial revolution, then the rise of industrial capitalism in Europe in turn served to undermine the advantages of slavery as a system of economic organization. The point advanced here is not intended to suggest that external factors, either alone, or principally, accounted for the collapse of slavery. To the contrary, the position I adopt is that the limitations internal to the colonial slave mode of production dynamically interacted with external factors at all phases of its existence, and in particular in the period culminating with its final disintegration.

The internal limitations of the slave based system of production in the Caribbean were many sided. Despite their insertion into a rapidly evolving capitalist world system, we have already pointed out in the previous chapter that the

planters approach to their enterprises was largely pre-capitalist. Increased production for them was an extensive activity, that is, acquiring more land, more slaves, more equipment, machinery, buildings, etc with little attention paid to improved productivity of either the individual or the combined factors engaged in production. The method of extensive cultivation led to loss in overall soil fertility and reduced yields as more and more marginal lands were brought into production as output increases were sought. More intensive use of existing land through improved cultivation practices and better varieties of plant were more or less treated as secondary avenues of productive increases. This approach set in train a continuously desperate search for newer and larger territories to colonize, thereby raising the costs of colonial enterprise. Furthermore, although sugar production was a scientifically based activity, the speculative, consumption oriented approach of the planters of the period did not meet the requirements of careful attention to research and development or even the early application of technological innovations and advances developed elsewhere.

Of overriding importance, however, was the constant pressure on costs created by the struggles of the slaves to free themselves. After all the slaves accounted for the overwhelming bulk of the capital invested in the plantations. This situation forced the planters to carry military overheads to contain

populations in which slave numbers were growing much faster than they. Each revolt disrupted production, sometimes putting years of work into ruin. Additionally, sabotage, and with it indifference to their own levels of productivity was creating a situation in which slave output was not rising. At the same time the cost of maintaining slave labour was increasing, both on account of the need to "bribe" off possible agitation by giving more rations and because of demographic changes in the slave population (more children, more elderly, and more females). As Friginals points out:

"At first, the demographic structure of the slave-based plantations was eminently efficient: 70% male, and all slaves, male and female, between the ages of 15 and 45, that is, optimally productive. But when the plantations, as was inevitable, developed into a society, in spite of low fertility and high mortality rates the numerical imbalance between the sexes, than the productivity per slave fell, and the cost of his upkeep increased. Barbados offers a typical example: towards the end of the 18th century it was producing about the same amount of sugar as a hundred years before, but using almost twice as many slaves to do so. The same held true for Nevis, Montserrat, Antigua, St. Kitts ...". 1/

Despite the uneven development of these tendencies, on the eve of emancipation, Caribbean sugar productivity was declining, with the exception of Cuba which had become the world's largest sugar producing area. Cheaper suppliers of cane sugar from India and Brazil and beet farmers in Europe were making serious

inroads into the traditional Caribbean markets. While the planters fought to protect their traditional markets, by then it was too late as external considerations no longer favoured slavery as a system of production. In the first instance the Caribbean was no longer as important to a rapidly industrializing Europe of the 19th century, as it was in the 17th and 18th centuries. Secondly, the development of industry, particularly in Britain, led to the rise in prominence of interests which favoured free trade. With Britain able to out-compete the rest of the world, in manufactures, free trade and not the protectionist mercantilism of old was to its advantage. Even key sugar interests in Britain: shippers, refiners, important port cities like Liverpool, etc, were in favour of cheaper sugar imports and as such backed free trade against the continued subsidization of planter interests in the Caribbean, which by that time had become necessary.

At the political level three important developments were also taking place in Europe, and most noticeably in Britain. One of these was the transfer of political power from the landed aristocracy to the industrial bourgeoisie. The French Revolution, the reform bills in Britain, even the defeat of the South by the North in the U.S. Civil War, attest to this transformation. The second was the growth of the industrial proletariat in Europe which produced new champions for the cause of democracy at home, and to a lesser extent abroad. Thus historians have

highlighted the role played by the industrial towns of Britain and France in the political agitation against slavery. Thus Eric Williams quotes Joseph Sturge the Quaker abolitionist as saying in 1833: "the people must emancipate the slaves for the government never will". ^{2/} The third development was the humanitarian agitation for emancipation which affected much of the consciousness of the period.

It was these factors, therefore, internal and external, socio-economic and political, which interacted to break-up a Caribbean economy founded on colonial slavery. In the process of these developments the foundations of 20th century Caribbean economy were clearly established. After the break-up of slavery the transition of these economies involved several elements. The most important, however, were undoubtedly those associated with the birth of the Caribbean peasantry, the progressive growth of local labour markets, and the conversion of the planter class into an absentee proprietor group and later into a genuinely capitalist class.

Immediately after the abolition of slavery in many territories within the Caribbean region an important phase of rural development took place. This was reflected in the

rapid growth of African villages as the movement of the freed slaves off the estates took place. Thus it is estimated that in Guyana where this village movement

has acquired much fame, the population of Africans in these villages was 16,000 in 1842 and that six years later this had nearly trebled to 44,000 persons. ^{3/} The freed slaves there acquired lands through two main forms of tenure, namely, the communal purchase of land and individual proprietorships. Peasant production, lacking adequate overheads and a marketing capacity to export sugar successfully, developed largely as a system of agriculture based on the emerging domestic market. The small size of this market, however, combined with poor communications, inaccessibility of some areas, and so on, did not generate enough income for producers. Consequently, peasants were forced to enter into the labour market as wage earners on the very plantations they were freed from. This tendency was reinforced by the fact that owning land meant the payment of rates and taxes and this could only be done if they participated in the cash economy.

Despite the compensation paid by Britain at the time of abolition to the slaveowners and not to the slaves, the immediate impact of this abolition was to plunge the plantation economy into deeper crisis. Induced by the shortages of labour on account of the slaves abandoning the sugar estates, wage levels rose. This pressure on costs was then combined with lower prices on sugar as the protectionist pricing system of the mercantilist period gave way to free trade. Thus Britain passed a Sugar Duties Act in 1846 which brought an end to the protection

afforded the British West Indian sugar planters in its domestic markets. Caught between the scissors of rising costs and declining prices two basic developments occurred within the planter class. One of these was the final elimination of the paternalist resident planters who still lived in the Caribbean. An absentee landlord class initially developed, but later this was to give way to the formation of the limited liability/joint stock companies as the main form of ownership of Caribbean plantations. The second was a process of land and capital consolidation. Thus again to take the example of Guyana, from having 400 separate estates just after abolition, by 1904 these had been reduced to 46, with the four largest of these controlling nearly 60 percent of the industry.

The planters did not, however, accede to these economic changes readily. They resisted bitterly and used their control of the colonial state to pursue three lines of development, which in the end served to considerably protract the period of transition. The first of these was to hinder the development of the peasantry. Through various combinations of taxes and changes in land holding policies, the planters sought to deny the freed slaves access to land. Their direct onslaught on the communal land purchases where they occurred led to the uneconomic fragmentation of peasant holdings which placed the peasants in an unequal relation to the plantation. Also of great significance

is the fact that it also fostered among the peasants an aggressive, and often irresponsible individualism. Where land was available and the planters could not sufficiently stem the flight of labour from the estates, they promoted a policy of indentured immigration as a substitute for slavery. The main period of this immigration into these territories was between 1837 and 1917. Immigrants from Germany, Malta, Brazil, China, Madiera, Mauritius, Europe, Africa, other Caribbean territories, and India were sought and the last became the principal source.

Thus in Guyana, between 1835 and 1918 there were 341,491 immigrants of which 234,205 were East Indians. In total 750,000 East Indians, mainly from the North-East of India, and to a lesser extent Madras were brought to the region. In addition to those cited as going to Guyana, 144,000 were brought to Trinidad-Tobago, 78,000 to the French territories of Martinique and Guadeloupe, 36,000 to Jamaica and 34,000 to Suriname with amounts under 5,000 going to other territories: St. Lucia, Grenada, St. Vincent, St. Kitts. These immigrants were not surprisingly compelled by their contracts to work for longer hours and less pay than that which prevailed before their entry. What was worse, their legal conditions of servitude hampered the formation of working class associations.

The third line of defence of the planters was to use the state they controlled to initiate legislation to protect

their privileged control of land and labour. Thus laws were passed preventing the joint purchase of land, forcing the abandonment of holdings in the communal ownership of 10 or more persons, as well as raising its price and minimum size of land to be sold. Laws were also passed to finance indentured immigration out of public funds. Moreover severe labour regulations were introduced in the region which progressively limited the freedom of movement and association of the direct producers, particularly where indentured immigration existed. All these were of course designed to undermine the operations of a "free labour market", and protect their extra-economic means of appropriating the wealth of these societies.

One of the immediate effects of abolition was to force the planters to write-off the bulk of their capital (slaves). It is therefore, not surprising that during this period the first systematic efforts were made to intensify their usage of productive factors. Significant improvements were introduced in the machinery and techniques used on the plantations. In Cuba iron mills run by steam engines were already being used. Other improvements, noticeably in the factory and transport systems of the estates could also be found. The result was that the sugar industry took on a dual character, that is an increasingly mechanized system of sugar cane processing was combined with a comparatively backward system of sugar cane plant cultivation. This dichotomy

was to survive well into the 20th century and today remains a key constraint to the transformation of the agrarian system of the region and the ending of its underdevelopment.

The 19th century did not, however, only witness the great struggles for the abolition of a slave based mode of production in the Caribbean. In many territories also it witnessed heroic struggles for their liberation from European domination. The liberation of Haiti in 1804 was the most complete victory for slave resistance to colonialism and slavery. In the Spanish territories which later became liberated, this factor, together with the resentment of the white colonials and settlers which outnumbered the slaves to their continued domination, converged to produce an independence movement. The sources of grievance of the white colonials were many. They resented the exclusive control which the mother country sought to exercise as it served royal interests and drained wealth from their territories to Europe. This they campaigned tirelessly against the monopoly of the slave trade which each colonial power imposed through various systems of licences and asientos, since they argued this kept up the price of slaves. Similarly, they felt that religious limitations and decrees on their treatment of Indians hindered their scope for exploiting this source of labour. The restriction on the movement of non-slave foreigners from one territory to another also restricted their access to skills and capital, while the various duties and levies imposed on them

to finance the Royal Exchequers were a source of grievous resentment. Out of all this a desire for greater political autonomy grew and as the earlier revolt of the American colonies showed this group constituted a powerful source of resistance to Europe. Such grievances and resentments were also felt by the white colonials in the British, French and Dutch territories, but there the fear of the black masses which far outnumbered them, was greater than their desire for independence, and so the logic of this conflict was not pursued to its final resolution. This was a task to be taken up by the mass movements which came to be formed in the next period of our historical survey.

II: Imperialism, Dependency and the Rise of the Mass Movements

The major developments which occurred in the Caribbean economies after the break-up of slavery (the rise of the peasantry, the early growth of a wage labour system, the transformation of the planter class, and the qualitative shift in the role of the colonial state in these territories) were themselves to undergo such a dramatic transformation in the 20th century up to World War II, as to warrant the description of its being the second of the two fundamental transitions which have occurred in West Indian history. The driving forces behind this development were also both external and internal. Externally, capitalism

as a world system had been transformed into a global system of imperialism. This came about because a new stage of capitalism had been reached in Europe, and in Britain in particular. Thus in Britain we find during this period that internally its industrial structure had become highly monopolistic in form, thereby creating the basis for the emergence of the post World War II oligopolistic transnational corporate structures which today dominate its economy. In this structure national capital more and more came to view their operations on a global scale. Its surplus peasantry was also almost entirely proletarianised. The growth of the industrial working class had led to the formation of well established worker organisations and trade unions. The tenacious hold of the landed gentry on the political system and the state was broken, as political power was during this period firmly placed in the hands of the economically dominant financial and industrial bourgeoisie. In their external relations, Britain and the rest of Europe promoted a rapid growth of capital exports abroad, in order to finance the development and export of primary, agricultural and mineral produce overseas. Out of these developments overseas countries helped to produce food for the growing working class of Europe, provide raw materials for its industry, and opened up markets for its industrial exports.

Not unexpectedly this development led to a scramble for overseas possessions and set in train a new wave of colonisation. The effect was intense political and commercial rivalries which

contributed to two world wars.

Despite the scramble for new colonies, a fundamental shift had in fact occurred in the relation of Europe to empire. The primary emphasis was now on both direct and indirect control of foreign resources and markets. Traditional colonial control of territory was not a necessary condition for exploitation - even though where it existed this was a sufficient basis for exploitation. Increasingly, trade, investment, technology, and finance operating through the "normal" mechanisms of the capitalist world market were enough to create the basis for appropriation of surpluses abroad. Legally imposed sanctions of one form or another and the exaction of "national tribute" through direct political control were no longer the primary mechanisms of global exploitation. It is because of these global developments that many have argued that the period witnessed the clear emergence of a comparatively small group of countries at the "center" of the world capitalist system and another much larger group of countries comprising the "periphery", the former being the principal beneficiary of the operations of the system. This system as a whole responds to the rhythm of growth and development dictated by the course of accumulation in the "center countries". In contrast, the "periphery" is dependent on the system since its growth is largely a reflex of developments internationally. This dependent relation was not a political one in any formal sense. Both colonies of the British, French and Dutch in the

West Indies as well as the independent states such as Cuba and the Dominican Republic, functioned as integral elements of the periphery during this period.

Internally, it became obvious to the ruling class of the region that the production system could not be sustained on variants of enforced labour and other forms of servitude. Thus with indenture finally ended in 1917, the planters, without abandoning their efforts aimed at containing the growth of the ex-slaves as a socio-economic force, set about in a more or less systematic manner to adapt the plantations to the new requirements of a "free" labour market. Crucial to this was their introduction of innovations and new techniques on a far wider scale than ever before. Thus in both field and factory, sugar production witnessed many major changes: the use of fertilizers in the field, steam pumps were used for drainage and irrigation, the generalised use of steam power in the factories became the practice, evaporators, centrifugal driers for separating molasses from sugar, juice clarifiers, the use of chemists in the factory, as well as changes in the lay-out of cane fields were some of the many innovations which became standard in this period. This recomposition of techniques reflected a more industrial and capitalistic orientation to sugar production. Alongside of this, processes of concentration and centralization of land and capital in the industry continued. Acreages were expanded on each estate as economies of scale were sought and the smaller estates were

increasingly eliminated through sale and purchase. In many instances private planter ownership was transferred into a corporation, reflecting the decisive shift away from the old speculative venture approach of earlier planters who saw in the Caribbean a source of quick fortunes. In this development, those estates linked to the mercantile houses in Europe were best placed to put into early effect this transformation, and these estates emerged as the dominant ones in the region.

The strengthened link to the mercantile houses, however, set the stage for the first efforts at diversification of plantation activity. Thus interests in shipping, insurance and finance, provision of estate supplies, etc, developed in some of these corporations. While they were seen for much of this period as a buffer against the lean years when prices fell, later they were to become the nucleus for the growth of trans-nationals, as these companies widened their range of investments activity and began to diversify not only within the region but in Europe itself and in other countries in the periphery. At the same time other new industrial and agricultural activities were being developed in the region. Among the most important were bauxite, petroleum, bananas and rice. These new industries created new openings for the region's population and led to a certain degree of differentiation in its employment, exports, and output.

This transformation which was paralleled by the development of labour markets in the region, produced innumerable labour-capital conflicts which led directly to the formation of trade unions and other working class organizations.

In the long run this development was crucial to the growth and vitality of the mass movements which sprang up across the region. During this period the peasantry also continued to develop, but the process of their diversification into other activities was not as striking, although new major crops, e.g. rice, bananas, citrus, cocoa, coffee were cultivated during this period. The peasants remained, by and large, poorly organized and this weakness resulted in their having as a group, the least organized influence on the course of developments in the region. The rise of political parties, however, was eventually to become the major vehicle they sought to use for the redress of their grievances.

One important consequence of these developments was the growth of a certain degree of differentiation in the class structure of the Caribbean. We have already noted the rise of the working class, and the emergence of a peasantry. The growth of the labour market brought with it open unemployment as a social category. The expansion of the peasantry was accompanied with increasing stratification, creating in its wake indigenous

forms of landlordism, exploitation and extensive peasant indebtedness. In addition to these, a local class of merchants and traders who dealt in retailing, wholesaling, and the provision of transport and financial services was brought into existence. While as a class these groups shared property interests with the economically dominant plantation interests, ultimately they were excluded from it on racial grounds. This period also witnessed the formation of a group of educated people who achieved much social mobility through their education. This group concentrated on teaching, public service, and professions such as law and medicine. They were to constitute the corps from which the local political elite was to be drawn. In order to pursue its political interests this group forged an alliance with the masses to struggle for constitutional reform under a widened franchise. Eventually this was to merge into the larger demand for independence after World War II.

By the 1930's the Caribbean had become a part of the more generalized peripheral capitalist formations of the time with their own specific characteristics. First, and most obviously, like all of Latin America, Africa and Asia the region was clearly a part of a group of countries politically dominated by countries which comprised the center. Second, because its patterns of resource use, production, exchange, consumption and class relations had been, and continued to be mediated through colonial domination, a self-centered, autonomous development of

its productive factors was not possible. The dynamic of production internalized to a higher level the systemic divorce of domestic output from consumption already referred to. Indigeneous resources were brought into use exclusively at the dictates of capital accumulation in the center. What was consumed through the market was by and large imported and did not reflect the basic needs of the broad mass of the community. No indigenous science and technology existed, and the continued dependence of the region on a few primary products made it extremely vulnerable to the course of world trade.

The system of domination, therefore, combined both an imperialist division of labour and an internal class structure and pattern of social relations in which the reproduction of the system of domination was the predominant, but not exclusive purpose. Summing up, we can say that the underdevelopment of the region's economy was characterized by two sets of basic features:

- i) the perpetuation of distorted economic structures, (i.e. the limited development of industry, the limited differentiation of agricultural production, the secondary role the internal markets played in determining resource use, a pattern of domestic consumption which did not reflect the needs of the broad mass of the population, low levels of indigeneous technological development combined with the import of high-level technology for those sectors most integrated into the center, and as a consequence marked disparities in labour productivity in the two sectors).

ii) a rhythm of economic expansion which depended mainly on the expansion of capital in the center. In other words the absence of autonomous, internally regulated sources of capital accumulation ensured that within the region, more often than not, its development was essentially a reflection of the pace and direction of accumulation in the center.

During this period the colonial state underwent important transformations of importance to the subsequent evolution of the Caribbean economy. The most important of these was the abandonment of *laissez-faire* ideology and the development of a concern with issues of economic production and organisation. Thus the state took on many social functions performed by such private groups as the churches and plantations (e.g. health and education). In addition the economic functions it previously performed were significantly improved, whether these were the postal services, providing a legal framework for joint stock company operations, or regulations governing banking and commerce, laws to guide the operation of associations and trade unions, etc. In some territories the state took over responsibility for infrastructural works: roads, drainage, irrigation, etc, which was more often than not previously provided by the plantations. The result of all this was that the state was becoming increasingly the most important local institution affecting the organisation and development of the Caribbean economies.

In this period the movement of Caribbean peoples continued. As one of the three major forms of cultural penetration this development was crucial for the region. The major direction of movement was in this period inter-territorial, particularly during the years 1885 - 1920. The main cause of this was labour required to build the Panama Canal, to construct railroads and banana plantations in Central America, and to build the Bermuda dry docks. In addition new opportunities were sought by many in the United States. Between 1920 and 1940 the outlets for migration were limited and the movement of persons was substantially reduced. What movement took place was mainly confined to the oil fields in Venezuela and the oil refinery in Curacao. Available data show that between 1885 - 1920, net population loss from the British West Indies was 130,000. Between 1902 - 1932, 121,000 Jamaicans went to Cuba. Between 1900 - 1920, 10-12,000 Bahamians went to Miami, and between 1904 and 1914, 60,000 Barbadians went to Panama.

Even though for most of the period under consideration in this section Britain was the leading capitalist nation, it was already in relative decline as new powers such as Germany and in particular the USA rose into prominence. Thus while Britain's share of world industrial production was 32% in 1870 it was down to 14% before World War I and 9% just preceding the crisis of the 1930's. For the same periods the US' share was 23, 38 and 42 percent. Similarly, Britain's share of world trade was

one-fifth in 1880, one-sixth in 1913 and one-eighth by World War II. Meanwhile the US had grown tremendously during World War I.

It was this expansion and growth of the USA which provided for the investments in the region that occasioned much of the Caribbean migration of that time. The rise into prominence of the USA and Germany marked a differentiation within the "center" of the capitalist world system. Reflecting its newly acquired economic might the US began to articulate its own policies within the region. Basically we can argue that US policy at that time was governed by two primary considerations. One was to neutralize European influence and presence in the hemisphere, while the other was to promote the development of client states within the area. Scores of military interventions took place with the object of keeping "friendly" governments in power. These repeated interventions and occupation of countries, along with seizures of land for US bases (as occurred in Cuba, Haiti and the Dominican Republic) were to have a tremendous impact on the formation of Caribbean economy. The ultimate design of these developments was to create full freedom of movement for US capital in the area and the development of its trade. The efforts to neutralize European influence during this period were not entirely successful, for many European colonies still remained in the area. However, World War II was to change the balance of power dramatically in favour of the U.S. and as we shall see more fully

later in the text, geo-political considerations would later transform relations in the area, as the contest between East and West proceeded and America's determination to protect its backyard by holding the status quo against both externally and internally impelled movements for change grew.

In concluding this section of the historical survey of the roots of Caribbean economy, it is important to recognize that along with class differentiation in the region, there was also increased cultural and racial mixing. While antagonisms and conflicts existed there was also emerging at the same time, even if only out of the force of circumstances, a more or less indigenous system of values, thought processes, feelings, and characteristic ways of viewing things. In other words, a regional social consciousness. This is reflected in the region's art, literature, scientific writings, and folk religions. Thus in the case of the latter we find the mixing of catholic, protestant and African religions has produced original indigenous religious forms: shango, tamboo bamboo, camboulay, pocomania, voodoo, santeria.

Notes to Chapter 2:

- 1: M.M. Friginals, 'Caribbean Sugar Plantations: Their Past and Their Probable Future', Paper presented to the Conference, New Perspectives on the Caribbean: Toward the 21st Century'. Hunter College and Research Institute for the Study of Man, (mimeo). New York, August 1984, P.2.
2. Eric Williams, From Columbus to Castro., P.293.
3. For further discussion see, A.H. Adamson, 'Sugar Without Slaves ... ' P.34-41., and R.E.G. Farley, 'The Rise of the Peasantry in British Guiana'. Social and Economic Studies 2, 1954.

CHAPTER 3: REVOLT AND WAR: THE CARIBBEAN CIRCA
WORLD WAR II

This study started with the encounter between Europeans and the native inhabitants of the New World. Having outlined the development of the area over four and a half centuries, in this chapter we seek to paint a brief portrait of the Caribbean towards the end of the 1930's and World War II. To place this portrait in its true context, it is important to recall the momentous nature of the original encounter. As Wong has observed both the father of "orthodox" and "radical" economics have agreed on the monumental significance of this event. ^{1/} Thus he points out that Adam Smith has assessed it in this way:

"The discovery of America, and that of a passage to the East Indies by the Cape of Good Hope, are the two greatest and most important events recorded in the history of mankind". ^{2/}

Later Marx too was to claim that:

"The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black skins, signalled the rosy dawn of the era of capitalist production. These idyllic proceedings are the chief momenta of primitive accumulation. On their heels treads the commercial war of the European nations, with the globe for a theatre". ^{3/}

The capitalist world system which was created alongside this project of colonial enterprise has throughout its entire history always combined expansion with crisis. These crises have taken on a more or less definite periodic forms with short waves (recessions) combining with long waves (depression) and occurring at crucial phases in the process of capitalist accumulation. These crises are the product of many conflicts and circumstances which are inherent to the rhythm of capitalist growth, but as Beaud has pointed out in general outline they stem from four fundamental contradictions:

- "- the contradiction between capital and labour, that is, concretely between capitalist companies and the working classes;
- the contradiction between capitalists (either in the same sector or between sectors);
- the contradiction between national capitalisms;
- the contradiction between dominant capitalisms and dominated peoples, countries, or regions". 4/

During the last quarter of the 19th century these contradictions converged to produce a long depression of economic activity which eventuated with World War I. By the 1930's an even greater crisis was at hand, and this too was to lead to world war. In this latter crisis many important economic factors made themselves manifest as its cause. Among the more important were:

- 1) the decline of the industries on which the initial industrialization of Europe was based and the rise of new industries (chemical, automobile, electrical, mechanical) and along with it new industrial companies and industrial nations, particularly the USA;
- 2) the fact that national rivalries were made more self-destructive by the circumstances inherent in (1); Thus at the time the world was carved up into carefully demarcated zones of influence: American zones, the "British" Commonwealth, the French, Dutch, and Belgian Empires, the Japanese sphere of influence in Asia, and the USSR. The commercial struggle for areas of influence was a war in which no quarter was given;
- 3) the more effective organization and militancy in workers organisations which had developed by then and which put pressure on profits. This militancy was reflected in the advances made by communist parties and the revolution in the USSR;
- 4) the absence of international institutions to provide a framework for trade, financial, and capital flows globally, as well as foreign exchange rate and currency management. With national rivalries at a peak this led to a host of "beggar-my-neighbour" policies: competitive devaluation, dumping, protectionism, etc.
- 5) the injuries created to the world economy by efforts of the victorious powers in the 1914-1918 war to exact

tribute and reparations from a defeated Germany. This promoted a complicated, and unprecedented era of price inflation.

The great depression of the 1930's and later World War II was a period of crisis everywhere, and nowhere moreso than in the Caribbean. The 'integration of the world's productive system which started with the commercial expansion of Europe in the 15th and 16th centuries had produced a situation in which no country could isolate itself from the cataclysmic changes in Europe. In the then British West Indies this period was marked by the widespread outbreak of revolts and disturbances. In May-July 1934 there were disturbances on the sugar estates in Trinidad; in January 1935 similar disturbances in St. Kitts; in May 1935 strikes and disturbances in Jamaica; in September-October 1935 disturbances at several sugar estates in Guyana; in October 1935 rioting in St. Vincent; in June 1937 disturbances in Trinidad and the next month (July) disturbances in Barbados; in May-June 1938 general disturbances in Jamaica and again in Guyana in February 1939. This "hurricane of protest" as it was called forced the British government to appoint a Royal Commission of Inquiry. The Moyne Commission as it has come to be known did not have its report published until after World War II. This report, however, contains the best description of the social and economic situation in the region at that time. In this chapter, I will highlight some of the descriptive material in

order to provide, as it were, a portrait of the region at this time. Before I do so, however, it is necessary to offer a few analytical observations of relevance to an understanding of the situation at that time.

First, the merging of the widespread revolts of the 1930's into the outbreak of World War II makes it impossible to separate their influences on the subsequent evolution of the post-World War II Caribbean economy. This point is reinforced when we place the former set of events in the context of the Great Depression of the 1930's, itself a major element in the disintegration of Europe and the movement towards war. Indeed the pressure of linking these events was so great that it was in 1944 in the midst of World War II that the first national election under universal adult suffrage was held in Jamaica. This act, which in effect conceded the right of the West Indian peoples to manage their own affairs, is often seen as the dating of the modern period of the region.

Second, although as we previously noted, there was a rapidly growing US influence in the region, World War II provided for the legal entry of the US military into the British West Indies. As far back as the Monroe doctrine of 1823 the US had always made it a cornerstone of its foreign policy that interference by a European power in the hemisphere would be

considered an "unfriendly act". On this basis successive US governments arrogated to themselves the right "to protect" the region both from outsiders and those hostile to the status quo within. This was the basis for numerous invasions, threats and forced treaties which were used to further US interests in the hemisphere. While the "big stick" period of Theodore Roosevelt gave way to the "dollar diplomacy" of Taft (1912), the purpose of substituting "dollars for bullets" was the same - to consolidate US hegemony in the hemisphere. Thus although Franklin Roosevelt's good neighbour policy was propagandized on the renunciation of armed intervention, the threat and use of force by the US continued. As the war between Britain and Germany got worse the British government entered into lend-lease arrangements with the US in which military bases were given to the US in some of its territories in the Caribbean in exchange for war material.

Third, World War II itself had a major impact on the British West Indian economies. The construction of the US bases and other wartime facilities in particular gave a tremendous filip to economic activity in the region. Apart from the employment and income which this generated, it was also an important means of training the labour force in a wide range of construction skills. The impact of the war in disrupting colonial export and import links to domestic production, gave a tremendous filip to domestic output serving the local market. Thus to take one

example in Trinidad-Tobago, food production at the end of World War II was $2\frac{1}{2}$ times the 1939 figure. In addition

a wide range of local industries were established during this period. While we return to this topic later in Chapter 5 the range of import-substituting activities which developed at this time included large scale secondary industries producing for the domestic market and also exporting regionally (lime and limestone, matches, industrial gases); secondary industries serving the local market (food, drink, tobacco, clothing, household items, etc); and local handicraft and artisan output.

Because the war disrupted the region's trade, all of its traditional export industries were very adversely effected. In the case of the major export commodity (sugar), the situation was so serious that the British government introduced at the end of the war massive rehabilitation schemes for the industry. Of great importance to the future of the region also, was that on account of Germany's threat to UK shipping, as well as the diversion of UK industry to the war effort, North America began to replace the UK as the traditional source of supply of the region's imports, as well as to become a sizeable market for its exports.

The final analytical observation which should be made, is that while specific circumstances in each territory undoubtedly

affected the timing, nature and course of revolt in the region in the 1930's, there were common underlying factors which gave rise to this situation. Among the more important of these are

i) the collapse of the colonial economy in the wake of the depression. This underscored the extreme vulnerability of the region's economy to world events which had developed on account of its over-concentrated dependence on the production of one or two primary commodity exports sold in a narrow range of metropolitan markets;

ii) the long endured grievances of the peasants against plantation interests, which were there, always looking for opportunities to make themselves felt;

iii) the growth of working class organization, consciousness, and agitation for better pay and conditions of work, which was a hallmark of the 20th century, and which became particularly evident in the 1930's in the face of the decline in real incomes and the further depression of already sub-human standards of living;

iv) the growth among the population of nationalist sentiment and ideas in favour of independence and self-government which served as a counter to the autocratic, authoritarian, repressive ideology of the Crown Colony governmental system with its unresponsive, and unrepresentative character;

v) the educating and socializing experiences which some sections of the population acquired as a result of their migration abroad and return. This very often led them to perceive that the entrenched colonial system in vogue, was incapable of securing and delivering to them socio-economic mobility on the scale required. The impact of these persons was particularly

noticeable in the leadership of industrial, social and political organisations;

vi) the effect of the spread of the school system and education generally among the population on their outlook and expectation. While the colonial authorities expected the school system to inculcate loyal empire values (and it did so among many) it also opened windows to other areas of learning and values, and these were to give articulation to the protest against the colonial condition of the region;

vii) the growth of towns during the 20th century, combined with the depression and the capitalist wage system which was now entrenched in the region, gave rise to a new social phenomenon: the open unemployed. As these numbers grew, so they joined the ranks of the protesters and those agitating for improved conditions of life;

viii) finally, the conflicts produced by the factors outlined above, combined with a situation in which there was a woefully inadequate level of social welfare provision. No relief therefore **existed for** the broad mass of the population exposed to these unrelenting pressures.

Some of the causes identified here were referred to in the Moyne Commission Report. This Report was a truly remarkable colonial document. For its time, it documented in an unparalleled way the poverty and powerlessness of the West Indian masses in the 1930's. It was unfortunate, although understandable, that its recommendations did not match the accuracy of its recommendations since in the main, these were neither revolutionary, nor radical, in the

sense that they consistently avoided attacking the root causes of the people's distress. In keeping with the labour - "Fabian" socialist outlook of the time, its recommendations focussed on the need for improved social services, making pleas for more financial aid to the region from London, arguing the case for better access in Britain for the region's agricultural produce, and insisting on land settlement schemes as a means of heading off confrontation between the peasants and the plantation over access to land and other resources. As a package these recommendations were the precursor to the paternalistic Colonial Development and Welfare Committee which was established by the British government after World War II to cope with the difficulties of the region.

For the remainder of this chapter we shall briefly describe the broad social and economic state of the region as identified in the Moyne Commission's Report. To begin with in the area of population, the Report noted the rapid increases which started at the turn of the century and which had been brought about by improvements, albeit limited, in public health which had resulted in a decline in the death rate. This population increase put pressure on public and social services available, while at the same time intensified the pressure on land, and became a contributory factor in the increasingly evident open unemployment. In the area of industry, the Report noted that there was very little development. What there was, was confined to mining (oil in Trinidad-Tobago; bauxite, gold and diamonds

in Guyana); agro processing, (coconut used for making oils, lard margarine, soap etc, biscuit and bread manufacture, fish preserving, aerated drinks); a limited range of consumer goods, (cigarettes, matches, tailoring, woodworking, printing, etc); transport and utilities, (electricity plants, horsedrawn carriages canoes and small wooden boats); and the processing of export staples, mainly sugar.

Not surprisingly agriculture was the subject of a specialist report. Thus it was graphically pointed out:

"The general level of agriculture in these Colonies is low in technical knowledge, business organisation and management efficiency; systematic agriculture, by which is meant mixed farming on a plan suited to the inherent circumstances of the area, is unknown. The basic types of agriculture in the West Indian Colonies are shifting cultivation, under which land may be used for, perhaps, two years in every eight or ten, and the continuous growing of one crop on the same land over a long period. Livestock are never the effective complement of crops and the connection between them is frequently adventitious or totally absent. So long as these methods continue it will be impossible for agricultural production to provide even the essentials of life for the growing population of the West Indian Colonies and comprehensive reform of existing agricultural methods is therefore inevitable". 5/

In respect to export agriculture the picture painted was equally gloomy:

"It will be apparent from this survey that the present outlook for the export agriculture of the West Indies, apart from the sugar industry, is extremely discouraging. Only the citrus industry offers a reasonable hope, and that a highly uncertain one of material expansion. A diminishing volume of employment is the prospect in most of the other branches of agriculture, and the outlook for the two most important of them, the Jamaica banana industry and the cocoa industry of Trinidad and Grenada, is grave in the extreme". 6/

Paradoxically, these conclusions aided a renewed emphasis on sugar, and as we shall see after World War II a major process was set in train to rehabilitate the region's sugar industry. The Report's description on social conditions was particularly striking. Thus the educational system was scathingly described as follows:

"Secondary schools exist in the West Indies many of which provide an excellent classical education, but they provide for only a very small proportion even of the children who pass through the primary schools. As it is, unemployment is rife among the products of secondary education, owing to the lack of suitable 'white collar' jobs and the disinclination of the pupils to take employment in agriculture as at present organised". 8/

This educational system evolved from slavery where virtually no education was provided. After emancipation the churches played the leading role in providing some education to the ex-slaves. In line with the poverty of the times schools were crowded as

buildings and facilities were inadequate and trained teachers were insufficient in number. There was a virtual neglect of vocational training and no university or other tertiary educational institutions existed. The educational system was unintegrated and in addition to the observations made in the quotes about the curricula, it should be stressed that virtually no Caribbean materials were available, let alone used in the schools.

In the area of health the situation was no less distressing. There were high infant mortality rates and high maternal mortality rates in most of the territories, but especially so in Guyana. A high proportion of the diseases were preventable: hook worm, dysentery, enteric fever, malaria, deficiency diseases such as rickets, scurvy, beri-beri etc. Thus statistics on medical expenditure cited in the report bear out this gloomy picture. (See Table 3.1)

The root causes of this situation lay in the poverty of the broad mass of the population, the limited education in health and sanitation which was afforded them, and inadequate public services such as pure water supply, sanitation services, etc. In all the territories this situation appeared to be worse in the urban than in the rural areas.

TABLE 3.1

	% of medical expenditure to total expenditure	% of preventive to total medical expenditure	% of curative to total medical expenditure
Barbados	11.3	8	92
British Guiana	10.2	12	88
British Honduras	8.9	N.A.	N.A.
Jamaica	9.8	18	82
<u>LEEWARD ISLANDS:</u>			
Antigua	17.1	22	78
St. Kitts-Nevis	18.6	31	69
Dominica	15.6	8	92
Montserrat	8.9	25	75
Virgin Islands	16.9	N.A.	N.A.
Trinidad-Tobago	9.2	18	82
<u>WINDWARD ISLANDS:</u>			
Grenada	16.9	9	91
St. Lucia	12.7	10	90
St. Vincent	19.6	15	85

Source: West India Royal Commission Report, 1945,
CMND 6607, P.141.

In the area of housing the Report draws the following picture:

"It is not an exaggeration to say that in the poorest parts of the most towns and in many of the country districts a majority of the houses is largely made of rusty corrugated iron and unsound boarding; quite often the original floor has disappeared and only the earth remains, its surface so trampled that it is impervious to any rain which may penetrate through a leaking roof; sanitation in any form and water supply are unknown in such premises, and in many cases no light can enter when the door is closed. These decrepit homes, more often than not, are seriously overcrowded, and it is not surprising that some of them are dirty and verminous in spite of the praiseworthy efforts of the inhabitants to keep them clean. In short, every condition that tends to produce disease is here to be found in a serious form. The generally unsanitary environment gives rise to malaria, worm infection and bowel diseases; leaking roofs, rotten flooring and lack of light encourage the spread of tuberculosis, respiratory diseases, worm infections, jigger lesions and rat-borne diseases; overcrowding which is usually accompanied by imperfect ventilation, is an important agent in contributing to the high incidence of yaws, tuberculosis, venereal diseases, and, to a certain extent, leprosy". (P.174) 9/

The tradition of poor housing went back to the slave plantations where the planters sought to minimize the costs of keeping slaves. With emancipation and the later development of large villages and towns, migration to these areas led to a certain amount of overcrowding. The complete absence of a coherent public policy in this area of social life served to confirm this reality.

Given the above descriptions it is easy to picture the unrelenting misery of the social situation. There were virtually no programmes for social welfare sponsored and administered by the governments. What existed was church sponsored and administered, or came out of voluntary social organisations like the Salvation Army, YWCA and YMCA. Leisure and recreational activities had no organic place in the social life of the times. The orphaned child, the indigent, the mentally ill, the physically handicapped all lived off the crumbs of the society, and they were few of these. Women were systematically discriminated against, and as mothers, left to carry a disproportionate share of the burdens of parenthood. Again the Commissioners' Report sums it up well:

"Little can be said for the social conditions which exist in the West Indies today. The child, so often reared in an ill-built and overcrowded home, passes from it to what is, all too frequently, an overcrowded school. If he has been fortunate enough to continue his education until school-leaving age, which is usually 14 in the towns and 12 in the rural districts, he enters a world where unemployment and under-employment are regarded as the common lot. Should he find work as a manual labourer, his wages often provide only for bare maintenance and are far from sufficient to enable him to attain the standard of living which is set before him by new contacts with the outside world. If he is fitted by education and intelligence for clerical posts, competition for which is intense, he will have the prospect, at best, of a salary on which, even in Government employment, he will find it a serious struggle to keep up the social position and appearances which he and his friends expect. He will have leisure hours but few facilities for recreation with which to fill them.

The position of women is more unfortunate ... Generally she has a large family, and, whenever employment is available, must work to support them or to eke out the slender earnings of her man. Most commonly her work is in the fields; after feeding her family she must start out from her home in the early morning, often leaving little or no food in the house for her children whose main meal may have to wait for her return in the evening. Her difficulty in securing work is at least as great as that with which the West Indian man is faced. If she alone is responsible for the support of a family, her position is indeed difficult and there can be little cause for wonder that a combination of economic circumstances and natural irresponsibility for several illegitimate children to seek the uncertain help afforded by association with yet another man, although she must realise only too well the temporary nature of that assistance and that eventually, perhaps after her responsibilities have been increased, she may again be abandoned". 10/

The Report was also detailed in its description of labour conditions. As was to be expected the bulk of the work force was agricultural or rural based. A significant category of female employment was domestic servants, reaching as high as 25% in Barbados and 15% in Guyana. One of the legacies of slavery - indenture was that a large proportion of the work force was paid on piece-rates. Payment by the length of time worked was rare. Disputes over the size of tasks, length of time needed to perform these, etc, were therefore a constant source of friction between employer and employee. Most of the work force was underunionised, and much of this was due to the existence of legal restraints against trade union activity.

Only in Guyana were trade unions protected from paying damages consequent upon strikes and in Jamaica peaceful picketing was accepted as legal. Because many employees resided in quarters owned and provided by their employers and subject to eviction without notice this served as a powerful means of keeping labour intimidated.

Large sections of the labour force fell into the categories of the unemployed, underemployed, and seasonally employed. This provoked the Commission to point out:

"The plight of the unemployed, aggravated as it is by the seasonal character of employment, is serious to the point of desperation". 11/

There was of course no social welfare programmes for the unemployed to fall back on.

All of the above circumstances were aggravated by the colonial domination of the region. Although some measure of internal self-government existed, this was limited as up to the end of the 1930's the franchise was still extremely narrow. Thus to take two examples in Trinidad-Tobago and Barbados in 1938 only 7 and 3 percent of the population respectively were enfranchised.

I have cited this Report at some length because its detailed description of social life in the British colonies of the Caribbean at this time is unmatched. The generalization of poverty in the population is found in every aspect of its social life: working, housing, education, medical services, land availability, leisure and recreation. Its powerlessness in relation to established authority is clearly seen in the limited franchise and virtually non-existent local government institutions. But even as they remained poor and powerless the power of the masses as a social group was felt everywhere during this period as revolts, riots, strikes, and disturbances shook the foundations of Britain's colonial power in the area. Four and a half centuries after the first encounter with Europeans, this was the legacy of the Caribbean on the eve of its modern period of history.

Notes to Chapter 3

1. D.C. Wong, 'A Review of Caribbean Political Economy' Latin American Perspectives, 42, Summer 1984, Vol 11, No. 3. P.125-40.
2. Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations, University of Chicago Press, Chicago, 1976, II:141. as cited in D. Wong, op.cit.
3. Karl Marx, Capital, International Publishers, New York, 1974 Vol 1, P.751. as cited in D. Wong, op.cit.
4. Michel Beaud, A History of Capitalism, 1500-1980, Monthly Review Press, New York, P.121.
5. West India Royal Commission Report (Moyne) 1945 P.37, 38-39.
6. ibid, p.24
7. ibid, p.92
8. ibid, p.99
9. ibid, p.174
10. ibid, p.215-216
11. ibid, p.195

Part 2: Independence and the Nationalist Alternatives

This part of the study traces the impact of the independence movements on the formulation of economic strategies, alternative to those of the old colonial order. By the 1970's, which marks the end of the period under consideration, despite the rapid expansion of some sectors (manufacturing, tourism, off-shore finance, etc), the region is gripped by fundamental economic dislocations. These can be traced to the world economic crisis and its impact on an area that is still basically vulnerable, and the exhaustion of the possibilities inherent in the nationalist economic strategy. The ideology and practice of nationalism which fed the independence movements, could not contend with the roots of a colonial economy formed in the way it was in the Caribbean and developed over four and a half centuries. By the end of the 1970's therefore, despite important changes in form, the main content of the region's economy was the continued dispossession of the majority of its peoples, the poor and the powerless.

Chapter 4 presents in outline the colonial office view of development and the nationalist alternative. Chapter 5 traces one of the main pillars of this alternative, namely, the strategy of "industrialization by invitation". In Chapter 6 we examine the policy of natural resource development while Chapter 7 looks at the conflict between plantations, peasants, and the state for land and other resources and its impact on the rural economy. Chapter 8 investigates the region's search for new "poles of growth": tourism, and off-shore banking. Chapter 9 concludes this part of the study with an examination of the role played by the state in the organisation and administration of the region's economy. The period ends with the crisis of the 1970's.

CHAPTER 4: COLONIALISM AND NATIONALISM:
ALTERNATIVE ECONOMIC STRATEGIES

In this chapter we examine and compare the colonial strategy of development as it crystallized after World War II and the evolving nationalist model of development which accompanied the struggle for independence. The latter formed the bedrock of government policies in the region, at least up to the crisis of the 1970's.

I: The Colonial Office View of Development of the
British West Indies

In attempting to present a concise view of the colonial office view of development in the region I run the risk of suggesting a greater coherence of understanding and purpose on the part of the major actors than might have been the case at the time. More frequently than not, participants in^a historical

process do not see their actions with the 20-20 vision offered by hindsight. In portraying this picture, therefore, it is important that readers bear in mind that I am presenting a synthesized or idealized view of colonial office practice in the region.

Simply put the Colonial Office generally propagandized its colonial mission as one of "trusteeship". In this view the aim of good colonial administration was to foster and encourage a progressive and orderly movement to representative self-government. Independence, for the West Indies, at least up to World War II, was definitely beyond the horizon of the time. This policy of trusteeship was administered in the face of constant protest and agitation. While the main source of resistance was the mass of poor people and powerless of the region, everywhere the leadership of this protest when organized was assumed by the educated professional middle class and other intermediate strata which had developed under colonial tutelage. By and large this leadership channelled the protest into demands for larger and larger areas of local self-government and a wider and wider franchise than the Colonial Office was willing to tolerate. As these struggles became more intense and increasingly violent the Colonial Office responded by reversing the direction of constitutional advance. Thus in 1953 Guyana, which had distinguished itself by producing after its first election

based on universal adult suffrage the first freely elected Marxist government in the Empire, had its constitution suspended after only 133 days of rule, and the country occupied by British forces. Given this type of response, and more importantly

what had preceeded it, genocide and four centuries of slavery and a continuous history of protest and agitation, it is hard to hold anything else but the most cynical view of this trusteeship ideal. Despite this, however, it did favour the formal administration of the colonial economy of the region and in quite a few instances came to be believed by major participants in the drama of these times.

Despite the attraction to the wealth of the Caribbean which fed the first waves of conquest and colonisation, by the time industrial capitalism had become firmly entrenched in Europe and with it new demands on colonies and overseas possessions which aided the latter's transformation into peripheral societies, the view rapidly gained ascendancy that the region had exhausted its potential. Small tropical countries, peopled in the main by non-Europeans could never be industrialized and hence there was already exhausted limit to their growth and development. Several theories were advanced to justify this view. First, there were the racial theories based on the alleged "inferiority" of non-European peoples which condemned them to live in, and reproduce, only backward social systems. Thus in partial explanation of the absence of industrial development the view was

expressed by an industrial expert who visited the area to advise on industrial development that the temperament of the West Indian worker was "easy going, unambitious and casual". ^{1/} Allied to this is the over-population theory which explained the poverty and backwardness of societies in terms of high population-to-land ratios in small economies, which when combined, with rapid demographic growth (high birth rates and rapidly declining death rates) and a highly dependent population structure (large numbers of people outside the working age of the population) made them incapable of faster growth and development. Later to this was added a certain type of geographical determinism in the view of the area and its developmental possibilities. Limitations of soil, climate and natural resources made it impossible, it was argued, for tropical countries to grow. In small economies these arguments were expected to hold a fortiori, since given a random distribution of resources, the smaller the country, the more likely than not that its natural resources would be limited. The limitations of tropical locations were seen as primarily a debilitating climate (at least for Europeans), poor soil types and unknown resources.

The problems of geographical determinism, when compounded by the small size and scale of the territories, made smallness an absolute constraint on development possibilities in the region. Additionally, in terms of the Ricardian-type comparative advantage theories of trade which then prevailed, it was argued that the

region should focus on those areas for which its relatively abundant endowment was already revealed, that is tropical staples and minerals. . . The possibility that these revealed endowments may have been the historical product of early mercantilism and later a perspective of an integrated Empire with London as both center and apex was never raised at the time. Indeed the deterministic approach was also often expressed in cultural terms. That is the institutions of these societies were described as traditional, stagnant and unchanging. As a result they put a brake on the modernism which the colonial authorities and Europeans sought to introduce. The consequence was a certain kind of dualistic economic structure, with the growing part being modern and the stagnant part being traditional.

All these theories imply a certain philosophical acceptance of the enduring state of underdevelopment in the area. Among "pragmatists" it led to varying claims about how these economies were restrained in their development by limiting factors (capital, skill, entrepreneurship, work ethic, etc). Whatever their individual lines of argumentation, however, all these theories have a common methodological unity, in that they all purport to explain underdevelopment as a phenomenon independent of the historical process. They are all, therefore, fundamentally ahistorical theories, explaining poverty and powerlessness in terms of the innate characteristics of people and their environments or self-perpetuating cycles of poverty.

Given the wealth which attracted Europe to the Caribbean, this was indeed an ironic historical development.

Views such as these, were of course strongly oriented against serious efforts at industrial development in the region. As we shall see later, this became the focal point of nationalist opposition to the colonial office policies of development in the area, since the view became more and more widely accepted that a country could not break out of the "vicious circles of poverty" or "the disequilibrium traps of underdevelopment and dependence" unless it became diversified and differentiated through the development of a broad based manufacturing sector. From the more positive standpoint, however, the theories and views held by the Colonial Office led them to advocate the following as the main avenues for expansion and growth in the Caribbean. 2/

i) Population Control: We have already seen in Chapter 3, that the Myone Commission had identified rapid population growth as a serious source of pressure on the resources of the region and a major cause of the rapidly growing open unemployment. The view was held then that non-whites were culturally and temperamentally inclined to be reproductively prolific and this was the main cause behind the rapid population growth of the area. To facilitate the demographic transition to smaller families, policies designed under the broad heading of "family planning" were advocated and put in place.

ii) Agricultural production: Agriculture was seen as the sector best suited to the region. However, it was accepted that historically the agrarian structure had evolved into a certain duality. On the one hand there was a highly concentrated large scale plantation producing structure, while on the other, there co-existed a large number of small and landless peasants engaged in a mix of subsistence agriculture, food production for the domestic market, and participation in the export cash crop economy. To tackle the problems four measures were advocated and pursued. First land settlement schemes were introduced. The land settlement proposal was an old one. The Moyne Commission in its Report noted that the Royal Commission of 1897 had advanced the view that this was "the only way of meeting the fundamental requirements of the British West Indies, and the Sugar Commission of 1930 endorsed their views". ^{3/} The objectives of this proposal were explicitly economic and social. On economic grounds it was argued that land grants would help to relieve population pressure on the land, particularly if unused lands were the main source of these grants. Secondly, it was felt that by expanding occupational activities in the rural areas it would not only halt migration to the towns, but encourage a reverse flow of persons. In this way open unemployment, as well as underemployment in the rural areas would be reduced. At the social level it was expected that this policy would reduce some of the existing extreme inequalities in the distribution of land

holdings in the region. In addition it would set in train a more general process of improvement in the complex land tenure arrangements of the area. Finally, it was seen as a means of correcting an obvious abuse, that is the practice of plantations operating with "tied house" systems where labourers lived on plantation land and in plantations houses whose facilities were patently sub-human, there being the absence of drinking water on the premises, poor sanitation, inadequate ventilation, overcrowding, etc.

Wherever possible, peasant production was linked either to newly created state marketing agencies, or cooperatives were introduced to ensure adequate regulation and supervision of land use and the distribution of output. In practice as we shall see in Chapter 7, the latter has produced a considerable "outside leadership" in the rural areas which has negated rather than promoted cooperative, self-help and self-reliant relations in the rural economy.

Additionally the Colonial Office recommended and put in place a number of technical complements to agricultural production. Thus in many parts of the region government departments concerned with agriculture and land policies were either established or where they already existed, re-organized. These agencies developed extension net-works to supervise/aîd/advice the farming communities.

Agricultural institutions concerned with the provision of credit were also established as well as agencies to ensure the flow of fertilizers, machinery, technical advice, and so on to the peasant producing areas. Finally, since plantation agriculture generally dominated these economies, great efforts were made to rehabilitate, modernise, and reorganise these producing units. Usually this meant providing considerable subsidies to the plantation owners in order to facilitate the recomposition of their run-down capital stock and allow them to pursue wage and employment policies which would stabilize the flow of labour to the estates. Thus in the case of sugar, after World War II special funds were created, with the object of rehabilitating the industry, supporting stable wage payment policies in it, and providing buffer or stabilization funds to compensate for the widely fluctuating price of sugar in the world market. The latter was buttressed by the policy of protected entry of the region's sugar into the UK market, and the price support this offered to the relatively high cost producing structures which the plantation in the region had developed into.

In the agricultural economy the focus on plantation export agriculture was primary. The result was, that even in situations as prevailed in Guyana, where the colonial authorities promoted the production of rice as a peasant crop on a large scale, they did so in a manner to ensure that the labour and other inputs

of this crop did not compete with, but instead complemented the requirements of the plantation producing sector.

iii) Infrastructural facilities: One of the major deficiencies of the region's economy identified by the colonial authorities was an inadequate infra-structure . Much emphasis was therefore placed on the provision, through state financing, of an adequate infrastructure for private production. These encompassed land reclamation schemes, drainage and irrigation works, roads and communications, as well as the usual public utilities: electricity, sanitation, pure water supply, etc. This development favoured an enhanced role of the state in creating the conditions for private economic activity in the region.

iv) Foreign capital inflows: Consistent with the colonial office's view of the region's developmental capacity was its insistence, that whatever development was attained would depend a great deal on an inflow of foreign finance, enterprise, skills, know-how and technology - whether on a private or international agency basis. As far as possible it was felt that the unification of the markets of individual territories with that of the UK would be a major incentive to the flow of capital. In this regard the views of the colonial office in Britain coincided with their counterparts in France and Holland. In the British territories the currency and banking arrangements established in

the region produced an effective unification of individual capital markets of the region with that of Britain. Since the direction of this unification was exclusively vertical and not horizontal, it promoted the progressive integration of the market of the individual territories of the region into the UK market, and it was only as a by-product of this that it facilitated a certain level of horizontal exchanges within the region. Later, the inconveniences of having to administer a multiplicity of small and mini-states, encouraged the view that some form of West Indian integration might serve the purpose of all concerned.

In the attitude to foreign capital there was a quaint blend of the old mercantilist views on the promotion of empire and efforts to exploit Ricardian comparative advantages taken as already revealed in the region's productive structure. The result of the policies, however, was to foster the increasing transnational corporate (TNC) domination of the region's economy and reinforce the centre - periphery relations inherited at the end of World War II. In this sense, therefore, this approach of the colonial office sought to reverse the tendencies towards breaking commercial links between the region and Britain which had developed to some extent during World War II.

v) Colonial development and welfare: As we had noted in Chapter 3 when discussing the Moyne Commission Report, a certain welfarism (in part an adjunct to the trusteeship view) was

elaborated, particularly in "liberal" and labour circles of the Colonial Office. This led to some emphasis on reform and the better provision of social services, investments in public utilities, and the promotion of trade union legislation in the area.

vi) Trade: The emphasis here was on reciprocal preferences. The region was a high cost producer and without protected access to the UK market its factor endowment which was supposed to favour agriculture did not yield competitive prices. The subsidy required was to be borne by the British consumer. In return Britain maintained preferential access for her manufacturers and other exports to the region. It was hoped, if not expected, that protection of the UK market would be a transitional means of support for the region and in this sense the policy was not a simple reversion to the old mercantilism. The emergence of North America as the major trading partner for several of the territories was not very overtly resisted. The expectation was that the US and Canada would share the costs of subsidized production in the region by also giving preferential access to Caribbean exports. In light of this a policy of "officially" discouraging Canadian and US exports to the region could not have been vigorously pursued.

vii) Migration: One of the paradoxes of the empire was that citizens of the United Kingdom and the colonies in theory enjoyed

the same rights of citizenship. With the pressures on living standards in the region and the attraction of relief in the UK many of the poor and the powerless sought refuge in large waves of migration to Britain. Between 1955 and 1959, estimates show that between twenty and thirty-three thousand West Indians went to the UK annually. In the two year period before this migration was effectively halted by the Commonwealth Immigration Act passed in Britain in 1962, 168,000 West Indians entered the UK. Migration also took place to other areas, especially the USA, where between 1951 - 1960 about 200,000 persons went there, and between 1961 - 1970 as many as half-a-million.

viii) Industry: The bias against industrialization has already been remarked on earlier. Here it is pertinent to note that an important phase of industrial development had in fact occurred in the region largely as a result of the closing off of access to the UK market caused by World War II. Table 4.1 gives an indication of this range in the case of Trinidad-Tobago. The colonial authorities did not believe that this occurrence was of any particular significance and continued to hold the view that industry should be largely confined to local craft production, and small scale manufacturing activities which were in the main to be dependent on overseas capital, organisation and ownership.

TABLE 4.1List of Industries in Operation in Trinidad in 1942/43:Part I: Large Scale Secondary Industries Manufacturing Goods Both for the Domestic Market and for Export:

Angostura Bitters
Carbon Dioxide Manufacture
Industrial Gases
Matches
Lime and Limestone

Part II: Secondary Industries of an Advanced Kind Producing Goods for Local Consumption but not to any Substantial Extent for Export1. Food, Drink and Tobacco

Aerated Waters	Coconut Oil (Edible)	Ice Cream
Beer	Coconut Meal (animal Food)	Jams and Jellies
Biscuits	Confectionery (sweets)	Lard & Lard substitute
Bread	Grape fruit (canning)	Liqueurs
Chocolate + Cocoa Powder	Ice	Margarine
Cigars		Pipe Mixtures
Cigarettes		Stout
Coffee		Wines

2. Clothing and Footwear

Alpargatas (sandals)	Hats	Suits
Dresses	Pyjamas	Underclothing
	Shirts	

3. Household Equipment

Candles	Mattresses	Washing Soda
Furniture	Soap	

4. Medicines, Toilet Preparations, etc.

Alcohol	Medicinal Preparations	Perfumed Spirits
Bay Rum	Methylated Spirits	Toilet Preparations
Herbal Extracts		

5. General Industries

Acetylene	General Engineering	Steel Barges
Boats + Launches	Laundries	Steel Drums
Book-binding	Motor Car Repairing	Storage Tanks
Bricks	Oxygen	Tanneries
Building	Packages	Tombstones
Clay Products	Printing	Tyre Repairing (re-
Concrete Products	Saw-milling	treading and vulcanizing)

Part III: Minor Industries and Crafts Conducted Principally in the Homes of
of the Workers:

Basketry	Dress-making	Pottery
Boots and Shoes	Engraving Gold and Silver Work	Preserves (fruits, chutneys, sauces)
Brooms and Brush making	Jewellery	Tinware
Charcoal Burning	Lampshades	
Coconut Fibre	Barrels	
Mats	Novelties (including wooden toys)	

Source: Industrial Development in the British Territories of the Caribbean,
Vol. II, pp. 10/11.

When taken together these various policies of the colonial authorities produced three major consequences. First, they explicitly sought to reinforce a particular rhythm of production which I have referred to in Part 1 and which I have also described elsewhere as suggesting that the historical evidence shows:

"that there is a crucial feature in the combination of smallness and underdevelopment [which] when dynamically applied and expressed in terms of objective, material phenomena ... consists of the fact that the conjunction of production relations and productive forces is of such a character that the measure of structural dependence, underdevelopment, and the economic backwardness of the process of production which is important above all others is on the one hand, the lack of an organic link, rooted in an indigenous science and technology, between the pattern and growth of domestic resource use and the pattern and growth of domestic demand, and on the other, the divergence between domestic demand and the needs of the broad mass of the population". 4/

This produces an economic system in which the lack of systematic material linkages between labour-resources-technology-demand-needs is but a reflection of a system of social relations in which the ownership and use of productive factors and the pattern of consumption yield output which is not oriented either to domestic consumption as expressed through the market, or the domestic needs of the population, as reflected in the continuing real shortages of food, clothing, shelter, recreation and leisure products.

The colonial strategy of the period took this condition as more or less "naturally ordained", reflecting the given state-of-the-arts and a social reality that was inevitable and irreversible.

The second consequence was that before independence, this rhythm of production was not mediated to any exceptional degree through the local state. As independence approached, and after independence, the state assumed a larger and larger role in economic organization and production, with the eventual result that today it is the dominant internal institutional factor in the region's economy. This is not to say that the colonial office had a strictly laissez faire view of the state. To the contrary, state functions developed, but lacking the political and social influences produced by the nationalist movement its mediation of colonial policies was not of the same order as was to be the case in the later period.

Thirdly, the economic structures of the region began to take on more and more of the definitive characteristics of poverty, underdevelopment and dependence. Thus we find the following: 5/

- overspecialization in the production of a narrow range of primary products produced mainly for export, and with sales confined to a narrow range of overseas markets.

- considerable instability in the prices of these products when sold abroad, leading to a situation in which wide fluctuations in the domestic levels of income, employment and prices were regular features of economic life.
- an open economy produced by the combination of the two features listed above and the region's heavy independence on imports and foreign capital inflows to feed the population, service industry and finance internal capital expansion.
- a predominant role played by foreign decision-making and expertise in economic activity.
- highly developed mechanisms for the drain of the domestic surplus abroad (the currency board and commercial branch banking mechanism of the period, strict adherence to the sterling exchange standard system, absence of all forms of regulation or control on capital mobility in and out of the country, and so on).
- predominantly agricultural and mining economies with limited diversification of output, and occupations.
- widespread poverty, malnutrition, inadequate housing and social services such as education, health, and sanitation.
- backward agrarian systems with marked inequalities in land ownership and access.
- the absence on any significant scale of the major classes of this historical era (industrial proletariat and a local industrial-financial bourgeoisie), and along with this the underdevelopment of their particular institutions (political parties, trade unions, etc)

The above listing is not exhaustive, but primarily indicative. To it, however, should be added the complicating circumstances produced by the small size and scale of these economies, as well as the racial stratification of economic functions in the area.

Because colonial policies were designed to perpetuate some variant or the other of colonial domination, despite some benefits produced here and there, ultimately they stood in opposition to the interests of the broad mass of the region's peoples. The main beneficiaries were in general, the large scale plantation owners and foreign capital. Efforts at redressing the twin scourges of peasant dispossession and large scale unemployment were largely tentative and in the main politically motivated, the concern being to defuse pressures and agitation for independence. In this sense therefore, these measures were designed to demobilize rather than release the creative energies of the broad mass of the population whose continued poverty and powerlessness these policies would certainly ensure.

II: National Independence and Economic Strategies

The basic feature of the period after World War II was the growth and spread of the national independence movement in the region. As in other areas of its social life, this development was uneven. However, by the 1960's independence had come to some territories: Jamaica, Trinidad-Tobago, Guyana, and Barbados.

While it

was the broad mass of the population of the region, particularly the peasants, workers, and unemployed who produced the main pressures against the colonial system, it was the petty-bourgeoisie, the professionals and other such intermediate strata which exercised leadership over these mass movements. It was these strata therefore, which negotiated the mechanics of the independence settlements. This situation, should not lead us to have any doubt that the struggles for a widened franchise, more local autonomy, improved access to resources for the local population, better pay and conditions of labour, better prices for agricultural produce, more security of living standards, and ultimately the struggle for independence itself represented an exceptionally important period in the development of populist politics in the region. Two very important considerations emerged out of this period of Caribbean development. ^{6/} First, the growth of mass politics and the mobilization of the population which this entailed, produced to an unparalleled degree the legitimization of politics and the state in the history of the region. The inference of this was that the post-colonial state was qualitatively different from its predecessor despite the continuation of certain real constraints to its growth: economic structure, geo-political context, size, etc. The period up to and after independence therefore marked a real as distinct from a merely symbolic turning point in the functioning of the state in economic life of the area. While in many instances, particularly on the left, this produced an over-expectation on the

capacity of these states to transform inherited structures and to alleviate the poverty and powerlessness of the broad mass of the population without these states themselves undergoing a transformation of their content, the state as an economic institution became a decisive factor in the prospects for local development.

Paradoxically, however, this consequence coincided with another development which significantly affected the way in which this potential was exploited. That is the leadership of the independence movements, having taken state power, sought after independence generally to demobilize and de-politicize the masses, thereby restraining the deepening of mass politics within the society at large. The most extreme examples of this are Gairy's Grenada and Burnham's Guyana. This development emerged out of the fact that the petty-bourgeoisie and intermediate strata which led the mass movement were essential colonial creations with limited objectives. Their growth derived from the preferred access to education, the professions, and to a lesser extent land, which limited sections of the population enjoyed. This group resented their second-class status in colonial society and expected that with independence they would either be bequeathed by the colonial authorities, or seen by the masses, or both, as the logical inheritors of the colonial office's "right-to-rule". This meant that their struggles were not oriented towards a revolutionary reversal of power relations in favour of the poor and the

powerless. The independence settlement therefore became a mechanism for excluding the masses from effective power. Again the most extreme example of this was Guyana where as a result of a British government, USA-CIA manoeuvre Burnham was brought to power and the People's Progressive Party which had won the victories at the poll as the first elected Marxist government in the western hemisphere was removed from office.

With this background the strategies pursued by the "nationalists" would clearly follow certain predictable lines. In sum these would lead to certain important changes, all of which, however, fell far short of real economic dependence. These policies followed six major lines, each of which forms the substance of a separate chapter in this Part of the Study. These are:

- i) Industrialization based on a capital import model allegedly derived from Puerto Rican experience, and one which emphasises protection, capital subsidisation and a leading role for TNCs in alliance with the emerging local business elite (Chapter 5).
- ii) Natural resource development through TNCs (Chapter 6).
- iii) A restructuring of the traditional agricultural export sector and domestic agriculture (Chapter 7).
- iv.) The diversification of economic structure in the direction of development of a significant services sector, particularly tourism (Chapter 8) and the creation of off-shore

financial havens (Chapter 8).

v) The introduction of new economic institutions and the restructuring of exiting ones (Chapter 9).

vi) The promotion of a certain form of economic integration in the region to overcome the limitations of small size. This forms the substance of discussion in Chapter 12.

As each of these policies are dealt with at some length later, we can close the discussion of the basic features of the nationalist alternatives at this point.

Notes to Chapter 4

1. Caribbean Commission, 'Industrial Development in the Caribbean', Report prepared by the British member of the Industrial Survey Panel, 1948, Vol. 1, P.116, as cited in L. Best, 'International Cooperation in the Industrialization Process: The Case of Trinidad-Tobago', in UNIDO, Industry 2000 - New Perspective, Collected Background Papers, October, 1980, UNIDO/IOD337. Best notes that the Report adds: 'East Indians have brought with them from India traditions of family solidarity, thrift, and responsibility. The descendants of slaves have no such traditions'.
2. The points advanced below draw heavily on an earlier study: Clive Y. Thomas, 'From Colony to State Capitalism: Alternative Paths of Development in the Caribbean' Transition, Issue 5, 1980. This has been reprinted under the same title in booklet form by the Foundation of Arts and Sciences, Paramaribo-Suriname, 1982.
3. See the specialist Report on Agriculture, Fisheries, Forestry and Veterinary Matters, West Indies Royal Commission (Moyné), CMD6608, HMSO 1945 (my emphasis).
4. Clive Y. Thomas, Dependence and Transformation, Monthly Review Press, New York, 1974, P.59.
5. Clive Y. Thomas, 'From Colony to State Capitalism ...' Transition, Issue 5, 1980, P6.
6. See my book for a fuller exploration of these issues: 'The Rise of the Authoritarian State in Peripheral Societies', Monthly Review Press, and Heinemann, New York and London, 1984,

CHAPTER 5: PUERTO RICO TO THE RESCUE: INDUSTRIALIZATION
BY INVITATION

The "boom" in economic activity which was experienced in several of the Caribbean territories from the early and middle 1950's to the late 1960's, was in large measure fuelled by unprecedented developments in three sectors: manufacturing, mining (oil and bauxite-alumina) and tourism. Development of the first sector forms the substance of the discussion in this chapter. However, the link between developments in this sector and the other two should be constantly borne in mind since in at least one crucial area, namely, foreign exchange availability, the growth of the manufacturing sector could not have taken place to the extent it did without the expansion of the other two sectors which supplied much of the foreign exchange it consumed.

I: The Rationale

As we have already noted in the previous chapter, at the end of World War II the Colonial Office view was that industrial development was uneconomic and undesirable, (if not impossible to achieve), in the small tropical colonies of the Caribbean. This was in fact an old view, since the West India Royal Commission of 1897 had earlier stated that "there was no prospect for manufactured industries being established on any considerable scale". ^{1/} It was this view the Moyne Commission reiterated when it denounced "speculative industrial enterprises" in the region - although certain exceptions were conceded if

British firms could be "induced" to participate, e.g. cement. ^{2/}
 As we have also noted in the previous chapter the war years had stimulated economic activity in the Caribbean, particularly an expansion in mining output, construction associated with military facilities built during this period by the US, and domestic food output. In the wake of these, there was also noticeable expansion of manufacturing activity, and a list of the industries in Trinidad-Tobago was presented in Table 3.1. This latter development combined with nationalist denunciations of colonial rule as stifling the growth of the area led to the feeling that industrialization was possible in the region if the right combination of circumstances could be created. As it turned out, Sir Authur Lewis was to provide a theoretical rationale, perhaps unintended by the author, for these aspirations and his name (not altogether deservedly) has been more closely associated with the policies which were to be put into effect, than any other.

The theoretical basis of Lewis' approach built on the work of two earlier economists, Ricardo and Colin Clark. The latter's empirical work had indicated the positive relation between the share of manufacturing output and the wealth of nations. In addition, Lewis' own observations of the region had led him to recognize a truth, that is, primary agriculture could not provide sustained development of the area, and indeed could not even provide jobs in adequate numbers for the rapidly

growing population. Ricardo's studies had also led him to a similar conclusion about 19th century Britain. It is from these two streams of thought that Lewis developed the argument that:

"the policy which seems to offer most hope of permanent success is for the islands to follow in the footsteps of other agricultural countries in industrialization ... No other policy seems to offer such permanent prospects as the development of local industries". 3/

The point has been made, however, that Ricardo's work from which Lewis drew so much inspiration, had seriously underestimated the role of international trade and had focussed almost exclusively on the effective home demand for agricultural products in his arguments against the possibilities of development and transformation through agricultural activity.

Be that as it may, Lewis' arguments were not as unguarded as it has been popularly assumed. Certain elements in his rationale were later ignored by policy makers and it is important to our later evaluation of these policies that we state them here. The first of these is that Lewis' conception was that industry plays the pivotal transforming role in the process of development, but that this was not as an alternative to agricultural diversification and development but instead was its complement. The failure to recognize this element of his formulation led to the serious neglect of West Indian agriculture, as we shall see in Chapter 7. The second element which was ignored was that

Lewis' model was based on the coming into existence of a dynamic class of industrialists (much as in Ricardo's time) who would control and utilize the surplus, as well as play a leading role in the political development of the region. As we shall see a new class of business^{persons} was in fact created and their political impact has been substantial. This class, however, has lacked an adequate command over financial resources, science and technology, skills and know-how and consequently has had to expand as junior partners or surrogates of transnational firms. The third element which was ignored was Lewis' insistence that the industries which were to be developed should reflect resource availabilities/factor endowments/comparative advantages which for the region meant labour intensive industrial activities, based on the relative abundance of labour supplies (and consequently low wage rates), and the relative shortages of natural resources and capital. As we shall see the policies pursued sought to subsidize capital and not labour. Finally, problems of size and scale were recognised by Lewis and from the outset this prompted his advocacy for a regional approach to industrialization, as well as an export orientation in industry. In practice these were also ignored with the result that opposite characteristics emerged in the industrial structure of the region.

As events turned out, it was the much touted industrial "successes" of Puerto Rico in the late 1940's and early 1950's which formed the practical model for the industrialization

strategies which evolved in the West Indies. As it has been aptly put:

"Since 1947 Puerto Rico has been transformed into a laboratory of corporate organisation, pinning its hopes for development and gearing its social and economic policies to one objective; attracting US capital. Using the unique circumstances of the island's colonial relationship with the United States and its condition as a relatively poor Third World country, a succession of Puerto Rican administrations have offered investors a corporate paradise where wages are low, government docile and taxes virtually nonexistent". 4/

The Puerto Rican model should not be interpreted as a fixed or static conception, since it has gone through several stages of evolution since World War II. We are concerned here with its first phase of evolution which was aimed at attracting US investors and depended on two major factors to do so. One was an industrial incentives law which was passed in 1947 and which gave tax exemptions and other subsidies to foreign industry, and the other was the activities of its development agency (FOMENTO) which were directed towards luring foreign investors to the country with the promise of cheap labour, unlimited trade with the US market, weak unions, and political stability guaranteed through its colonial relationship with the US. The strategy attracted a number of small and medium sized labour intensive companies with an average investment under \$1 million per plant in such areas as textiles, clothing, food-processing, and leather goods.

This model exhausted itself in the 1960's when a number of factors inherent to Puerto Rico's colonial relationship to the US created obstacles to further expansion. One was the extension of the US federal minimum wage to Puerto Rico as the US labour movement feared the "cheap and underunionized labour competition" from Puerto Rico. As a result between 1950 and 1960 the median wage in Puerto Rico more than doubled (from 42 to 94 cents per hour), while that in the US grew by only 53%. Another was the significant increase in maritime tariffs for US - Puerto Rican shipping which occurred - an increase of 29% in 1958. As part of the US, Puerto Rico could not resort to cheaper foreign carriers and had to maintain its US carriers which had won the increase in rates. Finally, the growth in union activity which was taking place in Puerto Rico, partly in imitation of similar developments in the US, put pressure on wages while at the same time decreasing its attractiveness as "a docile labour market".

To combat these developments the policy of capital imports was further intensified as a new incentives law was passed in 1963. This law increased the tax exemption period from 10 to 16 years and more in certain circumstances, particularly in the case of heavy industry, which it assumed was oriented towards long term profits. This gave some impetus to a shift to the heavy industry stage of development, a process accelerated by the US administration's approval of special

quotas expanding cheaper foreign oil imports to Puerto Rico. This was an incentive to expand the local petro-chemical industry. As events turned out this industry was to become the center piece of expansion in the second phase of the Puerto Rican model which lasted until the mid-1970's. As Portojas Garcia observed:

"The new petrochemical complex became the fulcrum of industrial development through the mid 1970's ... the years after 1965 saw the arrival of an entirely new group of multinationals linked to the petrochemical sector, as well as other representatives - such as pharmaceuticals and electronics - of big monopoly capital. The focus of accumulation shifted, as light labour intensive industry was displaced by heavy capital intensive operations ... by 1974 110 of the Fortune 500 were operating in Puerto Rico. They ran a total of 336 subsidiaries, of which 333 had received special (and free) factory construction, training, financing, or legal assistance from FOMENTO". 2/

As he goes on to point out by 1979 as many as 139 of the Fortune 500 firms operated there. Of the total of 1,720 Fomento promoted factories on the island in 1974, 994 were US, resulting in US effective control of the most dynamic industrial sectors in the island.

Despite the popularity of the model it has been and continues to be the subject of many trenchant criticisms. Thus it has been pointed out that over the course of time this strategy has increased the colonial dependence of Puerto Rico in the US. The new class of business^{persons} /capitalists who developed

under it, and replaced the older rural oligarchs, was neither more nationalist in their outlook nor more concerned with the poor and the powerless than their predecessors. Moreover, in the process of creating this class, indigenous entrepreneurship was destroyed, traditional crafts, skills, and technical know-how had become marginalized, and the society became more oriented to the consumer ethic of its metropolitan patron. It is true that a relatively better-off industrial proletariat came into existence, but this class was surrounded by a sea of unemployed and survived through the steady stream of migration of Puerto Ricans out of their homeland and into the US. Thus as much as one-quarter of the population migrated out of Puerto Rico during the 1950's, while unemployment throughout this period stood above 20% of the labour force. Foreign domination of the country's tangible and reproducible assets was such that only 44 percent of it was held by Puerto Ricans. Its orientation to the American market was so complete that in 1974, it produced "40% of all paraxylene consumed in the US, as well as 30% of the cyclohexane, 26% of the benzene, 24% of the xylene, 23% of the propylene, and 12% of the vinyl chloride. Forty-four percent of all electrodes used in the US came from Puerto Rican factories". 6/

In other words Puerto Rico was the most important site of direct US investment in all of Latin America. Finally, it should be noted that two practices began to emerge among corporations attracted to Puerto Rico. One was to close companies

when the tax exemption period ~~expired~~, and the other was to invest tax exemption profits in ~~liquid~~ assets in Puerto Rico rather than re-investment in ~~manufacturing~~. The latter occurred because of the orientation of ~~the~~ system towards tax exemption of profits. Thus Portojas Garcia cites the Tobin Report which showed that a typical subsidiary ~~maintained~~ as much as 80% of its assets in financial form. About one-half of investments in Puerto Rico was composed of ~~financial~~ assets, allowing the rate of return on physical assets to be as high as 35 - 60%. Thus it was possible in 1977 for a group of multinationals such as Pepsi Cola, Union Carbide, Digital Equipment, Abbott Laboratories, Eli Lilly, Smith Kline, Motorola and G.D. Seale to obtain over one-fifth of their ~~global~~ profits from Puerto Rico. In all, except Eli Lilly, Union Carbide, and Pepsi Cola, the proportion of profit obtained in Puerto Rico exceeded one-half.

The brief outline of ~~the~~ Puerto Rican model given here, is necessary if we are to ~~comprehend~~ the theoretical rationale which emerged among the nationalist leaders in the West Indian territories as justification of ~~the~~ line of industrialization which eventually took place. In the next section, I shall indicate how this policy was put into ~~practical~~ operation and in the third section we turn to an evaluation of its performance.

II: The Practice

West Indian practice in the approach to industrialization closely patterned itself after the first phase Puerto Rican import capital model. Incentives were offered to investors both local and foreign with emphasis on the latter. By 1960 all the territories had incentive legislation and schemes in operation. Usually, these comprised the following:

- i) State provision of basic infrastructural services: harbours, airports, roads, telecommunications, etc. In all the territories it was seen as the government's duty to finance these and where local funds were insufficient, recourse was made to secure grants and loans overseas.
- ii) Protective import tariffs were levied and quota restrictions on imports put in place in order to protect local operators from foreign competition.
- iii) Income and property taxes were adjusted in order to provide accelerated depreciation allowances to firms which invested locally.
- iv) Income tax holidays were given to new investors or those which expanded operations.
- v) The state also financed the construction of factory shells which were then put on sale or lease in the form of industrial parks. These sites usually included the provision of site roads, water supply, sewerage, lay-out, electricity, refuse-

disposal, landscaping, maintenance, postal, telephone, and telex services.

vi) The state also established training facilities for the local work force in the form of technical/polytechnical institutes, University, etc., and

vii) To regulate this programme the various governments put in place what were termed Industrial Development Corporations (IDCs).

A typical example of these IDCs is the one in Barbados which has been created to provide eleven functions:

- to supply socio-economic information to prospective investors;
- to explain the operations of the fiscal incentive legislation and to give assistance in the preparation of applications for these;
- to give advice to investors on factory erection;
- to provide factory space on lease, purchase, or rental basis;
- to undertake pre-feasibility studies for prospective investors;
- to provide assistance in coordinating joint ventures between local and foreign interests;
- to liaise between prospective investors and appropriate government departments;
- to act as consultant to investors during the initial phases of negotiations with private sector organizations;
- to assist in recruiting and training suitable labour;

- to assist in making applications for work permits for personnel brought in by firms established under this programme.

In Barbados the income tax and customs duty exemption which are given is based on a 3-10 year grace period on the following terms:

- i) if local value added is 50% + the grace period is 10 years;
- ii) if local value added is 25-50% the grace period is 8 years;
- iii) if local value added is 10-25% the grace period is 6 years.

In cases of what have been termed enclave and highly capital intensive industries, a 10 year grace period is provided. The IDC of Barbados currently administers 10 parks and up to today the operation of its incentive schemes is based on the Fiscal Incentives Act passed in 1974, which superseded the Industrial Incentives Act 1963, and the Industrial Development (Export Industries) Act, 1969.

The two territories where this process of industrialization is most developed in the West Indies is Jamaica and Trinidad-Tobago. It would be therefore very useful to review briefly their experiences. In addition the experience of one of the smaller territories (St. Lucia) where this process is most advanced is also outlined in this section.

At one level the process of industrialization has led to a noticeable variety in products - given the small size of Jamaica's population. In 1950, rum, sugar, and molasses manufacturing accounted for 28% of value added in manufacturing in Jamaica. By 1970 this was down to 2% ^{7/} A number of new industries developed to create a certain diversification: food, beverages, tobacco, textiles, footwear, garments, furniture, fixtures, wood products, printing, publishing, paper products, cement and clay products, metal products and chemicals. In 1950 manufacturing accounted for only 11% of GDP, but by the later 1970's a burst in activity had taken this to close to 20%. In real terms the annual growth of this sector between 1950 - 1968 was 7.6%. After 1968 it declined to 5.2% (1969-1973) and 3.8% (1974-1978). In 1978, 79,000 persons, or about 10% of the employed labour force, and 10% of total merchandise exports were provided by manufacturing.

The role of incentives in the 1950's and up to the mid-1960's was critical to this result. While in the early years these took the form mainly of income tax exemptions, duty free imports of raw materials and machinery, tax free dividends, and generous depreciative allowances, increasingly, quantitative restrictions on imports and other trade and exchange policies overtook these. At the time of independence there were 50 items on the restricted list in Jamaica. By 1979 the total was 334. Even this large numerical increase however understates the extent of this new policy development, as some of the items listed as

individual items cover a tremendous range of products. Thus "clothing - all types and materials" constitute a single entry on the list!

Ayub in the study cited above has pointed out that most of the items on the restricted list were consumer items, and that these "incentives now appear excessively generous". ^{8/} The tax exempt period in Jamaica was also considered by him as being too long and the policy of tax exemptions on dividends discouraged profit retention for reinvestment. As he concludes:

"In short, quantitative restrictions and the accompanying import quotas have provided an unusually generous incentive for import substituting firms, the benefits of which far exceed those accruing from the industrial incentives and other policy measures". ^{8/}

During the period 1970-1973, 40% of all the companies established were wholly owned or controlled by foreigners. This comprised 33% of the firms established under the industrial incentives legislation and 68% of the firms under the export industry encouragement legislation. Joint ventures were significant, accounting for 35% of the former and 9% of the latter category.

While there was a theoretical recognition of the need to encourage the export of manufacturers, in practice very little concrete support was given this. As a result two lines of export activity developed. One was the export of manufacturers to the

Caricom market. This occurred largely because, as we shall see in detail later, the Caricom treaty was generous in its definition of the origin of goods for the purpose of regional exports. In addition there was as a result of Caricom a common external tariff and free intra-regional trade in force. Because of cultural and social links this regional market also required the least effort in terms of promotional activity, packaging, contents, etc, to exploit. Until the disruptions of Caricom market brought about in large measure by the economic crisis after the mid-1970's this was by far the most important export outlet of the Jamaican manufacturing sector. The other export effort was in the form of industrial sub-contracting within the export processing zones. Under this arrangement, and located in factory space provided by the Jamaica Industrial Corporation a number of firms in electronics and clothing were encouraged to set up shop and exploit the low wages prevailing in Jamaica. These firms assembled products imported into Jamaica with the sole intent of re-export to the parent firms. In practice these were very footloose firms, and we shall see the deteriorating political situation in Jamaica after the mid-1970's, as well as the erosion of its wage advantages, firms established under these arrangements have fled to greener pastures, often other parts of the same region.

The experience of Trinidad-Tobago was broadly similar. Incentive legislation with the usual tax exemptions, accelerated

depreciation allowances and duty free imports and which was passed in 1950 was the cornerstone of the system. This was stepped up in the series of government five year plans which stressed the following:

- development of infra-structure and supporting facilities for industry;
- the creation of technical schools to train labour, and a Management and Productivity Centre in 1968 to train management; research was also catered for through the establishment of the Caribbean Industrial Research Institute in 1971;
- the establishment of an industrial development corporation (1958) which was charged with securing the necessary institutional supports for the industrialization process;
- the creation of a Bureau of Standards in 1972;
- and, finally, in the early years the level of protection was raised to levels "prevailing in competing countries".

In addition to the above a series of special measures were introduced to deal with specific large investments. Among these were the Cement Industry Development Ordinance 1951, Nitrogenous Fertilizers Industry (Development) Ordinance 1958, Lube Oil and Greases Development Ordinance 1961, Petrochemicals Industry Development Act 1962, Tyre Manufacturing Industry Development Act 1967 and an International Marketing Corporation in 1971.

As in Jamaica there was a spurt of new business and a manufacturing sector, albeit of a special type, began to emerge.

Thus a survey showed that up to February 1959, 56 pioneer industry establishments were in existence with an investment of TT\$40.2 million, employing 2,713 persons. By 1968 during the second five year plan (1964-1968) the number reached was 139 with an investment of TT\$257.8 million and employing 6,921 persons. Between 1951-1961 the annual rate of expansion of the manufacturing sector was 9.7%. During the Third Five Year Plan the sector grew by 7% per annum.

As in the case of Jamaica most of the manufacturing growth has been in the direction of textiles and clothing, food processing and the assembly of consumer durables (cars, radios, telegrams, workers, refrigerators etc). As in Jamaica also import substitution was given priority over export promotion thereby generating difficulties when the relatively "easy phase" of the domestic market was exhausted. As these emerged more and more discussion centered on export promotion, and in this context the relatively captive Caricom market was again the starting point. The process of industrialization in Trinidad-Tobago was however complicated by its possession of oil resources. Prior to 1973 oil traditionally supplied 25-30% of the Gross Domestic Product (GDP), as well as government revenues. After the oil boom when prices quadrupled, the share in GDP grew to 48% in 1975. As a consequence even though manufacturing grew, while it averaged between 9-10% of GDP between 1950 and 1970, it fell to 6% in 1975 and has hovered in the range of 6-7%, ever since.

Because of favourable resource configurations, mainly natural gas and petroleum, and as a consequence foreign exchange availability, the government has sought to overcome the inherent limitations of the simple assembly of consumer goods, food processing, etc, by seeking to develop a heavy industry complex based in Point Lisas. This is a major venture involving several complex joint venture arrangements, consultancies, marketing and technology deals with foreign transnationals. The major activities to date are the production of iron and steel, natural gas, electricity, fertilizers, methanol, and other industrial chemicals. Still at the planning states are an aluminum company utilizing Guyana and/or Jamaica's bauxite and Trinidad-Tobago's natural gas, and a liquified natural gas enterprise. Eric St Cyr has summed up this new emphasis aptly:

"For more than thirty years the cream of the nation's intellect and the vast bulk of its public investment have been concentrated, first on the development of import substituting industries, later on export promotion industries based on imported inputs, and most recently on resource in the energy based industries at Point Lisas. This effort we hasten to state, has been carried out with tremendous success in the sense that what it was stated would be done

has been done. However, the hoped for dynamic has not come about: the economy still functions very much as it did historically being export staple propelled, and most of its basic problems remain". 10/

As events have turned out the Point Lisas project has been plagued by a number of bad business decisions. These have included overoptimistic market forecasts, weak cost estimation leading to huge cost overruns, and getting into pre-feasibility, feasibility, production and market arrangements with TNCs whose interests are otherwise than those stated and expected of a "partner". A major difficulty is that the new industries must be export oriented at the scales of plants constructed. Apart from weak market forecasts other problems have arisen, the most daunting in its implications being the charge by US steel companies that steel exported to the US by Trinidad-Tobago is being "dumped". Since then the US authorities have put imports on "hold". At this stage, because of serious declines in oil revenues the question has been raised as to whether the government should "throw good money after bad" and persist with these investments.

We shall return to this issue latter in the text, but it is clear from all the circumstances that one motivating factor in this development has been the desire by the authorities to find a path of development and hence industrialization which can create a clean break with the typical staple export dependence. In this instance the effort is to transform within the economy

an abundant raw material into major products of contemporary heavy industry.

Although the favourable circumstances created by the oil boom in Trinidad-Tobago was unprecedented, the phase of Jamaican industrialization under consideration here was also associated with the expansion of a major mineral, in this instance, bauxite-alumina. The relatively bouyant economic conditions created by this, as well as the surplus which it yielded, (particularly in the form of foreign exchange) facilitated government activity in this field. The importance of this consideration can be seen in the fact that since the foreign exchange crisis has emerged in the late 1970's, the resulting shortage of foreign exchange in Jamaica has been the single most important brake on the continuation of this type of industrialization process. Similarly, the decline of oil revenues in recent times has seriously called into question Trinidad-Tobago's heavy industry thrust.

Although we have used the examples of Jamaica and Trinidad-Tobago primarily, the experience in other parts of the West Indies is not dissimilar. Thus in St. Lucia, apart from the constraints of its smaller size and a less favourable foreign exchange situation (because tourism was not as bouyant as oil or bauxite), the pattern of its industrialization has been broadly similar to that of the two larger territories. The

process there began with the simple processing of raw materials: bay rum, copra products, clay, furniture and soft drinks. When in the early 1970's the governments of the four Windward Islands and a Venezuelan firm (Papelera Industrial) entered into a joint venture to establish a corrugated carton manufacturing plant, this led to a spurt of new investments. Over 80 enterprises were established producing items like: plastic, beer, industrial gases, toilet paper, batteries, garments, and electrical components. In addition to passing the usual incentive legislation, the government also established a development corporation in 1972 which has received loans to build industrial estates and factory skills. This corporation presently operates four estates comprising 230 acres with 150,000 square feet of factory space. Export processing firms have also been established in textiles (Hong Kong and US investors) diving suits (US), and electronic components (US). Altogether the new sector was estimated to be employing 3,000 persons by the end of the 1970's and earning about US\$12 million in foreign exchange.

As in the other territories much of this ground to a halt in the wake of political uncertainty, depression, and the world crisis.

Table 5.1 gives a general indication of the size of the manufacturing sector of the West Indian countries and other selected Caribbean territories.

TABLE 5.1

MANUFACTURING ACTIVITY AS % OF GDP

	<u>1975</u>	<u>1980</u>	<u>Most Recent</u> <u>Year</u>
Antigua	9.1	6.1	4.2 (1983)
Barbados	10.3	10.9	13.3 (1983)
Belize	13.7	10.5	N.A.
Dominica	4.2	5.0	7.0 (1983)
Grenada	4.5	2.4	N.A.
Guyana	13.6	10.7	10.8 (1984)
Jamaica	17.1	16.1	18.9 (1984)
Montserrat	6.1	6.1	8.8 (1984)
St. Kitts	2.3	14.9	13.5 (1982)
St. Lucia	7.1	8.9	10.4 (1983)
St. Vincent	6.6	14.4	12.0 (1982)
Trinidad-Tobago	5.5	5.6	6.8 (1985)
Cuba	31.2	32.1	33.1 (1982)
Dominican Republic	20.9	15.2	15.6 (1981)
Haiti	13.7	17.8	N.A.
Suriname	6.2	8.6	10.0 (1983)

Source: UNECLA and the Caribbean, Agricultural Statistics, Vol. VI, 1984 LC/CAR/G.132, and Government Statistics of the various territories.

While overall the data show quite modest levels of industrialization for the West Indian countries, ratios of manufacturing activity to GDP should be interpreted with caution. To begin with the territories are inconsistent in the way the simple processing of sugar and other agricultural products produced for exports is treated (e.g. rice). In Guyana the ratios indicated include this type of processing as well as the operations of certain public utilities e.g., water and electricity. Secondly, a high ratio in a particular year may principally reflect declines in total output brought about by low volumes or sales of their very unstable export crops and mineral produce. The ratios also masks the comparative depth and variety of manufacturing activity. Thus the low ratio of 7% in Trinidad-Tobago reflects partly the heavy weight given to petroleum exports in its GDP and also masks the fact that the variety of industry there, as well as the depth of the industrialization process achieved is in advance of a territory such as St. Kitts where the ratio is twice as large. In some of the territories, however, e.g. Barbados, St. Lucia, and Jamaica the ratios are representative of the weight of these sectors in their national economies. Finally, the contrast with Cuba should be noted here, as the high ratio found there (33%) reflects a qualitatively higher level of industrial development than anywhere else in the Caribbean.

III: The Results

After more than three decades of this process of industrialization, what judgement can be fairly given? In this section I have drawn together and present serially all the major weaknesses which have been identified in the process of industrialization in the region. As it will be observed the weaknesses are many; the order of presentation, however, does not reflect any form of ranking.

i) Import-substitution and export discouragement.

As we have already noted in the review of experiences in Jamaica and Trinidad-Tobago, the industrialization process was essentially oriented around captive domestic markets. These markets being small and the concentration of production being geared to the consumption requirements of a small minority of the population, in the high income and largely urban population, (the groups best placed to bring in consumer durables after "visits" abroad) it was not surprising that these markets soon became exhausted. Caricom then became a significant outlet for the larger producers. This development was based on its common external protective policies and the willingness of the TNCs which figured largely in this development, to facilitate regional exports of their products. To the extent that this development could be relied on it placed a brake on the willingness of the TNCs to duplicate facilities in the various territories of the region. This import substitution approach proved in practice

to be very import intensive (often more so than in the case of the final product which it sought to replace), thus making availability of foreign exchange, a critical factor in the sector's survival. **The only** export activity which was favoured was that linked to the operations of export-processing zones.

ii) High Capital intensity. The subsidies provided in the industrialization strategy favoured capital as against labour, with the result that capital intensive and not labour intensive industries proliferated. Thus in Jamaica after 14 years of this policy by 1965 only 9,000 jobs were created despite the coming into existence of over 150 new industries. ^{11/} In Trinidad-Tobago less than 5,000 jobs were created between 1950 and 1963. ^{12/} In the former case the labour force was growing by 20,000 persons annually and in the latter it expanded by 100,000 persons over the period 1950-1963. The labour absorption rate of this new manufacturing sector has there^{fore} averaged between one-tenth to one-eight of the labour force increase. Contrary to the optimistic expectations when these policies were first put in train, industrialization has been unable to cope with the natural increases in the population and labour force of the region and the backlog of unemployment which existed at its commencement. Indeed, labour absorbed in these sectors could not even match the rate of displacement of labour in other sectors brought about through mechanization (e.g. sugar) or the ruination of traditional

sectors following the introduction of these new industries: (e.g. traditional crafts such as shoe-making, furniture making, seamstresses, production of local preserves and sweets, etc).

The exposure of bias in favour of capital and the rich is further revealed when account is taken of the pitiful levels of relief afforded to the poor and the powerless in the region: e.g. sickness benefits, old-age and retirement payments, the total absence of unemployment insurance, and so on. Indeed to obtain what little exists, the poor are required to make disclosures about their circumstances far in excess of that required of investors about their operations, even though they have been given tremendous amounts of relief financed by West Indian tax payers. This situation is worsened in so far as these companies even after they have been established do not provide the minimal disclosures required by law and custom. This is possible because frequently these firms have one large stock-holder who in effect controls the company. This reduces annual meetings to simple rituals and the election of directors and other office-bearers to a mere charade. Thus in the Jamaica Daily Gleaner (May 12, 1985) we find the following report:

"Most companies listed on the Stock Exchange have one larger stockholder that controls each company ... Because of this situation, annual general meetings are clear cut, directors are re-elected unopposed and the old ways continue unabated. Not many directors think it important to keep stockholders abreast of company developments. They send out financial statements when they feel like it".

iii) Capacity under-utilization. Surveys have shown that many of the industries established under these programmes operate with significant excess capacity. Thus Ayub in the study referred to earlier has found that 80% of the firms in Jamaica operate on the basis of a single shift, reflecting both the small size of local markets as well as TNC restrictions on export sales, at least outside the Caricom area.

iv) Domestic Value Added and Linkages. The industries which proliferated in the early years were basically organized around the final assembly of imported components where the technology involved was hardly more advanced than that of an ordinary screwdriver. The result of this was that value created locally by these products remained very low. This situation reinforces the earlier observation about the critical dependence of this sector on foreign exchange. Because of the extensive reliance of this sector on imported inputs, linkages with the internal economy were not developed to any significant degree. The growth effects therefore of this sector for the national economy were largely confined to wages received by workers in the sector, and profits received by the local business persons.

v) Monopoly. As Ayub observed in his study of Jamaica "The degree of industrial concentration in terms of the number of

firms in each subsector indicates that production is monopolistic or oligopolistic". ^{13/} This has produced a number of disastrous results. First, the levels of protection afforded these industries is extremely high. Because domestic value added is so low, the effective protection conferred by tariffs is much higher than the nominal rate of the tariff. This therefore gives excessive scope for these companies to pass off inferior quality products, to institute a usurious system of consumer financing, and to maintain quite poor after-sales servicing facilities. This was also facilitated by the absence of any meaningful statutory or other regulatory agencies concerned with the standards of products in these industries. As a result, the products of the TNCS which produce in the area are reputedly quite inferior to their counterpart production at home or in other industrialized countries. This has led to a certain kind of consumer resistance and a preference for imports. Second, because the level of protection was so high and the monopoly power so great, the pressure to find export outlets was reduced. Third, the same combination of circumstances makes for high profitability despite high costs due to uneconomical scales of production. Rates of return on US investment in the region are considered to be substantively higher than elsewhere. Thus Barry et al indicate a rate of return of 30.5% in 1980, compared with a Latin America average of 15.8% and a world average of 14.3%. For six countries where they had data, it was shown that during the period 1976-1981 TNCs withdrew four times the amount they brought in, in the form of new invest-

ments (Bahamas, Barbados, Dominican Republic, Guyana, Jamaica and Trinidad-Tobago). 14/

vi) Export-processing Zones. Two efforts have been made by Caribbean governments to counter the limitations of their reliance on this kind of import-substitution industrialization. The first, which is discussed here, has been to promote the formation of export processing zones. In these zones investment takes place either through TNC subsidiaries or as joint ventures. Typically, a sub-contract is entered into between the TNC/joint venture and either a local firm, one of its own subsidiaries, another foreign firm specializing in this business, or a local agent who further sub-contracts to operators who work from their homes. This pattern of investment differs from the direct investment in agriculture, minerals, and manufacturing for the home market which preceded it, and depends on the ability of the TNC to fractionalize its production lines and manage its production in different locations by taking advantage of advances in transportation and telecommunications. At the moment the preferred industries are those with high product standardization (which facilitates fractioning) and those with different levels of labour intensity at different stages of production (which facilitates the exploitation of wage cost differences). The best examples are electrical goods, electronic material, clothing, toys and sporting goods, and office machines.

The development of this export processing activity is very dependent on marketing arrangements which allow the TNCs to minimize taxes and levies on this activity in their home country. In the region the marketing arrangements between the African-Caribbean-Pacific Group of countries and the European Economic Community, the provisions of regulations 806.3 and 807 of the import regulations of the USA, and most recently the Caribbean Basin Initiative (CBI) and ^{CARIBBEAN} ~~Caribbean~~, the proposed Canadian-Caribbean trade arrangements, have been decisive in encouraging this development. This regulation 806.3 and 807 place duties only on the value added to products from

overseas production operations, while the CBI expands the range of duty free items from the area.

The export processing zones are literal enclaves which focus exclusively on the processing of imported inputs for direct re-export to Western Europe, North America and Japan. The two major products produced in the region are textiles and electronics. Being enclaves, the firms are free from the administration of the various national customs authorities. In general the evidence shows that many of these firms are both foreign owned and managed. Location near the US market, low wages, and adequate infrastructure have been the main attractions of the area. Super-exploitation of the work force, particularly the largely female one, is the order of the day. Over the past decade some of the most ferocious industrial onslaughts against trade unionism, often with the connivance or tacit support of governmental authorities in the region, have grown out of this sector. Generally these industries operate in a manner where they can literally "close-shop" and move elsewhere in a matter of days, and with so many competitive offerings from the various countries of the region as hosts for their activities, they have manipulated this advantage skillfully and now easily promote the most backward industrial practices in the region. Thus in April 1985 five major unions in Jamaica wrote the government alleging that workers in these zones were being treated as indentured labourers. A recent study of these zones in the region has highlighted a long list of abuses. Thus in many factories unions are not recognized; safety standards are poor and working conditions hazardous; pollution of the work place and the immediate environment quite marked; poor medical facilities exist and in several cases there is no medical record keeping; limited formal training is

afforded employees with almost all training done on the job; mobility and career prospects are very restrictive with the only movement being one from unskilled to clerical or supervisory grades; and finally, despite appearances to the contrary pay is frequently lower than in other industries. Long has observed: "with respect to wages, it is sometimes held that overseas MNEs offer better pay packages than local enterprises. We have found that it is difficult to uphold this proposition entirely". He then cites examples where: "the weekly pay for unskilled, semi-skilled and skilled workers tend to be lower than a large number of non-enclave enterprises". He then goes on to point out "however, managers in MNEs are paid higher than elsewhere in the manufacturing sector". ^{15/} Long's study has shown that in this sector:

- i) the net transfer of resources abroad is high. The outflow of profits and dividends is as much as 40% in excess of equity capital inflow.
- ii) The net foreign exchange contributions to the local economy out of current operations is negative.
- iii) Very limited inter-industry linkages exist.
- iv) Foreign domination of the sector. Ninety percent of the firms are owned by TNCs.
- v) The employment level as a percentage of national employment is not significant - in the case of Jamaica and Trinidad-Tobago less than 1% and in the case of Barbados 4%. The rate of increase over recent years (1981-84) is high, and given the failure of employment levels to expand in other areas its relative importance in the future will be enhanced.

- vi) Technological diffusion to the rest of the economy is virtually non-existent, a feature which reflects the enclave character of these operations.

As a result of the above many of the hoped for advantages of these firms, (increased export earnings, significant increases in employment and development of skills among the population, and so on), have not materialized.

One aspect of the export-processing zones arrangements which needs special mention is the development of a certain type of regional specialization through twin-plant and international sub-contracting arrangements. Typically, these regional operations use Puerto Rico as the US base, and certain elements of the production process are parcelled out, or further sub-contracted to other Caribbean territories where wage rates and costs may be lower. The sub-contractor then supplies the factory, management, employees, and contracts to produce agreed quantities at approved specifications. The most developed of these arrangements involve Puerto Rico and Haiti and the Dominican Republic. Indeed Haiti is second only to Mexico in the US sub-contracting territories in the western hemisphere. ^{16/} Overall it is estimated that 20,000 persons, mainly women work in 750 garment factors in the English-speaking Caribbean, producing mainly for the US market. ^{17/} In these arrangements the TNCs clearly seek to relieve themselves of the problems of day to day management and control of operations. While theoretically, either local or other foreign

(usually smaller than the typical TNC) enterprises are acceptable, in practice these operations have developed a certain specialism which the foreign operators with experience elsewhere have acquired, and so they are usually favoured.

The export processing zones constitute a further aspect of the foreign capital domination model of exploitation of the regional economies. In this regard what is significant about it is the way in which it has developed as an off-shoot of the process of international re-structuring of capital which the TNCs have been engaged in recent years. In this re-structuring the effort is to reduce both assembly costs and the costs of repetitive operations which the high wage markets in the industrialized countries have made unattractive to their location there. The risks abroad, rising wages, militant unionism or political upheavals, are partly reduced by the contract method. As the sub-contractor carries the risk, he in turn seeks out members of the local business elites as partners or advisers, and host governments which are prepared to "police" the labour movement or "de-activate" it as far as their operations are concerned.

vii) Regional Industrial Programming. The second strategy developed to circumvent the limitations of small, uneconomic, import-substituting activities has been the promotion of industries at the regional level. The idea here is to take advantage of the larger regional market, as well as the pooling of skills, technology, resources, finance and enterprise within the region. Such pooling it is hoped would reduce the "dog-eat-dog" competitive pressures which prevail in the region in the fight to attract foreign capital. This proposal goes as far back as Brewster and Thomas' proposals for the dynamic integration of the West Indian economies. ^{18/} In their proposals the emphasis was on fusing resources, production structures, and markets of individual countries of the region, so as to reap economies of scale in order to create an industrial sector capable of producing the goods (wage goods and industrial materials) needed directly and indirectly for the production of all other goods. A range of critical industries was indentified by them as describing the basic material sector of the region: iron and steel, textiles, plastics, wood, paper, glass, industrial chemicals (mainly the alkalis chlorine and sulphuric), cement, leather, rubber, aluminum, and fuel. In the sphere of regional industrial programming no development along these lines has occurred, but the ghost of these proposals continues to haunt regional discussions and efforts, particularly under the Caricom arrangements. As this topic forms the substance of a separate chapter, it is enough to mention here

that little has been achieved in this direction as none of the identified regional integration industries have yet come into existence. What has happened is that in an haphazard way the TNCs operating in the area have sought to rationalize production and avoid the duplication of establishments as far as possible. As a recent author has pointed out:

"a decade and a half after Brewster and Thomas published their formidable tome, nearly a decade since the Caribbean Community treaty was signed not a single 'integration industry' exists in the Commonwealth Caribbean". 19/

This sentiment was echoed in the Report of a special group of experts who examined the workings of the Caricom arrangements:

"efforts to programme industrial production on a regional basis has been slow and disappointing". 20/

viii) Technology. Another weakness of the industrialisation process is that it has generated negative consequences in the area of technology. As we noted above, the technology employed is limited in most cases to the to the assembly of pre-fabricated inputs. The technology used is also highly capital intensive and this is encouraged by the favourable state subsidisation of capital. This capital intensity has been generally criticised as inappropriate to the needs of these economies with their high levels of unemployment. The technology arrangements under which the transnationals operate preclude any real transfer

to the local economy. There are strict conditions attached to patenting rights and in the licensing arrangements for local production. Maintenance, replacement of equipment, and innovation are also strictly regulated in these arrangements. The overall consequence is that the technology utilised in this sector is not rooted in the development of an indigenous technological capability based on the use of local skills and local resources. There develops, therefore, a relation to technology in which people use it but do not produce it. There is no creative social interaction between the local people and the machinery and techniques with which they produce.

ix) Urbanisation. The pattern of industrialization has resulted in an urban concentration of these industries. This has encouraged the flow of persons from the rural areas to the cities as the hope of obtaining a job in these industries lures many to the cities. With the disintegration of traditional agriculture, the urban drift pushes the underemployed in the countryside into the open. The cities become distinguished by their barrios, ghettos and the large number of young people who have never worked. The earlier periods of this phase of industrialisation coincided with high rates of external migration. This reduced some of the pressures to open urban unemployment. But later, as stricter quotas were employed by the receiving countries to mass migration, this effect was diminished. In addition, as only the relatively skilled were able to obtain residency visas, this, combined with

the flight of professionals out of the region, has led to a serious "brain-drain".

x) Infra-structure. Inevitably this industrialisation process has put a strain on infra-structural facilities in the region. In some cases, major expansions have occurred, e.g. airport construction, deep water harbours, roads, etc. Most of these were financed on the basis of aid or soft-loans from the major capitalist countries and multi-lateral lending institutions such as the World Bank, Inter-American Development Bank and the Caribbean Development Bank. Despite these, as the manufacturing sector has become more firmly established and along with it the urban concentrations of population, most of the state owned public utilities have failed to keep pace. Thus electricity outages, telephone and postal systems which do not function adequately, public transport which is inadequate to move the labour force to and from the place of work, have become the rule rather than the exception. This has compounded the difficulties which the state has encountered in promoting industrialisation along these lines.

.xi) Uneven Development and Crisis. Industrial development has occurred in the region in an uneven manner, thereby leading to a widening of the gap between countries and among social groups within countries. This process of uneven development is inherent to capitalistic modes of production where the market principally determines output, resource allocation and the

appropriation of the surplus and other benefits of production. Proportionality in growth and an equitable distribution of benefits at the minimum require planned social intervention into this system. In the absence of this, the principal beneficiaries of the regional market have been the larger territories, principally, Jamaica and Trinidad-Tobago. This has also led at one stage to the emergence of a regional-type manufacturing group of business persons who have sought to promote the dismantling of national market protective barriers within the Caricom framework. However, the economic crisis which has become manifest and has persisted more or less since the mid 1970's, has undermined these efforts. The collapse of the regional payments mechanisms in 1983 and the failure to date to replace it with a workable alternative has led to stagnation of intra-Caribbean trade. In addition, the macro-economic and balance of payments policies which have been introduced in the region with the aim in part of curtailing imports have also affected regional trade. Restricting home demand, e.g. wage restraint policies and curtailing imports especially of industrial inputs and spare parts have seriously disrupted the process of industrialization in the 1980's. The critical dependence of the new manufacturing sector on the region's capacity to earn foreign exchange through the traditional export sector has also been exposed in the wake of the adverse situation facing these industries. The neglect of agriculture, which seemed to have accompanied the focus on the new manufacturing sector is now being bitterly regretted everywhere in the region.

After decades of industrialization and the commitment of huge resources to its promotion, the region has not achieved any qualitative development in either its elimination of poverty and powerlessness of the broad mass of its peoples, or the care and protection it offers those who find themselves in this situation. Long ago the limitations of the Puerto Rican model had been pointed out:

"In a practical sense the most disillusioning experience has been that of Puerto Rico, which, lying in the midst of the region, is as much the showpiece of industrialization, as of unemployment and maldistribution of wealth and income". 21/

In retrospect the slavish imitation of the Puerto Rican model, without recognizing its real dependence on the colonial relation of Puerto Rico to the USA, seemed doomed to failure in a part of the region which was aspiring towards independence and a break with its colonial relationship. Indeed, as the model spread and the territories began to slavishly imitate each other in the pursuit of this model, they inevitably competed with each other to attract overseas investors. In this sense also, the model tended inevitably to undermine the drive towards regional integration, which as we shall see later is itself one aspect of the movement towards independence.

The overall dependence which this new sector has developed on foreign technology, finance, enterprise, raw materials and components, as well as the drain of surpluses which this has caused, in the form of profits, royalties, dividends, interest, licence fees, management fees, sales charges, have fused in a manner which has locked the region as a whole more and more firmly into the metropolitan sources of domination which they were ostensibly rebelling against in their pursuit of independence. Even in the large, mature, industrialized capitalist centre countries stimulating investment through public subsidies in the form of tax breaks, rarely achieve their objective. Thus a study by R.S. McIntyre has shown that in the US tax breaks:

"do not spur investment - the companies receiving the largest benefits from the Reagan tax program have actually decreased their investment and retained the windfall or used it for dividends. The heaviest new investments, by contrast, have tended to come from companies that pay more in taxes". 22/

Given the small market size constraint in the region, the continuation of this flow once the industry is already established, rarely leads to new investment as the governments anticipate. Instead it is diverted to dividends, the expansion of cash reserves, the increase of executives pay, more fees and other charges to the parent company, increased advertisement budgets, etc.

While the process of industrialization in the region has led to the establishment of many new industries and a certain

degree of differentiation of the region's productive structure, it has fallen far short of a structural transformation of Caribbean economy and society. The process, however, has created several new layers of business persons linked to the new enterprises established under it. These groups have grown in influence over the state, and even its world view has tended to play an increasingly major role in shaping the views of other strata and classes. Because they have benefitted from the process they have developed a collective self-interest in its preservation. From the point of view of their calculus (profits and status) the process has done well, even if unemployment, extreme inequalities and social distress continue. Their objections or criticisms, if any, stem largely from vague nationalist concerns about foreigners dominating industry and society. This, however, is not the enlightened nationalism of a developed bourgeoisie, but the expectation of a colonially cultured petty bourgeoisie to inherit the colonial legacy and adopt it to its interests.

Notes to Chapter 5

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4. Emilio Pontojas Garcia, "Puerto Rico: The Making of a Corporate Paradise", Multinational Monitor, Vol 5, Nos. 10 & 11, Oct/Nov. 1984, P.12.
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6. ibid, P.13.
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10. See Eric St Cyr, Towards a Long Term Strategy for Trinidad-Tobago: Some Alternate Perspectives, University of West Indies, Mimeo, 1982, P.1-2.
11. O. Jefferson, "Jamaica post-War Economic Development", in N. Girvan & O. Jefferson (eds.), Readings in the Political Economy of the Caribbean, Tapia House, Trinidad, 1971, P.109-120.
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- 21 Havelock Brewster and Clive Thomas, 'Dynamics of West Indian Economic Integration ...' P.60.
- 22 R.S. McIntyre, The Failure of Corporate Tax Incentives, Published by Citizens for Tax Justice, Washington, 1984, and excerpted under the same title in, Multinational Monitor, Vol. 5, Nos. 10 & 11, Oct-Nov., 1984, P.3.

CHAPTER 6: THE CARIBBEAN IN "BOOM": OIL AND BAUXITE

In this chapter I present a broad outline of nationalist policies towards natural resource development in the region up to the 1970's. Developments after this period are discussed in Part 3 of the study where issues of TNC control and government responses are taken up.

I) Survey

The "boom" conditions which West Indian economies generally experienced in the period from the middle 1950's to the 1960's, depended quite heavily on the expansion of three sectors: manufacturing (discussed in the previous chapter), tourism (discussed in the next chapter) and mining. Two mineral industries in particular expanded considerably, petroleum in Trinidad-Tobago, and bauxite-alumina in Jamaica and Guyana. The importance of the mineral sector in the national output of these countries can be gleaned from the data in Table 6.1. Despite the wide annual fluctuations observed in these data, at their peak oil accounted for nearly half the GDP in Trinidad-Tobago, and bauxite-alumina more than one-fifth of the GDP in Guyana, and about one-seventh of the GDP in Jamaica. While petroleum and bauxite-alumina in the three territories listed in the table are the major products of the region's mining sector, other mineral production also takes place: gold and diamonds in Guyana, and petroleum in Barbados.

TABLE 6.1

PERCENTAGE CONTRIBUTION OF WINING AND GAMING TO G.P.

	1960	1970	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Guyana	11.0	20.4	13.5	12.8	14.1	16.2	15.7	14.4	16.5	7.5	7.0	1.4	2.7	
Jamaica	9.6	12.6	9.1	8.5	8.7	10.4	13.6	14.5	14.3	10.2	5.9	4.1	2.7	
Trinidad- Tobago	31.0	20.0	45.0	48.0	46.0	46.0	38.0	36.0	42.0	35.0	29.0	24.0	25.0	24.0

Source: United Nations Economic Commission for Latin America and the Caribbean, Agricultural Statistics, Vol. V, 1984, LC/CAR/G.132, and *Government statistics for 1984-85*.

In the post-war period there have been two watershed in the development of these industries. The first occurred during the early 1950's to the 1960's when bauxite-alumina production expanded, particularly in Jamaica and to a lesser extent Guyana. In Jamaica production commenced in 1952, and by 1970 its output equalled the combined output of the rest of the region. The second is the oil-boom years after 1974, which led to a doubling of the contribution of this sector to Trinidad-Tobago's G.D.P. Although the discussion in this chapter focusses principally on the West Indian/Caricom group of countries, this region along with the wider Caribbean has been an important mineral producing area. At the end of World War II Guyana and Suriname supplied two-thirds of the world output of bauxite. In 1965 there were more producing territories and the region as a whole (Guyana, Jamaica, Dominican Republic, Haiti and Suriname) produced 56% of world bauxite. While this weight in world output has been substantially reduced on account of the growth of the Brazil, Australia and Guinea industries, by 1970 the region still produced 48% of total world output of bauxite and 17% of world alumina output. It is during the period after the 1970's which we take up in Part 3 of this study that these industries plunged into crisis and output fell substantially. Thus by 1982 the region was producing only 18% of world output of bauxite or 14m tonnes, and 3 million tonnes of alumina or 10% of world output. Only Suriname (43,000 tonnes in 1982) and Venezuela (274,000 tonnes in 1982) produce primary aluminum (out of a total world output of about 14 million tonnes).

While traditionally, the Caribbean nations have been the principal suppliers of bauxite and alumina to the US and Canada, its stake in the oil trade is also considerable. Thus, it is estimated that one-sixth of the oil consumed in the USA is refined in the Caribbean. The dependence of the US on the region for this strategic mineral is further strengthened when we consider that about one-half of the oil shipped to the US passes through Caribbean shipping lanes. In the English-speaking Caribbean only ⁱⁿTrinidad-Tobago is there a significant domestic output of crude oil and natural gas. Barbados produces small amounts of these products but not enough to cover its domestic needs. In 1985 Trinidad and Tobago produced over 10 million cubic metres of crude oil and 8 billion cubic feet of natural gas. In Barbados for the same year output of oil was only 679,000 barrels or about one-half its domestic requirements, and natural gas output was just under 14 million cubic feet.

Recoverable crude oil reserves in Trinidad-Tobago is put at 580 million barrels or about 10 years output at the 1983 level. Natural gas reserves are huge and output of this is projected to rise to 1 billion cubic feet per day.

It is in the area of refining that the Caribbean's importance in the world's oil economy is most significant. Some of the most important refining centers in the world are located there. These refineries use imported crude and their development in the past has depended on four major considerations:

- 1) proximity of the region to the US market as well as to the Panama Canal routes;
- 2) the existence of easily accessible deep water harbours;
- 3) political stability, which it was anticipated would have derived from the fact that these were "old colonies" with little or no inclinations towards revolutionary upheavals, and very "amenable" host governments;
- 4) regulations and incentives offered in the US market to regional suppliers.

As events have unfolded several of these territories have witnessed over the past decade or so major social and/or industrial upheavals. In addition, new regulations concerning oil imports into the USA and new incentives for domestic producers there have reduced the

attractiveness of the region as a refining location. As we shall see later in Part 3 of the study, this has created many difficulties for the area.

In the region as a whole the Netherlands Antilles has been the most important refining centre. Refining began there in 1917 when Shell built an installation to refine as much as 80% of Venezuelan crude. Later Standard Oil constructed a large refining facility in Aruba to refine Middle East and Venezuela crude for shipment to the US market. Eventually, oil refining accounted for over one-fifth of the GDP of these territories and 5 percent of their employment. In 1966 Amerada Hess Oil started construction of an oil refinery in the US Virgin Islands. The incentive here was an old legal provision in the US which excluded the islands from the requirement that all US oil companies were to use US flag ships in its domestic trade. The wider Caribbean area is also an important transshipment facility for oil carriers. The territories which provide the bulk of this facility are the Netherlands Antilles, Trinidad-Tobago and St. Lucia. Table 6.2 below, which has been reproduced from Barry et al's text give a vivid picture of the spread of multi-national petroleum interests in the region.

TABLE 6.2

OIL IN THE CARIBBEAN - Production, Refining, Transshipment

<u>LOCATION</u>	<u>COMPANY</u>	<u>OWNERSHIP</u>	<u>FUNCTIONS</u>
Antigua St. John's	West Indies Oil (temporarily closed 1983)	National Petroleum Antigua-Barbuda Govt	18,000 bpd* refinery
Bahamas Freeport	Bahamas Oil Refining Co (BORCO)	50% Charter Oil 50% Chevron (SOCAL)	500,000 bpd refinery 60,000 bpd desulfurizer 350,000 bpd crude oil distribution facilities
Freeport	Burmah Oil	Apex Oil Bahamas Govt	Transshipment
Barbados St. Michael	Mobil Oil Barbados	100% Mobil Oil	4,000 bpd refinery
Bridgetown	Barbados National Oil	100% Barbados Govt (formerly Mobil)	production
Cuba	Instituto Cubano del Petroleo	100% Cuba Govt (formerly Shell Exxon & Texaco)	3 refineries totaling 68,750 bpd 120,000 bpd refinery under construction
Dominican Republic Bonao	Falconbridge Dominicana	100% Falconbridge	16,500 bpd refinery
Haina	Refinieria Dominicana de Petroleo	50% Royal Dutch Shell 50% DR Govt	30,000 bpd refinery

<u>LOCATIONS</u>	<u>COMPANY</u>	<u>OWNERSHIP</u>	<u>FUNCTIONS</u>
Jamaica Kingston	Petroleum Corp of Jamaica	100% Jamaican Govt (formerly Exxon)	33,000 bpd refinery
Martinique Fort de France	Societe Anonyme de la Raffinerie des Antilles	24% Royal Dutch Shell 14.5% Exxon 11.5% Texaco 25% CFP 25% Erap	13,000 bpd refinery
Netherlands Antilles			
Aruba	Lago Oil and Transport	100% Exxon	480,000 bpd refinery transshipment
Bonaire	Bonaire Petroleum	Northville Industries Paktank	transshipment
Curacao	Curacao Oil Terminal		1.2 million bpd transshipment
Curacao	Shell Curacao	100% Shell	370,000 bpd refinery transshipment
Puerto Rico San Juan	Caribbean Gulf Refining Corp	12% Gulf Oil 88% others	80,000 bpd refinery
San Juan	Petrolane of Puerto Rico		LP gas producer
Yubacoa	Yubacoa Sun Oil	100% Sun Oil	85,000 bpd refinery
Penueles	Clark Oil (formerly Common- welath Refining)	Apex Oil	161,000 bpd refinery
Penueles	Peerless Petro- chemicals		10,000 bpd refinery
Guayanilla		PPG Industries	Bulk terminal
St. Kitts- Nevis		planned, by Canadian investors	10,000 bpd refinery

<u>LOCATIONS</u>	<u>COMPANY</u>	<u>OWNERSHIP</u>	<u>FUNCTIONS</u>
St. Lucia Cul-de-Sac	Hess Oil	100% America	transshipment
Trinidad Point-a-Pierre	Texaco Trinidad	77% Texaco Oil 23% Others	355,000 bpd refinery
Brighton	Texaco Trinidad 23% Others	77% Texaco Oil 23% Others	6,000 bpd refinery
Port of Spain	Amoco Trinidad	Standard Oil of Indiana (Amoco)	oil & gas production
Port of Spain	Trinidad-Tesoro Petroleum	50.1% T&T Govt 49.9% Tesoro (formerly British Petroleum)	oil & gas production
Port of Spain	Trinidad-Tesoro Agriculture	Trinidad-Tesoro Petroleum	
Port Fortin	Trinidad & Tobago Oil (Trintoc)	100% T&T Govt (formerly Shell)	100,000 bpd refinery
	Trinmar	Standard Oil of Indiana (Amoco) Trinidad-Tesoro Trintoc	oil & gas production
Port of Spain	Occidental of Trinidad	100% Occidental refinery	production
US Virgin Islands St. Croix	Hess Oil-Virgin Islands	100% Amerada Hess	700,000 bpd refinery (largest in world)

* bpd = barrels per day

Source: The Resource Center, Compilation of Corporations, 1984.
Cited in T. Barry et al, P.96-99.

In concluding this section it should be noted that many of the region's territories are very dependent on oil imports to service domestic needs. Given the post-1974 rise in petroleum prices these deficit countries have suffered considerable pressures on their foreign exchange budgets, as frequently oil imports have exceeded one-third of total import costs. The impact this had had on these national economies and the role it has played in the post 1970's crisis of the region will be taken up in Part 3 of the study.

ii) Policy

Up to the 1970's the basic approach of the various Caribbean governments to the development of the region's natural resources was to invite foreign capital to exploit them. The argument advanced in support of this was that the development of these resources required capital on a scale which could not be generated domestically. In addition, domestic market size constraints meant that these industries would have to be export oriented to be profitable. It was expected that foreign ownership and control was the only way to ensure this outcome. As a consequence of this approach TNC investments in this sector probably constituted the bulk of North American (if not world wide) capital investments in the area by the 1970's. At the end of the 1960's all the West Indian bauxite-alumina production was under the control of six American and one European, TNC. At that time too, 98% off the region's bauxite and 57 percent of the region's alumina production went to North America.

US investments in the Jamaican bauxite industry were valued at over half-a-billion US dollars in 1972, at a time when Jamaica was the world's second largest producer of this ore. As a consequence of this there was a marked dependence of the US on the region for a strategic military mineral resource as well as fuel. The inevitable outcome of this was that the US government sought to play a major role in ensuring the flow of these products. In the case of bauxite, an important mechanism in this arrangement has been the US government's stock pile of this ore which has given the US government an undoubted leverage on the market. The recent purchase of ore, at a time when stocks are high, in order to ease the foreign exchange pressures on Seaga's Jamaica is a good example of the use of this power. The publicity attending this, together with the more-or-less open admission of both parties of the intention behind the Reagan's administration's purchases, can leave no doubt about the significance of this leverage and the willingness of the US authorities to use it to protect its interests.

In order to facilitate the entry of foreign capital into this sector, a number of the usual incentives already indicated in the previous chapter were offered. In addition, the governments afforded these TNCs pepper-corn leases over large tracts of state lands for the purpose of mining ore as well as prospecting for new sources of supply. Environmental and health regulations were also deliberately kept lax in order to increase the attractions of the area vis-a-vis industrialized

countries where progressively tighter regulations on pollution were raising the costs of these types of operations. This was particularly the case in oil refining and storage.

By the 1970's, however, a new more militant nationalist phase emerged in the area of natural resources development. In this phase the governments struggled to increase their control over these industries, prompted in no small measure by the pressure on their revenues and foreign exchange earnings as the spurt of import-substituting industrialization was tapering off. It was also prompted by the political and industrial agitation of some trade unions in the area, and the emergence at the national level of the first post-war left-wing or "socialist" movements. The rallying point of this opposition was the proportionately small contribution the bauxite and oil companies were making to national employment, tax revenues, and foreign exchange. The criticism was based on the consideration that the vertical integration of the local mineral TNC subsidiaries into their parent organizations allowed them literally to fix the price at which they "transferred" the local product out of the region. This transfer price was invariably devised in a manner to minimize the overall tax liabilities of the parent company, as well as the costs of its entire operations. The view was also advanced that the global operations of these TNC's were highly oligopolistic in structure and this encouraged the individual corporate groups to collaborate in market sharing to rationalize the rate at which

they introduced new technology into their operations in order to minimize costs, to hide the true quantity of local reserves, and to exploit any single government or trade union which negotiated with them. The last of these was made easy because the producing countries stood in competitive relation to each other and did not act as a group. It is not surprising, therefore, that in Jamaica in 1972, at a time when the companies there were producing the world's second largest amount of bauxite ore, only \$23 million was paid in taxes.

By 1970 the Guyana government had moved to "nationalize" the local bauxite-alumina industry. In 1974 Manley began to call for^a fairer return from these companies to the Jamaica economy and to this effect he introduced a levy on all ore mined or processed in Jamaica. This was a novel approach as the levy was set at $7\frac{1}{2}$ percent of the selling price of aluminum ingot, that is the final product rather than the ore produced locally. The effect was dramatic. In two years government revenues jumped to \$170m. As we shall see later in Part 3 he also encouraged the formation of an International Bauxite Association with a view to reducing the cut-throat competition which existed among the ore bearing countries; to get better returns on the ore which was mined; and to create an independent source for the gathering, and sharing of data on the industry world wide. In 1968 and 1974, British Petroleum and Shell also sold their operations to the Trinidad-Tobago government.

This phase of development and the reactions of the companies constitute the substance of our discussion in Part 3. Here it is perhaps apt to note only that the companies reacted to these developments swiftly. They pressured their home governments to intercede on their behalf, and much of the source of the destabilization of the Manley regime in Jamaica stemmed from this episode. The companies also began to diversify out of the region, and as we saw the region's output declined rapidly as a proportion of the world's total. By the mid 1980's, the benefits of these moves were all but gone. World depression and the glut and collapse of the oil and aluminum markets had placed the boom economies in deep depression. So called prosperity was at an end and a new ^{/phase of crisis was} once again confronting the Caribbean region. By 1985 such issues as local ownership and control, relations to TNCs, collaboration regionally and internationally to secure a new international economic order, which dogged the discussions of economic policy in the region after 1970 had turned out to be far more complex than was at first anticipated. This, however, is to anticipate the later discussion of Part 3.

CHAPTER 7: FOREIGN PLANTATIONS, PEASANTS & STATE:
THE STRUGGLE FOR LAND

I: Introduction:

Given the genocide which accompanied European penetration of the Caribbean and slavery which was institutionalized after, the Caribbean peasantry is a "modern" phenomenon and not the "timeless agent" of older European, Asian and African cultures. Not only is the Caribbean peasantry a comparatively recent transplant from other continents, but the plants and animals which have made up and continue to make up the source of its livelihood are also recent transplants. Many of the grains, fruits, export cash crops, vegetables and domesticated animals on which its livelihood is founded originated elsewhere and were diffused through Europe. Thus from Asia and Oceania came rice, chickens, mangoes, coconuts, bananas, sago, bamboo, and breadfruit. From Africa the watermelon and okra. The sugar-cane plant which was to dominate export agriculture as well as many of the ground provisions which account for the bulk of domestic agriculture have been originally imported into the area. If these factors are taken into account then it follows that the development of the capitalist system on a world scale has been crucial not only in shaping the economy of the Caribbean in general, but even in such specific forms as what land is used, by whom, what is produced and who consumed this, and in what form.

Prior to emancipation the limited small scale farming which occurred depended upon a few "independent" blacks and run-away slaves which formed communities and squatted on Crown Lands e.g. the Maroons. It was not until after emancipation that the growth of this group was accelerated and a variety of tenancy forms emerged: share-cropping, tenant farming, and free-hold tenancies on individual and collective basis. This peasantry which emerged, coexisted in a larger rural social system which the plantation effectively dominated. Their relationship to the plantation, however, was never embodied in the simple idea of a mere "adjunct" nor was it a simple "dualistic" relationship. From the outset there was a dynamic inter-connection in which the peasantry formed the core of a "counter-plantation system". Because the plantation could not survive without assured supplies of cheap and available labour (usually required seasonally), the development of a peasantry, and hence an alternative set of activities for the producers always posed a threat to the prosperity of the plantation. Throughout its history, therefore, it always sought to ensure that an adequate availability of labour supply was embedded into the system of production and reproduction of labour on peasant holdings. To achieve this brute force was the ultimate weapon, and this force was monopolised in the state which the planters effectively dominated. Thus as Thorne observes:

"it was at one time a common occurrence for military and para-military expeditions to be launched to destroy crops that were not grown on plantation-controlled lands; to prohibit plantation workers from rearing cows, pigs and the like and seize animals reared without permission".

This was of course in contrast to:

"policies of accommodation and encouragement adopted in non-plantation or 'settler' colonies such as America, Canada, Australia and New Zealand. In these colonies families were stimulated and assisted to expand inwards and 'settle'". 1/

The counter-plantation system which emerged along with the peasantry is one of relatively long usage, based on economic as well as social and cultural factors such as kinship structures, religious practices and so on. It follows therefore, that a proper understanding of it must be derived from an analysis which extends to a wider and deeper social level than that represented in the idea of an alternative agricultural system, or set of agricultural practices. It is at this level of analysis that we can readily grasp the way in which the peasantry has from the inception formed a deep inner core among the poor and powerless of the region. From this vantage point it is also easier to discern the mechanisms by which it has been marginalized or excluded from the political process, and denied social mobility through state activities. As a group the peasantry has always possessed land, (albeit in small, uneconomic quantities), and has worked it with a variety of instruments which it has owned and controlled. Overall however, these inputs have been less in

value than labour of the family or household, or other discrete domestic groups in the peasant production process. This labour has traditionally produced much of what the peasantry itself consumed, and continued to do so later even when it became engaged in export cash crop production. This self-sufficiency was directed not only at food, but clothing and shelter also, as many of these items are produced by labour within the control of the given domestic group. Despite the orientation towards self-sufficiency of the domestic group, however, the development of the peasantry has been strongly associated with the introduction and development of new export crops in the region, e.g. bananas in Jamaica, cocoa in Grenada, rice in Guyana.

Woodville Marshall has identified three major stages in the development of the West Indian peasantry. The first being the two or three decades after abolition when as we saw in our earlier chapters there was a rapid movement to acquire land and the number of peasant families grew as ex-slaves tried to leave the estate system. The second period lasted from the middle to the end of the 19th century, and in this period peasant numbers grew and many of them moved in to export production. From 1900 onwards he defines as a period of "saturation" where the peasantry did not really grow and in some territories their numbers were even contracting. ^{2/} It seemed clear, however, that by World War II a variety of peasant structures had emerged in the region. These consisted basically of four groups:

i) rural wage earners working on estates or in public works programmes, who also rented and/or leased small plots of land often with very insecure tenure;

ii) small holders who owned less than 5 acres and who also may or may not have rented other small areas away from their homes. These produced food for the home, some cash crops, and kept livestock, and might also be engaged in other activities such as fishing and timber extraction;

iii) small holders who were cash crop specialists and who produced little domestic food crops and had virtually no livestock;

iv) intensive small farmers, particularly of vegetables who lived near urban areas. Sometimes this group combined this activity with occasional wage labour and/or craft sales in the cities.

These structures therefore indicate not only a "pure" peasant type, but also the transitional nature of the group as a whole. Towards one end of the spectrum we find those who are rural wage earners renting small plots, those who produce on their plots and commute to the city to sell vegetables and crafts, those who combine fishing and extracting timber with crop cultivation. These are often on the way to becoming proletarianized as wage labourers outside the domestic group. At the other end we find a minority who are acquiring more and more land and becoming comparatively better-off farmers.

In general, however, poverty and destitution were the lot of those who fell into this system. This combined with their exclusion from the political process through which otherwise they could have used their numbers to seek redress through the state, was one of the major elements in the explosive confrontations of the 1930s. The Moyne Commission recognized this and remarked:

"Serious discontent was often widespread in West Indian Colonies during the nineteenth century, as is indicated by the occasional uprising that occurred, leading sometimes to considerable loss of life. But the discontent that underlies the disturbances of recent years is a phenomenon of a different character, representing no longer a mere blind protest against worsening of conditions, but a positive demand for the creation of new conditions that would render possible a better and less restricted life. It is the co-existence of this new demand for better conditions with the unfavourable economic trend that is the crux of the West Indian problem of the present day". 3/

II: Colonial and Nationalist Strategies in Agriculture

As we saw earlier, one of the two central planks of colonial strategy in agriculture was the implementation of land settlement schemes as recommended by the West India Royal Commission (Moyne). The other was measures aimed at rehabilitating

the neglected plantation sector, especially sugar. War time conditions had so disrupted shipping and put a strain on this sector to acquire financial and material inputs to keep its capital stock efficient, that by the end of the war only the massive infusion of outside funds could have put it back on its feet. As we noted earlier, also, land settlement policy was wider in its aims than simple land distribution. It was also, an effort to restructure the peasantry and create a new social order^{for} the rural areas. These reforms were ultimately aimed at stemming the tide against any revolutionary assaults on the old colonial order. It is for this reason that the major objectives of the policy were always explicitly expressed in economic as well as social terms. Hence the stress on relieving agricultural pressure on the land, to find devices to stem the tide of growing unemployment, the emphasis on cooperatives and rural restructuring, the need to reduce inequities in access to land, and always the desire to support the coming into existence of a vibrant, independent class of peasants. Even the economic objectives were more than simply providing a means to make a better living, stress was also laid on the need to develop in the region a mixed farming system and to move away from over-dependence on one staple export.

As events turned out these expectations did not materialize. "Outside" leadership stifled the cooperative movement. Land distribution was not on a scale to make any noticeable dent in the prevailing situation of gross inequities in landholdings and the

plantation dominance of rural resources. The plantations continued to hold an effective monopoly of land with the best soil types, situated in the best locations and served by the most developed infra-structures in the country, particularly access roads and drainage and irrigation. When new crops were encouraged on these schemes by the colonial authorities, e.g. bananas, it was often directed at the export market and this favoured the diversion of resources away from domestic food supplies, with as we shall observe in the next section disastrous foreign exchange consequences. The effect of all this, however, was to drive more and more of the traditional subsistence farmers into the cash economy. Thus it is claimed that in Dominica, after the banana boom, nearly 70 percent of the farmers who previously produced for subsistence no longer did so.

In the land settlement schemes fragmentation of hold-up also developed and the distributed lands were soon reduced to "uneconomic" sizes. The main cause of this seems to have been the general failure to come to grips with the variety of customs and laws governing intergenerational transfers of land in the region. Many of the schemes also gave out only marginal lands. Thus in Jamaica it has been estimated that only 4 percent of the settlements were situated on the most fertile soil type in that country. ^{4/} This put severe pressure on the peasants to earn an adequate living. To this we might add that since much of the land distributed was of an uneconomic size, very often less than 5 acres, this forced the peasants to seek supplementary forms of

income. Thus in Jamaica 13 percent of the peasants on these schemes supplemented their income by seasonal work, and as many as 24 percent had regular part-time work. 5/

In general the land settlement schemes involved significant capital outlays. Thus in Guyana as much as \$30m US was spent on land development schemes between 1954 and 1964. In these schemes the government cleared the land, provided drainage and irrigation facilities, built access roads and housing sites. In the case of the rice development schemes in Guyana, the lands were allocated in a condition "ready for immediate cultivation".

The other plank of colonial policy was rehabilitation of the traditional plantation export sector. In the case of sugar, this took two forms, namely, protected entry of their products into the UK and later Canadian and US market; and an export levy in the case of sugar exports. From this levy three funds were created; one aimed at financing rehabilitative investments, a second at financing plantation expenditures on social amenities for its work force, and a third to provide funds to "stabilize" wage earnings in the industry by putting aside resources to finance wage payments at times of low earnings and prices. After these funds came into operation the sugar estates commenced massive programmes of mechanization and re-structuring of operations to increase labour productivity. Thus, existing factories for processing the sugar cane were often scrapped and new efficient ones put in place. Transportation was mechanized,

as were several aspects of land preparation by the use of diggers, bulldozers, trucks, etc. Bulk loading stations were also established to facilitate storage and export of sugar. Cultivation practices were improved and reorganized so as to make land use more effective. Last but by no means least, work study methods were introduced into their labour-intensive planting and reaping operations. The effect of all this was a period of very rapid displacement of labour which served to exacerbate social tensions. Thus in Guyana, between 1950 and 1960 employment in the sugar industry fell by about one-third, even as output was expanding.

As the movement to self-government and later independence advanced, and the leaders of the nationalist movement were in a position to exercise more and more influence over state policies there was little real change in their approach to either the rural problem, the land problem or agriculture in general. What they sought to do can best be summed up as to seek improvements through various adjustments here and there. No real alternatives policies were either articulated by them, or attempts made to put them in place. Even the Marxist, Peoples Progressive Party government in Guyana endorsed the land settlement approach, and actively sought to implement it. Reduced to its essentials therefore, the nationalist phase constituted no qualitative break with the past, and what improvements it attempted can be summed under five general headings:

- 1) Support for the land settlement schemes, while seeking to introduce other measures to encourage the beneficial

occupation of Crown Lands. In many instances this policy was self-serving as it was seen as a means of passing out 'patronage' to particular constituencies of voters.

2) Support for the rehabilitation of the export crops. Two major efforts were made here. One was to entrench the level of protection in the UK market for sugar, and the other was to advocate the extension of this kind of protection to other export cash crops; coffee, cocoa, banana, coconuts, etc. The period preceding the entry of the UK into the European Economic Community (EEC) was one of great upheaval and desperate efforts were made then to secure the extension of the protection afforded by the UK into the EEC arrangements. Eventually this was to give rise to the Lome' Convention. This became possible as during the post-war years an increasingly regional approach was taken to the issue of resolving the sugar problem and the UK entry into the EEC.

3) Support was also given to the diversification of the export cash crops, and the government played a major role in the development of the alternative crops through its land policies as well as marketing and credit arrangements.

4) Incentives were also extended to agro-processors under the rubric of the industrialization drive. As a consequence a number of TNC subsidiaries either alone or in joint venture arrangements entered into such areas as canning of juices, milk processing, sweets and preserves, chocolates and candies, etc.

5) The most significant of the improvements in this period was in the area of institutional reform and development. Here the major changes were the creation of land and/or cooperative departments in the government; statutory marketing boards to regulate the sales of both domestic and export crop; the creation of state supported financial agencies to facilitate the flow of credit to small farmers; the construction of processing facilities out of public funds as well as other ancillary facilities such as silos, warehouses, bulk loading facilities etc for export crops; the construction of infrastructure especially water control systems, access and feeder roads and rural electrification. To these should be added extension services, agricultural advisory agencies, grading authorities, etc.

Taken as a whole, this approach was clearly neither revolutionary nor radical, since it did not address the roots of the historic problems confronting the rural economy. Thus nowhere in the region has a land reform programme of any seriousness ever been attempted. Throughout the period from the end of World War II to the 1970's the major emphases have been on industry, tourism and off-shore finance. Agriculture was effectively neglected and the consequences are clearly seen in the state of West Indian agriculture which is discussed in the next section.

III: The State of Agriculture

In chapter 3 the scathing description of the state of West Indian agriculture just prior to World War II made by the agricultural specialists in the Moyne Commission was cited at length. As they remarked the general level of agriculture was low "in technical knowledge, business organization and managerial efficiency" and that "systematic agriculture ... suited to the inherent circumstances of the area" was unknown. From this they predicted, that if these methods continued "it will be impossible for agricultural production to provide even the essentials of life for the growing population of the West Indian Colonies". The comprehensive reform in agricultural methods which they deemed necessary, has not occurred and the situation today is not greatly improved over that time. After nearly half-a-century has passed the region still remains by and large a high cost producer of export products organized on a more-or-less monocrop basis in each territory, with the plantation or large estate sector still of preponderant importance as a whole in the region's agricultural economy. The net result is that despite the fact that a great deal of the region's resources (human, financial, technical and land) is tied up in agriculture, this has been so neglected that by 1970 the food balance sheet of the area had gone into deficit. Today over 50% of the food consumed on average in the area is imported. In particular countries, e.g. Barbados, Antigua and Trinidad-Tobago the estimate is over 80%. Currently the region imports about US\$1 billion in food, that is the value of Barbados'

national output and twice that of the Leeward and Windward Islands combined.

This occurrence reflects several developments. One is the real neglect of peasant domestic agriculture at all levels: scientific, organizational, credit and marketing. This was indicated in our interpretation of policy measures in the previous section. Another is the development of tastes in the population which favour imported foods (reinforced by the social impact of tourism and the proximity of the region to the US and Canada and the consequent access the population has through the media to their consumer advertisements). Thus apples, salted cod, grapes, etc are highly prized food products in the area. It is, however, in the expansion of fast food outlets, franchised from TNCs that this development is most dramatically seen (pizza, "Kentucky" fried chicken, hamburger outlets, etc). A third development has been the movement of the population away from agriculture. Thus whereas in the 1950's approximately one-half of the region's economically active population was in agriculture today the ratio is about one-quarter. The decline in agriculture has also been general, affecting both export agriculture and domestic food. Thus while in the early 1960's the region was producing more than 1.3 million tonnes of sugar, the current output is about two-thirds that total i.e. just under 0.8 million tonnes. In all the major territories production has fallen. Overall indices of per capita food production in the region (1969-1971=100) show that by 1980 the index was down to 88 for Guyana, 90 for Jamaica and 79 for Trinidad-Tobago. 6/

The region's export crops can be put into five categories, viz:

i) sugar which is overall the most important export, and is produced mainly in Barbados, Belize, Guyana, Jamaica, St. Christopher-Nevis and Trinidad-Tobago;

ii) bananas whose output is approximately 450,000 tonnes and which employ directly and indirectly about one-half of the working population of the Windwards. The other important producing areas are Jamaica and Belize;

iii) citrus fruits produced mainly in Jamaica, Trinidad-Tobago, Dominica, Belize, Grenada and Guyana. Output is about 100,000 tonnes;

iv) grain, produced mainly in Guyana, with smaller crops in Trinidad-Tobago, Jamaica, and Belize. The Guyana industry has a capacity of about 400,000 tonnes but regional output is about 350,000 tonnes with Guyana producing about 200,000 tonnes, and Belize 100,000 tonnes each;

v) tree crops which together constitute the so-called "minor export staples" (coffee, cocoa and coconuts). About 25,000 tonnes of copra is currently produced, 9,000 tonnes of cocoa beans and 6,000 tonnes of coffee are produced;

vi) a variety of speciality crops. These include sea-island cotton which has declined from over 2.5 million lbs of lint in the period 1957-1958 to less than 300,000 lbs today, and

ganga or marijuana. To those in control of the region's supply, the latter crop probably yields more foreign exchange than all other agriculture products combined. It, remains, however an illegal and therefore "unrecognized" activity which does not enter into the national and social income accounting publications of the region. Jamaica is currently reputed to be the second largest supplier of ganga to the USA, after Colombia. Exports are estimated at US\$1.5 billion, of which about \$250 million remains in Jamaica and about 3,000 farmers are involved.

In addition to these export crops there is a variety of local products. These comprise roots and tubers such as sweet potatoes, yams, and cassave; vegetables, and fruits. Most of these products are consumed almost entirely in the domestic market, although small quantities are exported. In addition livestock is kept for both beef and dairy purposes, while the poultry industry is based on using imported feeds processed locally.

Two broad features characterize the organization of export agriculture. One is the predominant role historically played by TNCs in the export sector. Thus two major TNCs (Geest Industries and United Brands) dominate the banana industry in the region through the control they exercise over purchasing, shipping, and the distribution and sale of bananas. Even where small growers produce the bulk of the output, sales from their local associations go to one or other of these companies. Thus

Geest controls the crops in S^t. Lucia, St. Vincent, Grenada and Dominica; in addition it purchases citrus, coconuts, mangoes and egg-plant from these territories. Fyffes, a UK subsidiary of United Brands purchases from Belize, Jamaica and Suriname. (A French subsidiary of United Brands controls banana production in the French departments - Martinique and Guadeloupe).

TNC domination of sugar output was sharply curtailed in the 1970's after the nationalizations in Guyana, Trinidad-Tobago and Jamaica. Despite this, however, they continued for some time to exercise considerable leverage over local activity through their control over marketing, and the production and sale of machinery, equipment and spares utilized in the industry. As we shall see in Part 4, in recent times in Jamaica there has been a move to divest the sugar installations taken over by the state. TNC control over regional agriculture is also expressed in their control of agro-processing industries and "fast-foods" and other convenience foods outlets in the region. These industries using imported machinery basically "assemble" imported inputs with the domestic value added almost entirely derived from the contribution of the local work force in these machine intensive operations. The domestic value added is further reduced because linkages to domestic agriculture are low. Thus it is estimated that in Barbados and the Eastern Caribbean, 81% of the value of agricultural inputs to this sector comes from outside the Caricom market. Indeed some products like corn, spaghetti, and bread rely on 100% imported agricultural inputs. 7/

It should be noted that agro-processing here includes the beverage industries all of which operate either as TNC branch plants, or as locally franchised or joint venture arrangements of one sort or another. TNC domination also extends into the feed industry, important for poultry production. Here the local inputs used vary from one territory to another and usually **comprise** of some mixture of coconut meal, citrus meal or molasses. These however never exceed one-half of the feed mixes used in the region.

The second feature is that all the major export crops are high cost and uncompetitive in world markets and as a result depend on protective marketing arrangements which offer premium prices and/or domestic subsidies. Thus banana exports to the UK and the EEC, sugar exports under the ACP-EEC Sugar Protocol and quotas to the USA, as well as Guyana rice exports to the other Caricom territories enjoy some measure of protection. These protected prices, however, have not risen as fast as increases in costs which have occurred as Caribbean agriculture has become more and more inefficient. The result is that the region is now caught in a serious price-cost squeeze. The general inflation of prices since the mid-1970s has turned the terms of trade against the region, partly on account of rising input prices into agriculture; fuel, fertilizers, chemicals, machinery, equipment, services (freight, insurance, etc). This undesirable situation is further worsened on account of the marked fluctuations in export earnings which is a well known consequence of reliance on agricultural export staples. Finally note must be taken of the

fact that exposure of the region to hurricanes has led to periodic devastation of crops and agricultural infra-structure, thereby considerably worsening the plight of the region's farming population.

Tables 7.1 - 7.7 highlight some of the basic features of the region's agricultural economy. Table 7.1 indicates the variations in population density for the West Indian territories, with supplementary data on other selected countries in the region. There it can be seen that the overall density ranges from 574 persons per sq.km. in Barbados to 4, 6, and 7 in Guyana, Bahamas and Belize, respectively. Excepting these three countries, all the other West Indian territories have a density in excess of 100 persons per sq.km. The density ratio for agricultural land is also revealing. For most of the territories there were three or more persons per hectare of agricultural land, and for nine of them the ratio was 5 or more persons. Not unexpectedly the ratios for Belize and Guyana, the two territories with the largest land mass, were the lowest. For the Bahamas, however, the agricultural area to total population was the highest, indicating that although it ranks third in size, much of the country is barren and unsuitable for agriculture in its present state. For the non-West Indian territories the situation is not as harsh with the exception of the Netherlands Antilles where the overall ratio was 277 and the agricultural area to total persons ratio was 33 - the highest in the entire Caribbean region.

TABLE 7.1

Country	Year	<u>Population</u>	<u>Area</u>	<u>Agricultural</u>	<u>Density</u>	
		<u>'000</u>	<u>Sq.Km</u>	<u>Area</u> <u>Hectares</u>	A/B	A/B
		(A)	(B)	(C)		
Antigua-Barbuda	1982	77	440	11	175	7
Bahamas	1983	227	13,935	17	6	12
Barbados	1980	247	430	37	574	7
Belize	1983	158	22,963	125	125	1
Dominica	1981	75	750	19	100	4
Grenada	1982	107	311	16	344	6
Guyana	1982	797	214,970	1,378	4	0.6
Jamaica	1982	2,091	10,992	475	190	5
Montserrat	1982	12	104	2	115	6
St.Christopher-Nevis	1980	44	269	15	164	3
St.Lucia	1983	126	616	20	204	6
St.Vincent	1982	128	389	19	329	5
Trinidad-Tobago	1982	1,129	5,128	169	220	6
Suriname	1982	368	163,265	59	2	7
Netherlands Antilles	1982	266	960	8	277	33
Haiti	1982	6,103	27,750	1,395	220	4
Dominican Republic	1982	6,247	48,734	2,730	128	2
Cuba	1982	9,846	110,860	4,992	89	2

Source:

United Nations, Economic Commission for Latin America and the Caribbean, Agricultural Statistics, Vol VI, 1984.

Table 7.2 shows data on the proportion of the economically active population in agriculture for two periods 1970/1971 and the most recent year (1980-1982). The data indicate a variation from 4.5 percent in the Bahamas to 43.1 percent in Guyana in the most recent period. The figure in Guyana in 1982 has been affected by the special circumstances of economic collapse, and **the ratio** therefore indicates more of the effects of declining activity in other areas of the economy than the vigorous expansion of output and employment opportunities in agriculture. The sharp decline in Trinidad-Tobago's ratio between the two periods, reflects the rapid growth of the petroleum sector as well as the particularly marked neglect of agriculture in that country, following on the oil boom. Over the period the ratios in Barbados, Belize and Jamaica have been stable. The only other significant movement has been the decline in St. Lucia, Grenada and Montserrat following on the development of the tourist industry in these countries. Table 7.3 shows the contribution of agriculture to gross domestic output (GDP) at factor cost measured in current prices for the period 1974-1975 to 1982-1983. In five of the countries shown, agriculture contributed less than 10% ^{to} GDP. These together with three other territories (St. Lucia, St. Christopher-Nevis and St. Vincent) had ratios of 20% or less. In two of the territories the ratio exceeded 30%, namely Belize and Dominica, with the latter having the highest (35%).

TABLE 7.2

PERCENT OF ACTIVE POPULATION IN AGRICULTURE

<u>Country</u>	<u>1970</u>	<u>Recent Year (1980-1982)</u>	
Antigua-Barbuda	8.7	9.0	(1982)
Bahamas	9.7	4.5	(1983)
Barbados	16.7	16.4	(1980)
Belize	34.1	35.9	(1982)
Dominica	38.1	30.8	(1981)
Grenada	55.0	27.6	(1982)
Guyana	28.1	43.1	(1982)
Jamaica	24.5	24.9	(1982)
Montserrat	25.0	10.0	(1982)
St. Christopher-Nevis	30.8	35.7	(1980)
St. Lucia	37.0	29.5	(1983)
St. Vincent	N.A.	N.A.	
Trinidad-Tobago	22.8	8.6	(1982)
Suriname	22.4	11.6	(1982)
Netherlands Antilles	1.6	N.A.	
Haiti	74.2	64.9	(1982)
Dominican Republic	61.2	55.0	(1982)
Cuba	30.6	21.9	(1982)

Source:

United Nations, Economic Commission for Latin America and the Caribbean, Agricultural Statistics, Vol VI, 1984.

TABLE 7.3

PERCENT CONTRIBUTION OF AGRICULTURE TO GDP
AT FACTOR COST (current prices)

Country	Average of <u>1974 - 1975</u>	Average of <u>1982 - 1983</u>
Antigua-Barbuda	7.5	7.7
Bahamas	N.A.	N.A.
Barbados	12.0	6.9
Belize	27.0	31.4 (1980)
Dominica	35.0	35.0
Grenada	26.8	26.2 (1980)
Guyana	30.5	23.8
Jamaica	7.2	6.7
Montserrat	7.8	4.6
St.Christopher-Nevis	24.7 (1974)	20.2 (1982)
St.Lucia	17.6	15.1
St.Vincent	13.6	17.4
Trinidad-Tobago	3.3	2.5

Source: United Nations, Economic Commission for Latin America and the Caribbean, Agricultural Statistics, Vol VI, 1984.

Tables 7.4 and 7.5 show the area of agricultural holdings by size groups and numbers. Two points are obvious from these data. The first is there paucity. It is amazing in light of the socio-economic importance of the rural economy of the region that in no territory is there a series of data which can be used for meaningful analysis of changes in the rural areas. These tables are therefore, as revealing for what they do not contain as what they do contain. The second point is the manifestly uneven distribution of land. Although the data are not strictly comparable, they do suggest that a total of just under 150,000 hectares of land out of a total of about 1.1 million hectares, or about 14% of the total land in farms, is held by small farmers who own land up to 2 hectares in size. These farmers represent about two-thirds the total number of holdings registered in these tables. It is also widely acknowledged that a high proportion of the land in large farmers e.g., 40 hectares is idle. As this is usually the better quality land, the land pressures are more than these data at first reveal. Additionally, note should be taken that a high proportion of the small farms is held in widely scattered holdings with sometimes marked variations in quality. This also intensifies the land problems for the small farmers.

Tables 7.6 and 7.7 show the contribution of food imports and exports to total merchandise trade. In 1972, in seven of the 13 countries over 20% of their imports was food imports and in the 1980's six countries spent over 20% of their import bill on food.

TABLE 7.4

AREA OF HOLDINGS BY SIZE GROUPS

Country	Year	Area of Holdings									
		Total	Size Groups								
			0 - 0.4 ha	0.4 - 2 ha	2 - 4 ha	4 - 10 ha	10 - 20 ha	20+ ha	20 ha	40 ha	40+ ha
Antigua and Barbuda	1961	14,003	3,885	...	...	...	...	1,942	8,176	
Bahamas	1978	36,267	188	1,894	1,646	1,843	1,959	28,737	-	-	
Barbados	1961	34,197	4,573	...	...	...	...	...	1,700	27,924
Dominica	1961	30,835	354	3,715		8,217		18,549	-	-	
Grenada	1975	18,897	1,016	4,255	1,987	1,915	1,055	8,669	-	-	
Jamaica	1968/69	602,674	92,764	...	...	...	...	...	189,385	320,525
Montserrat	1975	2,372	88	382	177	173	75	1,477	-	-	
St. Kitts-Nevis	1975	16,766	281	1,139	570		14,776		-	-	
St. Lucia	1973/74	29,150	702	3,430	2,862	2,589	2,550	17,018	-	-	
St. Vincent and the Grenadines	1972	13,909	533	2,738	1,645	834	418	7,740	-	-	
Suriname	1969	93,383	407		43,928		49,498		-	-	
Trinidad and Tobago	1957/58	190,452	23,837	...	...	...	...	...	76,448	90,167

Source: United Nations, Economic Commission for Latin America and the Caribbean, Agricultural Statistics, Vol VI, 1984.

TABLE 7.5

NUMBER OF HOLDINGS BY SIZE GROUPS

Country	Year	Number of Holdings									
		Total	Landless	Size Groups							
				0 - 0.4 ha	0.5 - 2 ha	2 - 4 ha	4 - 10 ha	10.1 - 20 ha	20+ ha	2 - 40 ha	40+ ha
Antigua & Barbuda	1961	5,747	...	5,233		...	...	...	...	476	38
	1978	4,246	...	931	2,063	626	357	164	105	-	-
Bahamas	1961	18,803	...	18,313		...	...	...	...	292	193
Barbados	1961	8,667	...	2,115	4,290		2,087		175	-	-
Dominica	1957	14,039	...	12,265		...	...	...	...	1,675	99
Grenada	1968/69	193,359	...	151,705		...	...	...	...	40,662	992
Jamaica	1975	1,247	88	551	496	66	28	6	12	-	-
Montserrat	1975	3,535	...	2,036	1,222		161		106	-	-
St. Kitts-Nevis	1973/74	10,938	502	4,730	3,828	1,082	475	199	122	-	-
St. Lucia	1972	7,088	706	3,032	3,171	659	161	28	37	-	-
St. Vincent and the Grenadines	1969	16,078	...	1,461		14,266			351	-	-
Suriname	1957/58	91,116	...	14,800		...	...	...	...	14,800	313
Trinidad and Tobago											

Source: United Nations, Economic Commission for Latin America
and the Caribbean, Agricultural Statistics, Vol VI, 1984.

TABLE 7.6

CONTRIBUTION OF FOOD EXPORTS IN TOTAL EXPORTS %

COUNTRY	1972	1975	1978	1980	1981	1982
Antigua & Barbuda	1.3	0.6	5.3	4.6	2.9	...
Barbados	63.7	58.2	38.9	41.2	28.7	...
Belize	79.1	89.8	78.2	...	...	...
Dominica	81.7	88.4	75.8	51.4	56.0	51.4
Grenada	98.5	97.2	...	84.2	86.9	83.4
Guyana	49.0	61.3	48.1	43.0	45.2	49.3
Jamaica	21.3	25.6	14.6	10.6	9.5	...
Montserrat	47.5	69.4	14.5	11.3	11.4	3.1
St. Kitts/Nevis	66.5	63.9	77.2	64.3	68.6	69.8
St. Lucia	65.2	60.5	57.7	38.9	43.0	47.6
St. Vincent	82.5	91.6	93.4	83.3	80.0	72.0
Trinidad and Tobago	8.4	5.9	2.7	1.8	1.8	1.7

Source: United Nations, Economic Commission for Latin America
and the Caribbean, Agricultural Statistics, Vol VI, 1984.

TABLE 7.7

CONTRIBUTION OF FOOD IMPORTS IN TOTAL IMPORTS %

COUNTRY	1972	1975	1978	1980	1981	1982
Antigua and Barbuda	18.1	16.9	28.8	24.2	26.2	...
Bahamas	10.6	2.4	...	...	...	...
Barbados	24.2	23.3	22.1	17.6	17.0	16.8
Belize	24.8	28.3	24.3	23.2	...	...
Dominica	25.9	31.6	29.0	20.0	...	...
Grenada	31.1	34.8	...	28.9	28.2	27.5
Guyana	13.9	5.9	8.8	6.2	5.9	8.4
Jamaica	14.5	11.6	19.0	6.2	15.6	16.0
Montserrat	21.5	27.3	23.0	20.9	25.3	25.9
St. Kitts/Nevis	24.5	20.8	24.5	19.1	19.5	19.5
St. Lucia	19.2	25.1	20.6	18.0	20.4	21.1
St. Vincent	29.0	32.3	32.7	30.0	27.5	29.2
Trinidad and Tobago	9.1	8.8	9.3	9.3	11.2	10.2

Source: United Nations, Economic Commission for Latin America
and the Caribbean, Agricultural Statistics, Vol VI, 1984.

In interpreting these data it should be borne in mind that rising fuel costs of imports noted in the previous chapter, mask the real importance of food imports over the years. Except for Guyana (and here the special economic circumstances already hinted at should be recalled) in no territory has there been a really significant decline in the importance of food imports. The export data show that in 1972, in seven of the countries food exports accounted for over two-thirds of export earnings, and in two others it was just under one-half. In the 1980's in only two countries were export earnings from food in excess of two-thirds of total export earnings. As we pointed out earlier, although the region developed as an exporter of food, there is currently a sizeable deficit on the trade account. Despite the high level of food imports, the claim has been made and repeated by the Group of Experts who examined the prospects for Caricom in the 1980's that 44% of the region's population does not obtain minimum requirements of protein intake, and 56% do not obtain minimum requirements of calorie intake. ^{8/} This same report projected food imports at \$1.6 billion by the end of the decade.

To conclude this section it may be useful to take the example of Barbados to see some of these difficulties more clearly. In that country sugar occupies 85% of the arable land and employs about one-sixth of the labour force. Sugar exports and the processing of sugar related products yield about 36% of the foreign exchange earned on the merchandise trade account. In this situation the following self-sufficiency ratios obtain beef (6%); mutton (9%); dairy products (44%); fruits (56%); vegetables (61%);. In the

farming system over 98% of the land holders possess less than 5 acres and 75% of the agricultural population is part-time farmers.

Section IV: Conclusion

The neglect of agriculture is probably one of the most distinguishing, and disastrous consequences of the nationalist approach to economic and social policy in the region. The bias in favour of industry has created a legacy of unattended problems; such as inadequate water control system, lack of feeder roads, underdeveloped research and development (R&D in local agriculture), absence of land reform, the continued drift of the population from countryside to cities or to other countries, land wastage and so on. After reviewing the region's efforts to develop a regional food policy and to cooperate in the framework of a regional food plan, Long comes to the conclusion that the results to date are inadequate. He states it as follows:

"Amid pressures for foreign exchange and the need to promote employment and generate incomes, the countries of the Caribbean Community ... announced a Regional Food Plan to activate agriculture. After nine years, however, the impact of regional efforts to boost agriculture remains negligible". 9/

He goes on to state that his:

"study would be incomplete without reference to the continued bias facing agriculture in the

Caribbean ... the bias is probably the greatest single factor affecting regional efforts to stimulate food output". 10/

This neglect has led to the emergence of under reported and little discussed resource problems in the region's agricultural sector. One is soil erosion. As recently as March 1985 it was claimed that "social erosion is probably the most serious single cause of a loss of agricultural land in the Caribbean". 11/

The second is increasing alienation of agricultural land. This is particularly marked in the smaller territories where property developers and land speculators have bought up agricultural land for housing development. It is estimated that in Barbados about one-quarter of the land in sugar (i.e., 16,000 acres) has been caught up in property speculation. So called "developers" rushed in with plans for residential sub-division, but only one-quarter of the alienated land, or 4,000 acres, has been actually subdivided, and to date only 1,000 acres have actually been used. The developers have announced plans to use 1,000 acres in "other agriculture, but the remainder of the land is essentially idle". 12/

If to this we add land alienated for tourist development, the spoliation of land through urban development, port development and quarrying and mineral extraction, than the impact of these factors in a region of small size should not be underestimated.

The low rewards for "risk-taking" in the rural economy of the region when combined with the disproportionate share of the value of output going to intermediaries and sellers of the final product have considerably reduced the attractiveness of agriculture as a choice of occupation. This has led to small farmers abandoning agriculture and developing an attitude which ranks farming as the last choice of employment, with in several instances unemployment and "hustling" in the streets being preferred to farming. The predicament of the disadvantaged group of small farmers therefore, can hardly be worse.

In sum therefore, the increasingly uncompetitive position of the traditional export staples in world markets, the failure to develop new export crops on a significant scale, combined with the weak producing and marketing structures of food and raw materials consumed by the local population, tourists, and domestic industry mean that palliative measures which do not go to the root of the problem will continue to be of little or no avail. Until² radical land reform is introduced; fundamental changes in the legal and institutional structures of the agrarian system are put in place, a science based mixed farming agricultural system is developed, a technically trained farming population comes into existence, marketing and distribution structures geared towards satisfying the needs of the broad mass of the population are given priority, and supporting structures, such as credit, drainage and irrigation, feeder roads, processing, grading and

storage to minimize post-harvest losses are introduced, the reversal of the historic dispossession of the poor and powerless peasants will never be attained. Such a perspective, however, is that of another development, an alternative to the developing underdevelopment that has characterized post World War II of Caribbean history.

Notes to Chapter 7

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CHAPTER 8: THE SEARCH FOR NEW POLES OF GROWTH : TOURISM AND OFF-SHORE BANKING

I Introduction

Following World War II, nationalist economic policy was above all distinguished by the thrust to build up a manufacturing sector of sorts. The pursuit of this was not, however, entirely single-minded. It might be argued, with some plausibility, that even the neglect of agriculture which was highlighted in the previous chapter was relative, for as we did observe state support for certain kinds of activities was forthcoming. One area, however, where state support was decidedly of great importance was the concerted policy to promote a services sector in these economies, mainly comprised of tourism and off-shore banking. In some territories, particularly the smaller ones, the emphasis on this might even have exceeded the thrust towards industrialization, at least during certain periods of time.

The stated objectives of this policy were to exploit natural advantages which the region had, in order to expand employment opportunities, increase incomes, and sustain foreign exchange inflows into the local economy. As we have already seen, the industrialization policy was import-intensive despite the original motivation of import-substitution which lay behind it. As a consequence, the regime of accumulation in this sector was heavily dependent on a continuous availability of foreign exchange.

Whenever this flow has been interrupted a crisis of accumulation, with its negative income, employment and growth consequences, has manifested itself. Tourism offered a partial release from this constraint, and it was particularly welcome in the face of the declining performance of the traditional export staples sector. As we shall see, however, the extent of the release which tourism could offer depends on the import-intensity of accumulation and current expenditure flows in this sector. The employment problem stemmed from the slow growth of export agriculture in the region, combined with its increasing mechanization and the low labour absorptive capacity of the new manufacturing sector which was created. The rate of increase in the labour force was high and this together with the migration from rural to urban areas, particularly among youths, resulted in open unemployment, destitution, slums, ghettos and all the other distinguishing characteristics of Third World cities, becoming very evident in the region. These features stood in sharp contrast to the affluent suburbs which sprang up in the wake of the new manufacturing sector. It was obvious that these considerations would have impelled the search for new ways to keep the peoples of the region "gainfully employed". To the nationalists, off-shore finance and tourism seemed to offer this opportunity, since the region was relatively abundantly endowed with resources to develop these services.

The natural advantages which tourism sought to exploit were, a tropical climate, soothing winds, sandy beaches, blue sea,

and the attractive and relatively varied scenery of what are mountainous islands. In the case of off-shore banking these advantages were seen as:

- location in the time zone of the north-eastern seaboard of the USA;
- proximity in terms of travel time to the US;
- accessible communication;
- the widespread use of English and a high degree of literacy among the population;
- and, excepting occasional hurricanes, good weather all year round.

In addition to the above, it was hoped that both of these services would find the "political stability" of the region an added asset. This stability was seen as being derived from the region's long standing colonial links with Europe and the sense of reliability which this engendered in prevailing laws and financial regulations.

In the analysis which follows in this chapter we shall examine tourism first, then turn to look at off-shore financial activities.

II: Tourism Policy

The development of the tourist industry was stimulated by government action starting in the mid-1950's. By then, although political independence had not been attained in any of the territories

of the region, the different levels of "internal self-government" which prevailed had created a situation in which the leadership of the nationalist movement was able to exercise a very strong influence over the direction of economic policy. To this group, tourism seemed to offer a solution to the pressing problems of the day, and the fact that the colonial authorities endorsed these views was further encouragement to its efforts. Throughout the region, the policies adopted to promote tourism had many of the same elements of subsidisation which we have already noted in our industrialisation. First, a series of legislative acts were passed which provided the framework for the operation of the system of incentives: income tax exemptions, accelerated depreciation allowances, duty free importation, etc. A good example of this legislation is the Hotel Aids Act of Barbados passed in 1956. Second, tourist boards were established and charged with the responsibility for the overall regulation of the industry. Thus the functions of the Barbados Tourist Board which was formed in 1958 include:

- advertising and publicizing the country and its tourist industry;
- ensuring adequate shipping and airline facilities to cater for the flow of tourists;
- providing training facilities for hotel employees;
- classifying and grading the services offered by hotels and allied facilities, e.g. restaurants, tour operators, rental car agencies, taxi cabs etc;

- undertaking research and experimentation with a view towards securing improvements in the industry's operation;
- improving the image and acceptability of the industry among the local population;
- and, generally to help develop all aspects of the industry considered important and so continuously upgrade its efficiency.

The Jamaican Tourist Board which was established was similar except that it acquired a number of specialized subsidiaries. Among these are the Tourist Product Development Coy, which was made responsible for hotel standards and worker attitudes, and the Jamaica Attractions Development Coy which was given the responsibility of devising schemes, programmes, advertisements, etc, with which to attract tourists. In addition the Tourist Board owns/leases/operates some tourist facilities: marketing and advertising, car rental, and travel agencies. It also supports a programme of training through its operation of hotel training facilities. Finally, it is also responsible for ensuring that investment in the necessary infra-structure of the industry takes place e.g., airports, telecommunications, roads, harbours, fore-shore development etc.

In the development of the tourist sector, the policy of regional governments was without exception foreign oriented. Not only were the tourists encouraged to come from outside the region

and the finance for infra-structural development sought from multilateral and bilateral aid donors, but the hotel industry, the tour operators, the airline companies and so on were principally attracting the major TNCs to invest. In all instances also the colonial relation was "exploited". Thus, initially, the English-speaking Caribbean sought to exploit the market for visitors from Britain who were seeking holidays in warmer climes. It was not until later that the US and the Canadian markets were approached. Similarly the French overseas "departments" sought to exploit their link with France, and the Dutch colonies theirs with Holland.

One problem which soon became evident was the increasing aggravation of the competitive relation the territories had with each other, since basically the product they each marketed was similar. Later efforts at regional collaboration were set in train in order to minimize this development. It was out of this concern that the Caribbean Tourist Association (CTA) and its research arm, the Caribbean Tourism and Development Research Centre were found in 1972. The research arm developed from an initiative of CADEC (the development agency of the Caribbean Conference of Churches), UNICA (the association of Caribbean Universities) and the CTA itself. Presently, 29 governments participate in these groupings and manage to maintain an acceptable level of amicability in their relations, despite the competitive pressures they all feel.

The present end product of this type of approach could easily have been anticipated, as early critics of this approach did, namely, that the industry would soon come to be dominated by the TNCs. Thus as it has been observed, thirteen Holiday Inns, nine Hiltons and Sheratons each, eight Trust Houses Forte, seven Club Mediteranee de Paris, and five Grand Metropolitan (Inter-Continentials) operate in the region. ^{1/} In addition many of the airlines, tour operators, and other associated services are controlled by TNCs. Often these TNCs function as integrated units, running hotels, owning shares in airlines providing tourist services, and also serving as tour operators. A frequently cited example is Sun Tours of Canada; this company moved 400,000 visitors on 3,000 flights into the West Indies in 1979 - i.e., a number larger than any individual country in the Eastern Caribbean. The British firm, Intra Sun is another good example. This firm moves in excess of 100,000 visitors annually to the region, and also operates its own airline (Air Europe) with a fleet of 6 B747s and 2 B737s making it larger than any West Indian owned airline. On the whole the movement of the TNCs into hotel operations has been a comparatively recent development. It is estimated that nearly two-thirds of those presently in the region arrived after 1970. A significant sector of small business, family and individual operations in the accommodation sub-sector, therefore, coexist with the TNCs, creating a certain kind of dualism in the tourist industry.

The dominance of TNCs in the Caribbean region is not entirely a product of local policies. It is also in part a reflection

of the overall domination which these enterprises have attained over the world's tourist industry. Tourism, is presently the world's second largest international business. Its world wide structure and dispersion of location makes it an attractive proposition to enterprises which have the resources and flexibility to operate globally. Thus the links between Trans World Airways (TWA) and Hilton Hotels, or ITT and Sheraton subsidiaries speak for themselves.

III. Statistical Profile

The tables included in this section highlight the main features of the region's tourist industry. Table 8.1 shows the number of tourist arrivals in the Caribbean, and worldwide, for the period 1970-1985. As these data show, between 1970-1984 the region's tourist arrivals increased at a slightly higher rate than those for the world as a whole. At nearly

eight million arrivals in 1985, the Caribbean region accounted for about 2.6 percent of the world total. This figure was almost identical to that which obtained in 1970. While the data do show year to year fluctuations, these have not been particularly marked as only in two years was a negative growth recorded in the region as a whole and these were minus three and minus four percent for the years 1975 and 1981 respectively. The highest growth rate was achieved in 1978 (11.6 percent).

TABLE 8.1

INTERNATIONAL TOURIST ARRIVALS IN THE WORLD AND CARIBBEAN

	All Countries		Caribbean	
	Million	% Change	Million	% Change
1970	168		4.24	
1971	182	+8.3	4.62	+9.0
1972	198	+8.3	5.05	+9.3
1973	215	+8.6	5.41	+7.1
1974	209	-2.8	5.65	+4.4
1975	213	+1.9	5.48	-3.0
1976	218	+2.3	4.77	+5.3
1977	242	+11.0	6.22	+7.8
1978	260	+7.4	6.94	+11.6
1979	273	+5.0	7.16	+3.2
1980	284	+4.0	7.19	+0.5
1981	288	+1.4	6.90	-4.0
1982	287	-0.1	7.10	+3.0
1983	294	+2.2	7.37	+3.6
1984	300	+2.1	7.62	+3.3
1985	N.A.	N.A.	7.90	+3.7

Source: Caribbean Tourism Research Centre (CTRC).

Tables 8.2 and 8.3 give a breakdown of the regional data for 1980 and 1985. There it can be seen that the Caricom countries (including the Bahamas) accounted for 38% of the arrivals in 1985. Of those however, the Bahamas alone accounted for nearly one-half the total, i.e. more than 17 percent, and the OECS states just over 5 percent. Within the latter sub-group, Antigua and St. Lucia together accounted for well over one-half of the total. The Jamaica data show a substantial increase of nearly 45 percent between the low period of Manley's rule (1980) and 1984. Currently the number of tourist arrivals in Jamaica is less than one-half that going to the Bahamas. It is, however, the second largest total in the Caricom grouping. Barbados with 359,000 visitors has received about one-fifth the total going to the Bahamas.

When we consider the non-Caricom territories as well, we find that Puerto Rico is the largest receiving territory in the region, accounting for nearly one-fifth the total number of tourist arrivals. Tourist arrivals in the Dutch territories represent about nine percent of the regional total, while that in the French territories is even lower, at four percent of the total.

Table 8.4 shows the arrivals by country of origin. In 1985, the US accounted for just over two-thirds of the total, followed by Europe (one-tenth), the Caribbean (9.2%), and Canada (6.5%). The annual data (not included in the text) show that every year since 1980, the USA's share in the total has been

TABLE 8.2

TOURIST ARRIVALS IN THE CARIBBEAN

	1980	1985
OECS COUNTRIES	314.5	428.8
Anguilla	5.7	15.4
Antigua & Barbuda	86.6	139.7
Dominica	14.4	21.5
Grenada	29.4	52.0
Montserrat	15.5	16.5
St. Kitts/Nevis	32.8	47.1
St. Lucia	79.7	94.5
St. Vincent & Gren.	50.4	42.1
OTHER CARICOM	1028.1	1215.2
Barbados	369.9	359.1
Belize	63.7	93.4
Jamaica	395.3	571.7
Trinidad & Tobago	199.2	191.0
NETHERLANDS ANTILLES	577.8	755.8
Aruba	188.9	206.7
Bonaire	25.2	24.0
Curacao	184.7	127.6
St. Maarten	179.0	397.5
BAHAMAS	1181.3	1368.3
BERMUDA	491.6	405.9
FRANCE (D.O.M.)	314.9	341.2
Guadeloupe	156.5	150.9
Martinique	158.5	190.3
U.S. TERRITORIES	2007.4	1943.8
Puerto Rico	1627.4	1532.3
U.S. Virgin Islands	380.4	411.5
OTHER COUNTRIES	1277.1	1446.7
British Virgin Is.	97.0	129.9
Cayman Islands	120.2	145.1
Costa Rica	345.5	261.6
Dominican Republic	301.1	425.0
Haiti	138.0	141.0
Suriname	48.4	36.0
Turks & Caicos Is.	11.9	69.1
Venezuela	215.0	239.0

Source: Caribbean Tourism Research Centre (CTRC).

TABLE 8.3

TOURIST ARRIVALS IN THE CARIBBEAN BY REGION

	Percentage Share of Total		Percentage Change
	1980	1985	1980-1985
OECS	4.4	5.4	+36
Other Caricom	14.3	15.3	+18
Netherlands Antilles	8.0	9.6	+30
Bahamas	16.4	17.3	+16
Bermuda	6.8	5.1	-17
French Territories	4.4	4.3	+ 8
U.S. Territories	27.9	24.6	- 5
Other Caribbean	17.8	18.3	+13
Total	100	100	

Source: Caribbean Tourism Research Centre (CTRC).

TABLE 8.4

CARIBBEAN ARRIVALS ANALYSED BY COUNTRY OF ORIGIN

Thousands

	1980	1985 (2)
U.S.A.	4152	5210
Canada	556	511
Europe	962	800
Caribbean (1)	596	725
Other	947	636
Total	7213	7882

Percentages

U.S.A.	57.7	66.0
Canada	7.7	6.5
Europe	13.3	10.2
Caribbean (1)	8.3	9.2
Other	13.2	8.1
Total	100	100

Source: Caribbean Tourism Research Centre (CTRC).

Notes: (1) Excludes Venezuela. The definition of "Caribbean" varies from country to country.

(2) Preliminary estimate.

increasing while that of Canada and Europe has been declining,

It is also interesting to note that of the approximately 5 million US tourists in the region, about 29 percent went to the US territories (Puerto Rico 23%) and the US Virgin Islands (6%) and 40 percent to the Bahamas (23%), Jamaica (9%), and Bermuda (7%). The dependence of the region on the US market is further revealed in Table 8.5. There it can be observed that only in Dominica and Suriname is the dependence on the US market less than 20 percent. In all the leading tourist areas (Bahamas, Bermuda, Puerto Rico, Jamaica and the U.S. Virgin Islands), the US' share of the market is in excess of 70 percent. It is apposite to note here that European tourism was most important in Guadeloupe and Martinique the two French overseas departments in the region, which together accounted for over one-quarter of the total number of European tourists. Most of the Canadian tourists went to the Bahamas, Barbados, and Jamaica which together accounted for about one-half of the total number in the Caribbean region. As the data in Table 8.4 show intra-Caribbean tourism is significant. Most of the intra-Caribbean tourism goes to Barbados and Trinidad-Tobago. In some of the smaller territories, however, regional tourists account for a significant share of the total market, e.g. St. Vincent and the Grenadines (52 percent), and Dominica (42 percent). It should be noted that the structure of regional communication makes Barbados and Trinidad-Tobago the two main gateways to the Eastern Caribbean, and this factor has played a role in this sector of the region's tourism.

TABLE 8.5

DEPENDENCE ON U.S. MARKET IN 1985 (1)

U.S. tourist arrivals as a percentage of total tourist arrivals
in the Caribbean

PERCENTAGE RANGE

less than 20	Dominica, Suriname.
20 - 30	Costa Rica, Curacao, Grenada, Guadeloupe, Martinique, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago, Venezuela.
30 - 40	Barbados, Belize, Bonaire, St. Kitts and Nevis.
40 - 50	Montserrat.
50 - 60	Antigua and Barbuda, Haiti.
60 - 70	Anguilla, British Virgin Islands.
70 - 80	Aruba, Dominican Republic, Jamaica, Puerto Rico, St. Maarten, U.S. Virgin Islands.
Over 80	Bahamas, Bermuda, Cayman Islands.

(1) Or most recent year for which information is available.

Source: Caribbean Tourism Research Centre (CTRC).

If we exclude travel by US citizens to the bordering states of Canada and Mexico and to US territories abroad, then about one-third of US travellers went to the Caribbean in 1985. Their expenditure in the region, however, was comparatively low as this accounted for less than one-fifth of the total. For Canadians, visits to the Caribbean represented 18 percent of all visits abroad, if one exclude the USA. Expenditure in the region at 19 percent of the total was slightly above the average for all regions visited.

In Table 8.6 we present data on the region's capacity to handle tourists as of 1984 measured in terms of available accommodation. In the 30 territories the estimated capacity was 133,900 rooms. A high proportion of these is in Venezuela, just over one-third of the total. Next in ranking were the Bahamas (10 percent) and Jamaica (8 percent). The distribution of hotel *ade* by size reveal that in the Bahamas just over two-thirds of the accommodation available was provided by 29 hotels which had 100 rooms and more each. Excluding Venezuela, Costa Rica and Suriname for which data were not available, hotels with 100+ rooms on average accounted for 40 percent of the total number of rooms available. A country breakdown is provided in Table 8.7. Room occupancy ratios which indicate the level of utilisation of these facilities show that in the region these range from 46 - 80 percent. Not unexpectedly, the ratio fluctuates from year to year and is usually used like seat-occupancy ratios in airline travel as a measure of performance. As it is widely known many tourists

TABLE 8.6

TOURIST ACCOMMODATION BY COUNTRY IN 1984

Number of rooms

Country	Total	In hotels with 100+ rooms
Anguilla	390	-
Antigua and Barbuda	2560	853
Aruba	2460	1983
Bahamas	13790	8766
Barbados	7400	2556
Belize	1490	-
Bermuda	4850	1540
Bonaire	460	225
British Virgin Isl.	1150	121
Cayman Islands	2010	339
Costa Rica	3580	n.a
Curacao	1760	964
Dominica	340	-
Dominican Republic	4300	3203
Grenada	580	184
Guadeloupe	3340	1760
Haiti	3600	455
Jamaica	11280	5497
Martinique	2750	1131
Montserrat	280	-
Puerto Rico	7420	5724
St. Kitts and Nevis	710	138
St. Lucia	1700	820
St. Maarten	1910	1516
St. Vincent and the Grenadines	700	-
Suriname	640	n.a
Trinidad and Tobago	1750	918
Turks and Caicos	330	-
U.S. Virgin Islands	4370	2191
Venezuela	46000	n.a
Total	133900	

Source: Caribbean Tourism Research Centre (CTRC).

TABLE 8.7

NUMBER OF ROOMS IN HOTELS WITH 100 OR MORE ROOMS AS A PERCENTAGE
OF TOTAL NUMBER OF ROOMS IN COUNTRY

Percentage range	Country
70 percent or more	Aruba, Dominican Republic, Puerto Rico, St. Maarten.
60 - 69 percent	Bahamas.
40 - 59 percent	Bonaire, Curacao, Guadeloupe, Jamaica, Martinique, St. Lucia, Trinidad and Tobago.
20 - 39 percent	Antigua and Barbuda, Barbados, Bermuda, Grenada.
10 - 19 percent	British Virgin Islands, Cayman Islands, Haiti, St. Kitts and Nevis.
Nil	Anguilla, Belize, Montserrat, Dominica, St. Vincent and the Grenadines, Turks and Caicos.

Source: Caribbean Tourism Research Centre (CTRC).

do not stay at hotels, but visit with friends and family, and the available data show that visitors in this category range from 7 percent of the total in Aruba to 53 percent in St. Kitts-Nevis. In territories like Barbados, Montserrat, St. Vincent and the Grenadines, this percentage has exceeded one-third.

The level of prosperity of the tourist industry depends not only on the number of tourist arrivals but the period of time each one spends and his/her expenditure. Data for the region show that this ranged between 3-5 nights on average in Puerto Rico for 1984 to 8-9 nights in places like Jamaica, Grenada, St. Lucia and St. Vincent and the Grenadines. Tourists from Europe on average stay the longest, followed by Canada and then the U.S.A. This no doubt reflects the consideration that the further away the tourist comes from, and the more costly the travel expenses, then the longer he or she is likely to spend in the region. About one-half of the tourists to the region arrive on cruise-ships, the largest number going to the Bahamas (about one-quarter the total). This is followed by the US Virgin Islands (18 percent), and Puerto Rico (12 percent).

Total expenditure by tourists in the region is shown in Table 8.8. The information shows that in 1984 the total was about \$4.6 billion, up from \$3.3 billion in 1979. Out of this figure the Bahamas received \$810 million or 18 percent, and Puerto Rico \$681m or 11 percent. Next in line were Jamaica (9 percent), the U.S. Virgin Islands (8 percent), and Barbados and the Dominican

TABLE 8.8

ESTIMATES OF VISITOR EXPENDITURE

	1979	1984
Anguilla	1.0	5.0
Antigua/Barbuda	36.3	65.1
Aruba	108.7	113.0
Bahamas	561.7	810.0
Barbados	201.5	284.2
Belize	7.4	10.0
Bermuda	240.1	340.0
Bonaire	3.4	3.5
British Virgin Islands	38.6	85.6
Cayman Islands	36.2	70.9
Costa Rica	72.9	119.0
Curacao	119.9	83.0
Dominica	2.3	4.5
Dominica Republic	130.8	277.0
Grenada	14.3	17.2
Guadeloupe	72.3	98.0
Haiti	62.8	66.0
Jamaica	194.3	406.6
Martinique	71.5	87.0
Montserrat	3.7	6.7
Puerto Rico	560.9	681.2
St. Kitts/Nevis	6.0	11.3
St. Lucia	33.0	42.4
St. Maarten	87.2	131.0
St. Vincent/Grenadines	10.5	29.0
Suriname	18.2	20.0
Trinidad & Tobago	110.0	197.8
Turks & Caicos	3.4	6.9
US Virgin Islands	299.1	377.0
Venezuela	178.0	197.0
Total	3285	4645

Source: Caribbean Toursim Research Centre (CTRC).

Republic (6 percent). Data on employment generated by tourism for selected countries are shown in Table 8.9. While on average only 3 percent of the total regional labour force finds employment generated from tourism, in individual territories the percentage ranges from 49percent in the Bahamas to one percent in Venezuela. In six of the countries for which data are available employment generated by this sector exceeded one-eighth of the total labour force.

The contribution of tourism to the GDP of selected countries is shown in Table 8.10. These show a wide variation ranging between 5-36 percent; indicating that the dependence of the various territories on tourism is quite uneven. Although data are not available for all the countries, there are in effect, three broad grouping of countries. Those like Jamaica, Dominican Republic, Trinidad-Tobago, Venezuela and Puerto Rico where tourism is important, either as foreign exchange earner (in Jamaica it is the largest foreign exchange earner) or source of income generation and employment, but where a prized mineral resource exists, a significant level of industrial diversification has been attained, and agriculture remains significant. Second, there is a group of countries like the Bahamas, Bermuda, and the Cayman Islands where the dependence on tourism is very high and other economic activities, except other services like off-shore banking, are not significant. In between these there is a middle range of countries in which although tourism contributes significantly to employment, and foreign exchange earnings, its overall weight in the GDP is not

TABLE 8.9

EMPLOYMENT IN TOURISM

<u>Country</u>	<u>Employment Generated by Tourism as a % of employed labour force</u>
Antigua & Barbuda	23.6
Dominica	5.3
St. Kitts/Nevis	13.1
St. Lucia	18.2
Barbados	14.0
Jamaica	2.3
Trinidad & Tobago	1.5
Puerto Rico	5.2
U.S.V.I.	32.6
Bahamas	48.7
Costa Rica	1.7
Venezuela	1.0

Source: Caribbean Tourism Research Centre (CTRC).

TABLE 8.10PERCENT CONTRIBUTION OF TOURISM TO GDP ⁽¹⁾

COUNTRY	PERCENT
Antigua & Barbuda	36
Bahamas	23
Barbados	12
Bermuda	9
Grenada	5
Montserrat	7
St Kitts/Nevis	5
St Lucia	19
U.S.V.I.	32

Source: Caribbean Tourism Research Centre (CTRC).

Note (1) The above estimates are however not strictly comparable due to different methods of compilation. The period for the data is 1979, except Barbados (1983-1984).

as great due to a modest development of light industry and the existence of at least one important agricultural staple, e.g. Barbados.

IV : The Results

How do we evaluate the achievement of the region in the area of tourist development? To begin with as the statistical data revealed the level of development of tourism in the region is quite uneven, and the dependence of the territories of the region on tourism is also uneven. Since all the territories, however, have tried to market the same "product" in roughly similar ways, the absence of a truly coordinated development of the industry in the region has resulted in increased social costs for the region as a whole despite cooperation through the CTRC. These increased social costs have stemmed from the under-utilization of infrastructure and other capacity at the regional level, and the relative disadvantage in which the smaller territories have found themselves, as on the whole they have had less accessible airline links to the major markets, and less resources to promote and market tourism in the expensive cities of Europe and North America. Thus in the early years of the industry, Antigua, Barbados and Trinidad-Tobago reaped advantages from being "gateway" territories because they had airport facilities which accommodated big jets, while smaller propeller aircraft were required to link the other

territories in the various airline networks. These "gateway" territories were seen as benefitting so much from this situation that the smaller territories were eventually forced to respond through upgrading their airports, e.g. St. Lucia, St. Christopher-Nevis, and Grenada, in order to keep their competitive standing.

In the development of the industry, although as we have observed the regional share of the market is quite significant, for much of the period under review there was a single-minded focus on marketing the industry in Europe and North America. In this marketing, sun, scenery, beaches, water-sports, and other outdoor activities were the chief points of promotion and the major targets sought were cruise ships, conventions, business travellers, and the leisure classes of these countries who could afford "holidays in the sun". In the early years the focus was so much on high income leisure groups, that the industry was promoted as an alternative way "to spending winter in the North". It was only with the growth of incomes in Europe and North America, and cheaper cruises and airline flight arrangements put in place by tour operators there who exploited all available avenues for discount travel, that brought the focus down to persons in the middle income ranges. Despite this occurrence, regional tourist arrivals have continued to grow in numbers, with minimal promotion, indicating a significant untapped potential. The exploitation of this potential, however, would almost certainly require significant changes in the social and cultural orientation of the industry,

as it would be impossible to tap this market while continuing to manifest the colonial and cultural bias of the original enterprise.

Throughout the period, TNC domination of the industry has continued to be an important feature of it. In recent years, however, efforts have been made to modify the character of this, particularly in the hotel sector. As we shall see in Part 3 this has taken the form of governments entering into joint-ventures with TNCs and in some instances even "nationalizing" these concerns, as Jamaica did during the Manley years. In general the TNCs have not resisted these developments, since all the joint venture/management contract type of arrangements in force so far, for a number of reasons makes economic sense to them. In the first instance where nationalization has occurred this has not been confiscatory, but represents in fact a commercial purchase of their assets by the governments. Second, where direct ownership is not exercised by the TNC, the possibility of any complications arising out of ever this type of nationalization is removed while the TNC continues to receive income. Third, the government as a partner "protects" the TNCs from some of the negative social images of big hotel operations in these countries. Finally, the management and other fees generated by these arrangements are guaranteed income and fixed charges on the operations of these facilities. As a result it is not surprising therefore, that such arrangements have led to negative effects on efficiency. As Barry et al have pointed out:

"in almost every case in which a TNC operation has been unsatisfactory in the Caribbean, the TNC had no direct financial involvement in the hotel. In contrast, in all cases where the hotel keeping experience was satisfactory, the TNC had direct financial input". 2/

One of the principal reasons why governments have consistently supported and promoted tourism in the region has been the expectation that it would generate scarce foreign exchange. Experience has shown, however, that a number of major leakages of out of this sector exists. Among the more important have been:

1) The high foreign exchange content of the original investments in hotel and infra-structure. This is brought about largely by the absence of local industries capable of supplying such items as construction materials, furnishings etc used in hotels, heavy duty equipment and other machinery needed for constructing airports, harbours, telephone systems, etc. Sometimes this leakage has been partly eased, since investment in infra-structure for tourism has been a favoured source of grants and aid by both bilateral and multi-lateral donors to these countries.

2) The high import content of transporting tourists to the area, and in local travel as well. Most of the airlines and all the aircraft and cruise ships are either foreign owned or have been purchased from abroad. In terms of local travel, with few exceptions, e.g. Trinidad-Tobago, both the vehicles, and the fuel they use are imported.

3) The high levels of foreign exchange used to finance consultants to the industry, architects, building firms which routinely win the contracts to service and build these facilities, as well as the management recruited from abroad to run these industries, or to train those who will run them.

4) Because of the high foreign participation in the local industry and the need to keep this intact, governments have been facilitating the repatriation abroad of profits, fees, and other incomes earned locally.

5) The high import-content of food and beverages served to tourists is high. Thus the CTRC has conducted a study of Grenada, St. Vincent, and St. Lucia which shows that 54 percent of tourist expenditure on food was on imported foods; 62.5 percent of their expenditure on beverages were on imported items; 70 percent of their expenditure on meat was on imported meats; 20-25 percent of their expenditures on fruit and vegetables was on imports; and almost all the dairy products consumed were imported.

6) The high foreign exchange cost involved in promoting the industry abroad, particularly in the television medium.

In addition to the above there are other illegal/underground leakages which are important. The more significant ones are the movement of foreign exchange through the black market or at least

outside the banking system; hotels **receiving** payment for services in the country of origin of the tourist and not remitting all of it which is required by law; and tour operators in Europe and North America who do the same. The significance of this leakage can be gleaned from the fact that in one territory, e.g. Antigua, as much as 95 percent of its hotel reservations are made from abroad. Further, Barry et al cite a study in the Bahamas which shows that 81 cents out of every tourist dollar spent there is leaked out of the economy.

The identification of leakages does not deny the existence of local earnings retained in the economy. The bulk of these derive from labour used in the construction phase and in the provision of services on an on-going basis, both currently and in the form of maintenance. In addition employment as well as income are generated in related services, such as nite spots, taxis, banks, shops, restaurants, etc; and in the maintenance of the tourist infrastructure, e.g. aircraft, motor vehicles, pleasurecraft etc; is important. Thus in Jamaica it is estimated that the ratio of direct to indirect employment in this sector is 1:1.25. Finally, taxes are paid by the companies directly involved, (although the amount varies with the level of relief in operation under the incentive programmes); persons who derive direct and indirect income from the industry; importers who pay duty on imported items; travellers who pay travel and exit taxes; plus guests who pay hotel room and service taxes. Before leaving this

point, it should be noted that while the claim is made, justifiably, that the tourist industry as a whole has put budgetary pressure on West Indian governments in having to build adequate infrastructure, this is a benefit to the local population as well, and frequently it is these territories which have comparatively high levels of public services.

In addition to the issues of ownership and control the pattern of marketing of the product, and foreign exchange earnings in the industry raised earlier, a number of miscellaneous economic considerations have to be also taken into account in evaluating tourism in the region. One of these is the inflationary impact of tourism on local economies. Although no precise measurements have been made it appears that the prices of services and food in the tourist sector on average rise faster than other prices, largely because it is assumed that the income of tourists at home rise faster than those of the local population and therefore the tourist traffic can "bear" more. When this occurs it puts pressure on the prices of these items and substitutes consumed by the local population e.g. food, transportation, clothing, etc. Related to this consideration is the practice of pricing products in the tourist sector in US dollars. One effect of this is that when the US rate rises against local currencies exchange rate inflation is induced. Where, as in the West Indies, local currencies are denominated in US dollars, the effect of a rising US dollar relative to other currencies, is to act as a disincentive to tourists coming from Europe, Canada and elsewhere. The potential

effect of this can be gauged from the fact that between 1979 and 1984, against the US dollar, ^{the} British pound depreciated by about 58 percent, the Canadian dollar by 11 percent, the French franc by 105 percent, and the German mark by 56 percent.

Another consideration is that the TNC controlled hotels, having been built early, presently control some of the best beach lands and scenic locations in these territories. In addition it is they who have given an impetus to new activities from other TNCs which seem to support the industry as a whole, e.g. fast food chains, car rental agencies, restaurants etc. In all of this, however, the hotel industry remains the most central element in the performance of the region's tourist industry. In this regard a recent article by Bell is particularly instructive. ^{3/} A table with the data he has provided is presented in Table 8.11. These data indicate the following:

1) Of the 13 geographical areas listed in the world survey, the Caribbean had the lowest net income per room (\$150). This compared with a world average of (\$3,027), while the second lowest of the 13 regions had a net income six times larger.

2) The Caribbean's productivity index (2.54) was also the lowest, with the world average being one-third larger (3.38)

3) Of the thirteen regions, the Caribbean had the highest cost of electricity, the second highest cost of water, and a well above world average cost of fuel.

TABLE 8.11

OPERATIONAL FACTORS IN THE HOTEL INDUSTRY

	SALES PER AVAIL. ROOM	NET INCOME PER AVAIL. ROOM	PRODUCTIVITY INDEX	ADMIN. & GEN. PER AVAIL. ROOM	MARKETING PER AVAIL. ROOM	MAINT. PER AVAIL. ROOM	FUEL COST PER OCCUP. ROOM	ELEC. COST PER OCCUP. ROOM	COST OF WATER PER OCCUP. ROOM
<u>WORLDWIDE AVERAGE</u>	\$26,267.00	\$2,913.00	3.53	\$2,796.00	\$ 877.00	\$1,526.00	\$ 1.04	\$ 3.24	\$.49
Caribbean	23,619.00	150.00	2.54	3,015.00	941.00	2,076.00	1.28	7.55	.83
U.S.A.	25,933.00	1,383.00	2.98	2,769.00	1,223.00	1,355.00	.91	3.09	.31
Canada	25,769.00	1,762.00	2.76	2,233.00	1,257.00	1,506.00	.80	1.71	.32
Northern Africa	30,874.00	3,932.00	5.60	2,392.00	827.00	1,918.00	.48	1.57	.04
Southern Africa	20,428.00	1,648.00	3.54	3,233.00	575.00	1,578.00	1.15	3.94	1.09
Middle East	35,183.00	5,532.00	3.14	4,273.00	1,086.00	2,006.00	.80	2.60	.73
Asia	21,732.00	3,797.00	4.65	2,295.00	780.00	1,264.00	.80	4.97	.47
Far East	33,181.00	9,273.00	6.07	3,379.00	1,022.00	1,545.00	1.03	6.01	.28
Pacific	34,157.00	3,589.00	3.24	3,138.00	1,110.00	1,714.00	.97	3.03	.30
Continental Europe	22,542.00	1,049.00	2.63	2,382.00	809.00	1,294.00	1.25	2.05	.58
Scandinavia	20,184.00	903.00	2.73	1,364.00	380.00	996.00	1.51	1.14	.53
United Kingdom	20,178.00	1,967.00	2.91	2,791.00	395.00	1,011.00	1.87	1.87	.32
Latin America	27,692.00	2,889.00	3.16	3,065.00	1,002.00	1,586.00	.67	2.57	.57

Source:

Cited in J. Bell, The Operational Constraints Facing Caribbean Tourism Establishments and the Resulting Impact on the Financial Viability, Caribbean Hotel Association, Dec., 1983, Document No. CTMC/6.

4) Maintenance charges per room at US\$2,076 were the highest in the world, compared with a world average of \$1,526.

The poor performance indicators revealed here have to be seen in the context of two further features of the industry. First, the industry is a major buyer on the local market as well as importer. In both instances Bell refers to numerous complaints about over-charging by local distributors and manufacturers. ^{4/} In the former case middlemen combined with import regulations are identified as the major source of overpricing, while in the latter, the inefficient scale of operations in the manufacturing sector, and the monopoly status of many of these producers combine to produce overcharging. The second feature to note is complaints about excessive commissions which prevail in the local industry. Thus Bell cites the time "not too long ago" when the hotels paid 10 percent to the retail travel agent, an override of a further 5 percent to the wholesaler, and a negotiated flat fee to the representative. Currently he states that the charges are 13, 20, and 5 percent, respectively. In addition, the cost of credit card handling and commission is between 3-5 percent. As a result he claims that on average the Caribbean hotel industry pays out 25-30 cents out of every dollar in the marketing of its product.

The high cost inefficient tourist industry which seems to have emerged reflects similar developments in other major areas of Caribbean economic activity, e.g. export cash crops, and the manufacturing sectors. These negative economic features of the

industry are further complicated by several socio-political factors. One of these derives from an observation which was made earlier, that is, the industry initially developed with a thrust towards providing a change of scenery and climate for the upper class inhabitants of the colonial and/or former colonial power. It was in effect, promoted as a winter retreat, a "winter home away from home". Later, the region's proximity to North America and the comparative affluence of its middle classes, led to a greater and greater orientation to the US market. In this pattern of development the emphasis was not on mass marketing as such. It was not until later with the arrival of package tours, cheap cruises that a serious cost-consciousness developed, but by then the industry was already locked in to high cost structures it could not easily break out of without drastic consequences for the returns to resources currently invested in the industry.

A second socio-political consideration which affects the industry is that over the period of its existence it has developed an excessive concentration on the US market. This has made it vulnerable to changes there e.g. depression/recession, or changes in fashion. It has also given scope to the US government and/or media to destabilize regimes in the Caribbean through adverse publicity and hostile foreign policy statements. The best known examples of these occurred during Manley's rule in Jamaica and Bishop's Grenada. We shall return to this issue later in the study.

A third consideration of some importance is environmental. The industry inevitably generates a certain level of pollution such as garbage on the streets and beaches, and even in the sea itself. While attempts have been made to keep these areas tidy , a larger issue exists, which is that the Caribbean sea itself, which is the major source of attraction for tourists, is now being affected by pollution in ways which could diminish its appeal. Thus as one commentator has observed:

"The tourist image is still valid: white sand beaches, fringed with palms, cooled by lucid blue water. But another reality is creeping up on the vision of paradise. On any given day, 100 loaded tankers carrying 5 million barrels of crude are likely to be churning their way through the narrow shipping lanes of the Caribbean. An estimated 6.7 percent of the regional oil production ends up in the sea". 5/

In the same article the author points out that in 1977, 77 million barrels of oil were spilled from oil platforms. To this we can safely add 7 million barrels from tank washings and emptying tankers, and we get an idea of the size of the pollution. If to this we further add the waste 30 million people dump into the sea, spillage from hotels and other such facilities on the sea front, untreated discharges from chemical and fertilizer plants, cement works, etc, then the scale of the problem is appreciated.

As a social issue these environmental dangers do not exist only in relation to the sea. Already over 50 percent of the

forest cover of the region has been lost since colonisation. The current rate of forest depletion is said to be in excess of 10 times the rate of replacement. The consequences are increasingly being brought to the public's attention by concerned persons and organisations; soil erosion, flooding, land slips, marine pollution, etc. The future danger was considered sufficiently threatening that in 1981, 27 countries of the region agreed to a Caribbean Action Plan under the auspices of the United Nations Environmental Programme. Under this arrangement two treaties have been subsequently agreed to, one dealing with oil spills was signed in Colombia in 1983.

The final consideration refers to a number of inter-related socio-psychological aspects of the region's industry. One of these is the image of tourism which has been projected by the industry. In the past this has portrayed the local population as menial and servile, living for the tourist and willing to do anything to make him happy. Because the tourists were overwhelmingly white, this tended to reinforce negative racial perceptions of the area by both parties. As a consequence tourism although important to the region, is only uneasily accepted by the population at large. While on the one hand glad for the opportunities to earn an income, there is also resentment at the second class status which seems inherent in doing so. In recent years governments have tried to develop "courtesy corps" and to publicise and project the importance of the industry to the local population through the local media, and so on. On the whole, however, the results

have been mixed. Thus in its Annual Economic and Social Survey, 1984, the Government of Jamaica acknowledges that:

"Towards the end of the year, also, the Board launched an aggressive campaign on local radio and television against tourist harassment as a number of surveys had shown that this was the major complaint of visitors to the island". 6/

A second issue stems for the fact that throughout the region the growth of the entertainment industry along side tourism has spawned a significant growth in male and female prostitution. Generally, governments and other social agencies have turned a blind eye to this development, with only occasional public outcries. Finally, much concern has been expressed over the continued seasonality of the tourist trade, since reflecting its earlier orientation as a winter home for northerners there is a marked division of the trade into a high season (December 15 - April 15) and a low season. Efforts to even out these swings have not been particularly successful.

In recent years it has been popular to promote the industry in terms of local culture and its artifacts. This has led to publicity campaigns on local foods, art, sculpture and literature. The overall approach is essentially, however, one of promoting Caribbean exotica, with heavy emphasis on winning favourable journalistic comments in the foreign press. Thus:

"During 1984, the Jamaica Tourist Board diversified its promotional strategies to include not only the promotion of tourism

features but also cultural, historical and economic aspects of Jamaica, through joint promotions with such organisations as the Jamaica National Export Corporation, the National Trust Commission and Things Jamaican. In this regard, in addition to the regular familiarization tours for travel writers, special familiarization trips dealing with Jamaican art and culture were arranged for foreign journalists". 7/

The Report then goes on to cite as an example of this type of promotion an exposition at Macy's department store in California where "over a one week period [was] highlighted not only Jamaica's tourism product but also our art, crafts, foods, fashion and manufacturing industries". 8/

The harsh reality, however, remains. Plush tourist facilities coexist with depressed rural areas, unemployment, poverty, and urban slums. The contrast is a constant reminder that the development of the industry at huge financial and social cost has done little over the long run to eliminate permanently the widespread poverty and powerlessness of the West Indian peoples.

V: Off-Shore Banking

Just as tourism was developed on the principle of selling the natural advantages of a Caribbean location to Europe and then later North America, natural advantages were also offered

as reasons for the development of off-shore financial centres in several of the territories. This time the natural advantages were: location in the eastern-seaboard of the US time zone; proximity to North America, convenient locations for building communications directly linked to the US network; and, good all year round weather. To these, however, we must add the "man-made" advantages: financial regulations and laws, or rather their absence, which could serve as inducements for certain types of transactions, and the security inherent in a region politically and culturally oriented towards North America and Europe.

Contrary to popular views, overseas banking is not a new phenomenon in the area, it has always been a part of its history. The Currency Board systems which operated in the region until the 1960s, linked the currencies of these countries to the pound sterling at fixed and unchangeable exchange rates, and also required the currency issuing authorities to back each unit of currency it issued with its equivalent in sterling. Such an arrangement allowed the banks in Britain to view their operations in the British territories of the area as being no less risky in terms of exchange rate movements and inconvertibility of their profits, than that generated at home. The decline of Britain from its pre-eminence in the area and the increased influence of North America, other parts of Europe, and Japan, combined with the new activities being promoted by the nationalist governments of the area to attract a new range of banks into the region : Chase Manhattan, Bank of Nova Scotia, Southern and Citizens,

Bank of Commerce, and so on. These however, came in principally to exploit local credit opportunities and to make profits from the financing of the region's external trade.

The financial havens which have developed are neither formally nor directly integrated into the internal credit structure of the territories or their international trade. Usually local law distinguishes between resident and non-resident banking activities, with the latter not having controls on reserve requirements, or foreign exchange remittances, and also being taxed, if at all, at very low rates. Controls only exist where non-residents deal in local currency. These territories have all passed legislation which either impose no tax on either all or certain categories of wealth and income, or where taxes on income and wealth exist these are at a level that their effective rates are lower than such those residents from such potential countries as the U.S.A., Canada, Japan, and the West European countries of the E.E.C., would have to pay in the country of origin. These arrangements are normally backed up by institutional and/or legal arrangements which enforce rules of secrecy and confidentiality on commercial transactions conducted either through or in foreign countries. Sometimes, as in the case of the Cayman Islands, criminal penalties are imposed for those who breach local laws which enforce secrecy and confidentiality. Such laws are intended to act as a deterrent against other countries courts seeking to compel officials who work in the Caribbean to make disclosures, without the prior approval of the local courts. Finally, in some instances tax treaties usually

exist between the country which wants to operate as a haven and other countries. The best known example in the region is that between the Netherlands Antilles and the US which at one time allowed exemption on certain interest paid by US persons to residents of those territories.

The most active of the off-shore financial centres in the region are the Bahamas and the Cayman Islands. The former handles over US\$150 billion in funds and hosts about 370 banks. Experts claim that on some days more funds pass through Nassau on a daily basis than London. It is further claimed that the Bahamas is the world's second largest loan syndication centre after London. In 1964 the Cayman Islands had virtually no off-shore business and only two banks, but beginning in 1977, there were 218 licensed banks and trust companies. By 1979 there were 8,158 registered companies. Today these islands host 13,600 companies and 360 banks, and inside circles claim it is the favourite for Canadian companies. Bermuda is also a major centre and is thought to hold the leadership in the field of insurance. ^{9/} The Dutch territories have played a leading role for US corporations seeking a tax - haven for in-house financing. This has been based on the tax treaty referred to earlier, but this treaty is now in jeopardy after the passage of legislation in the US in 1984. Overall, it is said that the region hosts over one-quarter of the banks located in financial centres around the world.

The tremendous expansion of off-shore financial centers in the region did not grow out of its internal needs. This development was founded on the restructuring of world finance which was taking place in the capitalist system as a whole in the 1950's. The specific manifestation of note is the development of what has been termed Euro-currency markets. Although so named, the market in effect depended on the growth of banking transactions in any currency other than that of the country where the bank involved is located. It first evolved in Europe where the banks dealt in deposits denominated in US dollars. Today such dealings are widespread and embrace several major currencies on a world-wide basis. The market is currently estimated at over US\$3,000 billion, of which 80 percent is held in US dollars. It was therefore in an effort to exploit this development that the Caribbean became involved. In each of the territories a great deal of public funds was used to promote the country as an attractive haven, and as with the case of tourism, considerable intra-regional competition exists, as the territories seek to outbid each other in their appeal. Because of the emphasis on secrecy and avoidance of taxes, not surprisingly the industry has developed strong connections not only with the questionable activities and possibly large scale 'white collar crime' committed by TNCs and wealthy families and individuals, but with well organized crime and drug trafficking. Several scandals have erupted recently which appear to involve the higher echelons of the political and police administrations of several countries: the Bahamas, Cayman Islands, Turks and Cacios, Jamaica, Trinidad-Tobago, Barbados.

Although the off-shore financial centres operate as entrepôts in the huge movement of finance, nonetheless it is claimed that four major economic benefits flow to the local territories. The first is the revenue the governments receive in the form of fees and licences which these companies pay prior to engaging in business. Since tax haven status provides exemption from taxes on income, profits, earnings, capital gains or distribution, inheritance, succession, withholding and death duties, and all that is required to "engage in business" is a name plaque, a postal box-number, and maybe a file cabinet, the fees and licences paid are small in relation to the magnitude of the funds the banks handle, and even revenue raised by the governments. Thus in the Bahamas these fees average US\$3-5 million annually. The second benefit claimed is employment. Here again the amount involved is quite small since very little of the actual bookkeeping in these transactions takes place locally. In the Bahamas in 1979, 270 of the 300 banks located there did not even have a physical presence on the islands. Often what was there was "a plaque, a walk-in closet, a desk, a file cabinet and a telephone". ^{10/} In that country it is estimated that at the end of 1983 the activities of all off-shore centres provided employment about 3,000 persons, i.e., two to three percent of the labour force. ^{11/} The third benefit claimed is the spill-over effect into other service areas. Here it is true that in particular a number of local lawyers and accountants have benefitted from these activities and some have developed specialist reputations in these areas. These personnel usually *facilitate*

the legal and book-keeping red-tape involved in starting up operations and then oversee changes, from time to time, in local laws and procedures. Since the banks have no Bahamian dollar incomes, all local expenses are financed from foreign exchange inflows. The final benefit claimed is that this activity serves as a form of promotion for the territory, attracting tourists and hopefully also investors with an interest in the local market. There is no doubt that frequent references to these countries in the financial press, the electronic media, film, etc, helps to raise their profile, and that occasionally a business person doing business in the territory may "fall-in-love" with the place and possibly invest some funds there. It is difficult, however, to find many concrete examples of this, except for the occasional purchase of land and housing as places of retreat and/or retirement.

On the other side there are costs to be considered. The first is the need for these governments to invest in adequate infrastructure : airports, local transportation, hotels, telex and telephone links, etc in order to make the territory a feasible choice. Since these infra-structure also service the tourist trade, the development of off-shore financial services has served to reinforce the latter. The second is that since the entire business is founded on avoidance of taxes and there is a gray area between avoidance and evasion of taxes, the latter being illegal, it has tended to attract many dubious persons and operations as well as organized crime and drug trafficking. This has led inevitably to the corruption of many of the rich and powerful in the region leading to even further selling-out of the birth rights

of the poor and powerless. At the present time, however, in Europe and North America public concern is growing over the fact that these "tax-havens" have unfairly increased the tax burden of citizens who do not have the knowledge and/or resources to exploit such arrangements. The linking of these activities with crime and drugs reinforces these concerns and has helped to generate pressures in favour of governmental action to eliminate these loopholes. While the future of this new West Indian enterprise does not seem to be immediately at threat, it must be acknowledged that a note of uncertainty had already crept into the enterprise of off-shore financial havens, particularly where US sources are concerned. While initially contributing to the growth in these centres in such past actions as its Interest Equalization Tax of 1963 (which made it unattractive for US citizens to invest in non-American securities) and Regulation Q (which made it unattractive for non-Americans to buy American domestic dollar bonds by limiting the interest rates on these bonds below international rates) recent moves by the Reagan administration, particularly in exempting from taxation interest earned by non-residents holding accounts in the US, has encouraged the movement of considerable funds into the U.S.A. Similarly, its high profile attacks on the supplies and suppliers in drug-trafficking has opened many of these havens to systematic investigation.

Notes to Chapter 8

1. See, T. Barry, et al, "The Other Side of Paradise", P77.
2. ibid, P78.
3. J. Bell, "The Operational Constraints Facing Caribbean Tourism Establishments and the Resulting Impact on their Financial Viability", Caribbean Hotel Association, Document No. CTMC/6, Dec, 1983.
4. ibid.
5. J. Taylor, "How clean is the Caribbean", Monitor Section, Caribbean and West Indies Chronicle, Feb/March 1984, P(i).
6. Economic and Social Survey, 1984, Government of Jamaica, P.13.1
7. ibid, P.13.1
8. ibid, P.13.1
9. T. Barry, et al, "The Other Side of Paradise ...", P.130.
10. ibid, P.131.
11. ibid, P.131.

CHAPTER 9: THE STATE AND INSTITUTIONAL REFORM

In various stages of the presentation in Part 1 we considered the main contours in the development of the colonial state in the Caribbean over the three major historical periods identified there, i.e., the period of the colonial slave mode of production, its later disintegration during the period of transition to "free" labour in the 19th century, and finally the emergence of a more or less definitive peripheral capitalist formation in the 20th century up to World War II. Right up until the 20th century the ruling planter class was able to wield through the state its economic and political power. This it used to support slavery, and later when its abolition was inevitable, to retard the growth of "free" labour and its associated labour market, as well as the development of a local agriculture oriented towards domestic needs and its associated peasantry. Despite this, however, by the end of World War II, the continuous resistance of the dominated classes to planter rule, along with the momentous transformations which had taken place, and which were still underway in the capitalist world system in general and Europe in particular had forced important changes on the colonial state. This could be seen in a number of areas. First, those who controlled the local state had by then to take into account the strength of nationalist sentiment and popular resistance to colonial rule. This encouraged an abandonment of the old laissez-faire ideology and supported an increasingly active role for the state in laying the foundations of what was described then

as a modern economy . In this new role the state became more and more an institution of economic reproduction, eclipsing in the process the earlier and cruder emphasis which it had laid on the development of repressive functions. In undertaking this new role, those who controlled the state machinery did so under the guidance and patronage of the Colonial Office. Ultimately, the hope was that in acting this way they would facilitate a new imperial division of labour at the global level, and entrench market relations in the process of internal accumulation, thereby irretreivably putting the capitalist stamp on the local economy. The existence of a restricted franchise at the end of World War 11 meant that a sufficient group of colonial officials and planter representatives still had access to state power and they could therefore readily promote this design. However, as the franchise was widened to include universal adult suffrage, and as the emerging local class of educated professionals, local commercial interests, and local landlords came more and more to exercise control over the machinery of state, the pursuit of this grand design became a far more complicated affair.

One factor which began to play an increasingly important role in this late period was the ideological and cultural role of the state. Thus, we find that as access to education grew, the merits of bourgeois political democracy - particularly as idealized in the so-called Westminster model of parliamentary rule - were increasingly propagandized. This model required a

sequence of "orderly constitutional advance". This in turn was based on the premise that the masses were at that time incapable of self-rule, but they could, nevertheless be tutored to reach this stage of development, and during their progress to this stage the Colonial Office would be the "trustee" of their interests. By orderly constitutional advance was meant several things, namely, the progressive widening of the franchise; a progressive devolution of functions from the Colonial Office to the local government; a multi-party political system; orderly changes in government based on honest electoral practices; the rule of law and the independence of the judiciary. The hold of this ideology over the population was such that virtually every prominent local personality subscribed to the approach, with only perhaps minor differences in emphasis. The practice, however, was in marked contrast to the ideal. In retrospect it can be seen that limited self-government reflected a deep seated fear of the masses on the part of both the Colonial Office and the economically important plantocracy which together constituted a very small minority of the population. It was no surprise therefore that as in the case of Guyana, when a Marxist government was "freely elected" to office in 1953 after the first elections based on universal adult suffrage, the British government after only 133 days found a pretext of "communist subversion" to invade the territory again, and suspend the constitution.

A careful analysis of the region would show that up until World War II constitutional advance depended basically on

the state of social struggle and the capacity of the nationalist forces to press for concessions from the Colonial Office and the local plantocracy, and when these were obtained to defend their gains. However, after World War II those leading the struggle became more easily coopted to the outlook of the Colonial Office, and as a consequence social struggle as the basis of constitutional advance receded, and the concept of a "partnership of interests" emerged in order as it was put, "to advance the masses to full independence". The result of this was that on the eve of independence in the 1960's a number of negative features became obvious. One of these was that nowhere in the West Indies was the colonial state going to be "smashed". The petty bourgeoisie which viewed itself as the group best constituted to lead in the development of these societies was not in favour of any revolutionary transformation of internal class relations. A second feature was that on this trajectory, the independence settlements, which would emerge would inevitably result in the exclusion of the masses from real political power. This exclusion was neither accidental nor shortsighted, as some have argued, as it accorded fully with the long term interests of the colonial power. Third, the rise of mass politics which preceded independence and the fuller development of an array of mass organizations, and in particular political parties and trade unions, were important manifestations for two reasons, namely, the greater legitimacy these gave to state activities and the defacto separation the process of imperialism and colonization which these developments seemed to underscore. 1/

The constitutional struggles against the colonial state form while linked to wider social struggles did not finally result in many significant economic or social victories for the poor and the powerless. Many crucial struggles, had therefore, to be carried over into the independence period. Among the most important of these were: the struggles against the colonial division of labour with its emphasis on primary commodity production, export specialization, and minimal industrialization; the struggles against forced trade and financial links with Britain which were designed to reproduce the world market internally (e.g. through currency boards, tariff policies, imperial preferences, etc); the struggles against foreign personnel filling the strategic executive/management positions in the upper echelons of the state and the private sector; and above all, the struggles against the limited autonomy of local economic, social, as well as political institutions.

It is from this perspective that we should seek to interpret the economic functions of the state in the region after World War II and up to the 1970's. To the major roles which it played in industry, agriculture, mineral production, tourism and off-shore banking, which we have already studied in previous chapters, we must add a long list of other institutional and administrative arrangements which the post-colonial state established in the region. These can be organized into six major categories:

1) The establishment of institutions and agencies to regulate and give direction to national economic processes. Among the most important of these was the creation of rudimentary national planning authorities. These authorities were frequently supported by the creation of statistical agencies whose functions are to collect and assemble data on the national economy in a systematic way. It was ^{this} effort, combined with the services of the University of the West Indies, which led to the preparation of the first set of national economic and social accounts of the area, the local organization of the population censuses in 1960 and 1974, a number of social and economic surveys on employment and unemployment, household expenditure surveys, as well as studies of balance of payments and financial performance of the region.

It was from these developments too, that in some of the territories the currency boards were replaced by Central Banks, and foreign exchange authorities were brought into legal existence. These agencies in turn regulated the development of commercial banking, non-banking financial intermediaries like insurance companies, mortgage companies, hire-purchase arrangements etc, and the exchange control regulations which later were to become increasingly activated.

2) In the area of trade and foreign relations a number of new developments occurred. Initially these were impelled in large measure by the issues raised in Britain's

long drawn out decision to join the European Economic Community. Later those countries that became independent in the 1960's sought membership of the UN and its related organizations (IMF/World Bank, UNCTAD), participated in the non-aligned movement and echoed the call for a new international economic order. These in turn led to a certain diversification of foreign relations and foreign trade as can be seen in the establishment of new embassies in Eastern Europe, Asia, and Latin America. The customs departments which had long existed in these countries but which functioned passively for most of their history, during this period became active as new regimes of import and quota arrangements were put in place. The later creation of the Caribbean Free Trade Association (CARIFTA) in 1968 and then the Caribbean Community (CARICOM) in 1975 give further impetus to these changes. Finally, the system of import licensing which became universal as the system of incentives was elaborated, made the Ministries of Trade quite active institutions during this period.

3) Labour also became increasingly regulated. This took many forms. First labour or as it was sometimes called "employment exchanges" were created with a view towards facilitating the matching of supply and demand for labour. As unemployment remained staggeringly high during this period, the effect of these exchanges was largely cosmetic. Second, the various departments of labour in the state bureaucracy were given the functions of preserving "harmony" in worker-employee relations. In this regard the Ministers who headed these

departments were given conciliatory and arbitration powers over employer-employee disputes. The labour ministries were also expected to oversee existing legislation as it affected trade unions and workers especially in such areas as trade union recognition, the operation of minimum wages, hours of work, apprenticeship provisions where these existed, and so on. In some instances, e.g. Trinidad-Tobago, income-policies were institutionalized in the form of legislation, supporting industrial courts and so on, constituting further significant new areas of state activity.

4) In the area of utilities the period also saw some of these fall under the direct ownership and control of the state, e.g., electricity in Guyana. In addition both those owned and managed by the state and those still in private hands were in some territories subjected to regulatory agencies which were given authority over such matters as their rate structures, the levels of quality of service they delivered, and so on. Allied with these developments was the establishment of a large number of government agencies and/or parastatal institutions which followed in the wake of governments decisions to provide the requisite infra-structure for their industrialization and tourism development. Thus we find during this period that in many territories new harbours, airports, shipping terminals, and so on were constructed and placed under the control of special parastatal authorities.

5) A range of new or improved welfare services were provided. These included health, education, community development, old age-pensions, national insurance, and so on. Although the level of benefits from these services as a whole remained pitifully low, and a major area of social need like unemployment was not provided for, these departures were new for a region where such functions were historically provided for by plantations, churches, and other private groups.

6) Finally, legislation dealing with the operations of local companies were introduced. These were patterned after British legislation with the aim of providing a clear legal framework for the operation of private capital in its corporate guise. Generally it can be posited that the overall aims of these institutional and administrative developments, when combined with state support of economic diversification as discussed earlier, were to:

- minimize the social costs and social disorganization inherent in foreign investment in national economies of the region being constituted as the "engine of growth";
- correct the distorted and biased colonial production structures in so far as they were seen as an inadequate basis for the development of indigenous capital;
- enhance the position of local capital vis a vis foreign capital, particularly in the fields of resource control, technology, marketing and skills; and

- generally also to enhance state control over the society by seeking to control the use and disposition of the means of production and the work process.

When considered in this light, it can be seen that the state had started its interventionist role in the region's economic life even before political independence had been attained. This intervention was never intended to be hostile to the interests of capital, local or foreign. To the contrary, it was advanced as essential to its survival and success. If it were otherwise, how could it have been promoted by the colonial authorities?

One manifestation of the new role of the state which was only of token importance by 1970, but which after then became one of its major distinguishing characteristics in the region was the rapid growth of state property. Although this phenomenon is discussed at some length in the next chapter, it is important to draw attention to it here, as organically that development has proceeded out of the thrusts identified in this chapter. At the time under consideration here, the traditional view was that state property was justified only in certain limited circumstances. One was where the product or service offered was a "natural monopoly" e.g., pur water supply, electricity, telephone, etc. Here state ownership was seen as a means of preventing consumer exploitation. A second circumstance was when society wanted to promote equity and to favour re-distributive policies, it was accepted that it should own certain essential services

so as to ensure that profit criteria did not override others in the provision of these services. A third reason was when an industry or enterprise was threatened with immediate closure, it was felt that the state should take it over in order to prevent the loss of incomes and jobs and the accompanying social dislocation. Together these views favoured at best the development of a strong public utilities sector. Later, however, ideological and other socio-political considerations became powerful, and it was in the name of such objectives as "developmental imperatives", "improved regulation of economic activity", "control of the commanding heights of the economy", "anti-colonialism", "anti-imperialism", and "socialism" that an expanded state property sector was to be established in the region; the best example being the cooperative socialism of Guyana. At the same time, however, unheralded without any trumpeting and fanfare and justified on "pragmatic" and "non-political grounds" a similar rapid expansion of the state property sector in the region was also occurring, the best example being Trinidad-Tobago.

The expansionist/interventionist role of the state in these economies was not a "voluntary" development on the part of these who controlled it. While they may have believed this at the time, its real foundations lay in the organic and structural relations these states had with the colonial division of labour and the requirements of internal accumulation which

these historically imposed on the countries of the region. Because the expansion of the state property sector followed immediately after the period of mass politics and popular agitation for independence,¹⁴ is one more reason why the post-colonial state has been able to acquire a level of legitimacy unparalleled by the colonial state. As we shall see the potential inherent in this, however, did not play itself out for as we have argued before those who controlled the machinery of state at that time had no fundamental interest in a radical or revolutionary alteration of internal social relations. To the ruling groups the state was there to protect them and the interests of their class project. Three important consequences flowed from this. One was that the independence settlements which were reached between Britain and the individual territories were all based on the exclusion of the masses from effective power, and the clearest example of this was the manoeuvre by the UK and US governments, the CIA, and the opposition forces in Guyana (mainly Burnham's People's National Congress) to remove the PPP from office as a pre-condition for that country's independence. The second consequence was that after independence had been attained politics increasingly took the form of the demobilization and depoliticization of the mass or the population. We might ask, without this, how otherwise could they be kept in their continued poverty and powerlessness? That the state was used to achieve this particular objective reflects a fundamental observation I have made earlier elsewhere, i.e.;

"despite the different degrees of importance which these various policies attach to the freedom of private ownership of property and the freedom of markets, they are all fundamentally characterized by the deliberate intention of using the state apparatus as a principal instrument of developing a strong class formation, capable of assuming the responsibility of raising the level of development of the productive forces. Traditionally, in the context of highly developed class societies the state [is] the object of class conquest and the instrument of class rule. In the historical situation that prevails in these countries, it is more correct to argue that the state has become, as it were, an instrument of class creation". 2/

It is out of this consideration that the analysis of this work is so closely premised on the thesis, that it is impossible to isolate successfully, economic policy and socio-political considerations in the region's development. The economic functions of the state while far from pursuing the class project of the dominant classes and groups along a single minded, unswerving line, nevertheless, on the whole have reflected the interests of these dominant groups, mediated perhaps through the conflicts which have developed from time to time with those who oppose them. It is through this perception that we can best answer such questions as why right up to the period of internal self-government in the 1950's was the major source of tax receipts in the region import duties? That no significant export duties or income taxation existed was only because this was convenient to planter interests. Historically these interests were served by a regressive tax structure which ignored ability to pay, but which nevertheless was a useful device in the

19th century for forcing the ex-slaves into the market economy either as wage labourers on the estates or as producers of export cash crops.

In conclusion we can say that despite the increasing range and proliferation of state functions and institutions, the period of nationalist strategy reviewed in this chapter did not yield any real and lasting relief to the poor and powerless.

The state although falling increasingly into local hands did not turn out to be any less an agent of their domination. It is this consideration which underlines the social consequences of its major actions during the period under review: the neglect of domestic agriculture and limited support to the counter plantation system together with the development of a class of local businessmen and a wave of import substitution industrialization built at a huge social cost on the backs of the unemployed and the landless. For most of the period under review income and wealth distribution not only became more skewed, but a great deal of what was generated locally was also drained away through the various mechanisms of surplus extraction perfected by the TNCs, and through the growth of a class of entrepreneurs the vast majority of whom also held residency or citizenship in one or other North American or European country. As the social wealth coming to the local population became more and more concentrated in the hands of this group, TNC control was consolidated in the traditional areas (agriculture, commerce, banking), as well as in the newer areas of mineral development

(bauxite-alumina in Jamaica), agro-processing, tourism, and manufacturing. All this served to deepen the alienation of the masses from the system of decision-making, income creation and reproduction in the region. Associated with these developments was the growing importance of multilateral institutions (World Bank, IMF, Caribbean Development Bank, Inter-American Development Bank, and the European Development Fund) and bilateral ones (US A.I.D., the UK's Overseas Development Association, and the Canadian International Development Agency) in the region's economic life, particularly as expressed through state activities. The movement into tourism and off-shore tax havens also served to expose the political directorate and several key professionals to international criminal elements. In the process the economically active state spawned a group of criminal marauders, like the buccaneers of yore, just as the new manufacturing elite it promoted functions like the absentee landlords of yore.

Notes for Chapter 9:

- 1: The presentation in this chapter draws heavily on two earlier studies of mine, "Dependence and Transformation", Monthly Review Press, New York & London, 1974 see Part 1 , P13-122, and "The Rise of the Authoritarian State", Monthly Review Press & Heinemann, New York and London, 1984, Part 1, P.
- 2: Clive Y. Thomas, "Dependence and Transformation", P.87.

Part 3: Crisis of the Nationalist Models and
 Social Experimentation

By the early 1970's the possibilities inherent in nationalist strategies of economic development seemed to have exhausted themselves. The global crisis facing the capitalist system at the time was magnified by the oil crisis and calls for a new international economic order. This interacted with local developments in the various territories of the region to produce a situation of more or less generalized crisis. Everywhere in the region there was evidence of deep ferment and the desire for fundamental social change.. At the mass level this erupted into strong direct action which peaked with the Rodney riots in Jamaica and the "black-power" protests of Trinidad-Tobago. Alongside these occurrences, new political, civic, and social organisations were coming into existence. We have as examples new political movements like the New Jewel Movement of Grenada, the Working Peoples Alliance of Guyana, the Antigua Caribbean Liberation Movement of Antigua, Monali in Barbados, and the Workers Party of Jamaica, all of which established themselves during this period, and put forward programmes which promised to open up new directions of social change and political development in the region. At the cultural level, signs of resistance could be seen in many areas of life, from the renaissance of the calypso, the new thrust and direction of reggae music, the growth of West Indian literature, and even the rise of

Rastafarianism among the youth. Civic organisations like the Caribbean Conference of Churches and its local councils, human rights organisations, friendly societies and solidarity organisations, sprang up in the region, giving voice to the concerns of the poor and the powerless. New bold efforts at grass roots forms of self-organisation and cooperation in such diverse areas as the arts, agriculture, education and recreation sprang up in the region, and many of these received support from the other organisations expressing the content of the new social movements. Intellectually nationalism also developed as ideas of dependency, as well as Marxist theories of social change, influenced intellectual activity in the region, while in turn the region's intellectual activity sought deliberately to enrich these theories as well through drawing on the experiences of the region. Behind all this the image of Cuba as representing a new Caribbean society played an **extraordinarily** potent social role. These developments provoked responses and we find in the period that followed the stage was set for such major national experiments as Jamaica's democratic socialism, Guyana's cooperative socialism, and the endeavours of the Bishop regime in Grenada. In this part of the study we begin by outlining some of the basic issues as they affected the economic strategies which unfolded (Chapter 10) and we follow this by briefly examining the national experiments which followed in five countries (Chapter 11: Jamaica, Grenada, Guyana, Trinidad-Tobago and Barbados). The period ends in crisis in 1986.

CHAPTER 10: SOCIAL STRUCTURE, OWNERSHIP AND CONTROL:
THE BASIC ISSUES

I: Social Structure and Class

If by the social structure of the Caribbean we mean the sum total of classes, social strata, and groups, and their system of interconnections, then by the 1970's certain major features already distinguished the social structure of the region. Briefly these are:

i) Not only are the historical classes of our age (proletariat and industrial-financial bourgeoisie) underdeveloped, and along with it their characteristic organisations (trade unions, political parties, business lobbies etc) but since these are in an early phase of formation and their further development is impeded by economic and structural features of these societies, the class structure of the region exhibits more complexity and weakness than in the already developed capitalist economies of Europe and North America. The following observations illustrate this feature: 1/

• The working class. The region's employed working class is concentrated in four major areas - the mineral extractive sector, large-scale plantation - type agricultural enterprises, the emerging import substitution sector, and the services sector. The first two are the traditional colonial sources of wage labour developed, as we saw, in the later 19th and 20th centuries.

The third is oriented to the manufacture and/or assembly of consumer goods for the local high income and urban markets. As we have seen, frequently enterprises in this sector are either branch-plants of TNCs or operate under joint agreements with these. The services sector occupies a large proportion of the labour force, however, it is mainly the government and tourism, sub-sectors in this grouping that are effectively organized. Some sub-sectors, e.g. higgling and household services really constitute an "informal" sub-sector within this category. Many of the enterprises which offer employment in the services sector, apart from government and tourism are small and frequently concentrated in the urban areas.

Several features of the employment situation reveal the complexity of the class structure. One is that the working class is typically distributed among enterprises that are both large and small, foreign and local, highly concentrated in urban settlements and in isolated communities. A significant proportion of the female labour force is concentrated in two areas - lowly paid domestics in individual households, and in the recently established sweat-shops located in the export processing zones, as the firms located there shown an overwhelming preference for female employees. In only a few of the territories, e.g. Jamaica, is the employment of domestics in households covered by any social or industrial legislation. The complexity generated by the employment situation is compounded by the lack of unionization

of much of the labour force. Typically, only about one-third of the labour force is unionized, and even then, the unionized sector is frequently concentrated in the large establishments.

The fact that employment is spread among a large number of small establishments has not only hindered the unionization of the work force, but also the development of a sense of class identity and class solidarity, both necessary elements for united class action. The fact also that small scale employment frequently predominates even in the urban areas means that working class organisations are weak in politically sensitive areas - i.e., areas that house the seat of government, the administrative headquarters of political parties, trade unions, civic and social organisations, and the largest concentrations of students. There is also a considerable geographical mobility in the work force, so that workers may live and work in one area (a city, mining town, tourist resort, or a plantation) and maintain a household in a distant area, frequently a rural community. Sometimes the migration is international, and households are split over huge distances. In other instances seasonal migratory movements of the work force occur internationally as when sugar cane-cutters from the Leeward and Windward Islands go to Barbados, or agricultural workers go from the region to North America as short-term contract labour.

In addition, to the above considerations, it should be noted that substantial sections of the working class in the region have some access to private property from which they supplement their income, e.g., self-operated taxis, small land-holdings, small stores, etc. Significant sections also have skills that they sell on a part-time, spare-time basis, e.g. female higglers, carpenters, female seamstresses, electricians, plumbers, etc. These links to small property inevitably complicate the structure of the working class, its perceptions and behaviour. One factor affecting the work force which should not be underestimated is the seasonality of employment. Two of the region's major sources of employment, agriculture and tourism, are seasonal activities. This feature has bred a sense of insecurity in the work force, since seasonal employment has generally been treated as temporary employment, so that it is possible for a sugar cane worker to work seasonally all his working life and, end up being a temporary employee.

A significant new dimension has been added to the class structure of the region by the rapid expansion in recent years of the lower level salariat that is paid by the state - clerical workers, teachers, nurses, messengers, drivers, and other such service workers. As state functions and state property have grown and with it the development of state productive enterprises in manufacturing, export agriculture, mining, etc., this section of the work force has developed close links with

workers in the more directly productive sectors of these economies.

A final feature of the working class which should be noted here is that a large proportion of the labour force - particularly persons between the ages of 18 and 26, are long-term structurally unemployed. Unemployment rates in the region typically range between 12 and 30 percent, and can often represent as high as two-thirds of the labour force between the ages of 18-26.

The propertied classes. A similar complexity is found among the propertied classes. Thus, as we have seen, the manufacturing bourgeoisie which was so much cultivated in the post-war period have close family ties, while at the same time often possessing residency or citizenship of one or more country in North America or Europe. Thus in Jamaica the famous "21 families" dominate the locally controlled sections of the manufacturing, construction and distribution activities developed since World War II. In the region also, it is customary to find that the traditional landed oligarchy representing "feudalism in the countryside" and the emergent manufacturing bourgeoisie representing "capitalist relations in the cities" as they are classically defined, are not clearly demarcated. Indeed, they may overlap in one person or in one family creating a complex intertwining of pre-capitalist and capitalist property relations.

As we have seen the landed oligarchy has developed out of foreign penetration and settlement and has no indigeneous roots in the pre-conquest class structure. The structure of the peasantry as a land-holding class as we have already observed, is equally complex. The category includes a wide variety of landless peasants, small and medium peasants, "kulaks", any or all of whom may earn a substantial proportion of their income from wage labour on state projects, private haciendas, plantations and so on, as well as in a number of artisanal and craft-type activities. In addition the concept of the middle class is especially vague, as this class usually comprises a complex category that includes the lower ranks of landholders, professionals, including teachers, middle level management in state and private enterprises, small scale commercial operations, shopkeepers, artisans, and traders who work on their own account or with family labour.

The vagueness of "middle class" as a category is revealed by the fact that elements usually included in it can also be classified into other groupings; for example the lower ranks of the landowners can also be classified with richer peasants, while professionals can be included as part of the bourgeoisie. The middle class is sometimes equated with what is called the "intermediate strata" which is a term used to fill the middle ground or gap between the relatively clearly defined peasantry and working class and the major propertied classes (landlords and manufacturing bourgeoisie).

The state and petty bourgeoisie. The most significant development in the class structure of the region by the 1970's, and one whose importance has grown rapidly since, is the emergence of certain groups and strata associated with the expansion of state property. In the post-war period petty bourgeois control of state power has been the basis through which these groups and strata have sought to confirm their social position as a ruling class, albeit in the larger context of this class' relationship to the metropolitan power/imperialism and its superordinate ruling class. In the process of consolidating itself as a ruling class, a group of persons have developed and formed themselves around political roles and managerial positions in state enterprises. This group is one of the specifically post-war and perhaps post-colonial manifestations of this period. It has been variously described as the "state petty bourgeoisie", the "state bourgeoisie" or the "bureaucratic bourgeoisie". Whichever term is used, its essential features are control of state property, its "non-antagonistic" relation to the capitalist class in the center countries, and its re-enforcement of the continued reproduction of capitalist relations both locally and on a world scale. Some writers have tried to handle the complexity of the petty-bourgeoisie by distinguishing a "politics-administrative" element, comprised of heads of government ministries, top civil servants, the top leadership of the party, etc, and an "economic" element, comprised of heads and higher functionaries of public corporations and other state supervised economic enterprises. 2/

This is not a particularly useful formulation, however, because although these elements are identifiable members of the petty bourgeoisie, they have ^{each} strong kinship and other social ties to each other as well as to elements of the more traditional petty bourgeoisie, including the military, which has also expanded rapidly. 3/

A fundamental consideration which emerges from this development of state property and the petty bourgeoisie associated with it, is the reversal of the classical relations of economic power to political power manifested in the development of capitalism. Historically, in the developed capitalist countries, the political power of the bourgeoisie came after its consolidation of its economic power. Thus in the United Kingdom, the landed gentry prevailed in political influence long after the economic ascendancy of the manufacturing bourgeoisie. But as we have outlined here, in the region the consolidation of economic power follows after the seizing of political power and the state machinery. This development suggests the idea of a "state for itself", that is, a situation in which the people occupying the state use it to promote the economic interests of their group (comprised of family, friends, and political buddies). State power, in other words, is being used to form the nucleus of an indigenous bourgeoisie. It should be noted here that the expansion of state property in the region has seldom been opposed by local private capital since it has been directed against the dominance of foreign capital via nationalization, and not against capital as such. This is not to suggest

that conflicts have not occurred between local private capital and the state over such issues as internal regulation of the economy, foreign exchange and foreign debt policies, the desirability of IMF-type stabilization programmes, etc. Such disputes have occurred, particularly when there are interruptions and crises in the process of capital accumulation nationally and internationally. On the whole, however, private capital has benefitted from the expansion of the state and more often than not maintains close links with the state petty bourgeoisie. Indeed members of the business class frequently move into the state sector, when the state needs employees with entrepreneurial and managerial skills to run the nationalized enterprises.

A second feature of the social structure in the region is that its classes are more fluid - not only in the movement of individuals between one class and another, but in the changing nature of the classes themselves and their relative size. A good example of this is the rapid development of new urban based groupings - i.e., higglers, unemployed youth, etc, - as migration from the countryside to the cities continues. The development of a bourgeoisie and proletariat in the cities also co-exists with older forms of social relations, i.e. ethnic groupings - which act as mediating elements in the relations among the new urban classes. The mediation process in turn adds to the fluidity of class relations, and at the same time makes these even more

complex than would otherwise be the case. Furthermore, the rapid growth of urban centres is linked to the growth of two areas of economic activity, namely, the expansion of the import-substituting industry and a proliferation of small business and trading establishments. The growth of the former constrains the growth of the latter, which has been ruined by the introduction of machine production into import-substitution industries e.g. footwear, clothing, agro-processing, and so on.

The third feature is that the economies of the region can be described as "multi-structured" in that they combine numerous different forms of production and types of economic relations: branch plants of transnational enterprises, state property, peasant subsistence holdings, share-cropping, wage-labour, individual/family traders, artisans, commercial houses, local manufacturing enterprises, and so on. Each in its own way affects national production, accumulation, employment, and foreign exchange earnings so that monopolistic industrial and commercial corporations are not clearly dominant. Nevertheless, there remains as we have seen a pattern of specialized production of one or two commodities for sale in the world market, and a heavy reliance on foreign skills, technology and financing, despite the fact that even this specialized production embraces many different forms of enterprise.

As we have noted, the predominant role of production for the world market has led to a very special type of capitalist relations. In the case of classical European, American, and Japanese capitalism production was initially impelled by the requirements of the internal market and internal resources were developed in order to satisfy that market. The world market then developed as an extension of the domestic market, thereby ensuring that the predominant economic relations were interiorized.

In the region, however, this interiorization has not occurred.

The fourth significant element of the social structure of the region is the dominant role played by foreign capital, whether resident or not. This development underlines a larger historical phenomenon, which is the bourgeoisie alone of all the classes, has been able historically to organize itself as a class at the global level. However, although there is a foreign section in the ruling class structure of the region, it is not a "legitimate" part of the nation state insofar as neither its members (nor their resident representatives) are citizens. As a result, this section of the ruling class must find mechanisms to ensure its continued influence. The existence of this section of the ruling class therefore, inevitably complicates social relations and has an important effect on the structure of the Caribbean states.

Finally, in the region the interaction of class-based and non-property based structures is much more important than in the capitalist centre countries where class structures are more clearly defined. Thus in the region, **ethnic, sex,** religion, rural/urban and even language divisions interact with class and make the social structure even more difficult to analyze. The co-existence, and interaction, of non-property and class relations is the product of the particular stage of development of these societies, and until class structures, class consciousness, and class outlook become more defined, any attempt to understand the social structure of the region must take the nature and character of this interplay into account.

By way of concluding this discussion of the social structure, let me make a number of observations of direct relevance to the study. The first of these is that colonialism and external capitalist domination of the region (particularly the class structure and economic structure) are crucial factors to be taken into account in developing any theories of the laws of motion of these societies. This point is implicit in my earlier observations particularly those related to the specific nature of colonial domination which facilitated the development of petty bourgeois control of state power, and the fact that the independence settlements which were reached in the 1960s and after, were predicated on the exclusion of the masses from political power. This point constitutes

a continuing thread of the analysis and so it must be kept constantly in mind otherwise there can be no real comprehension of the dynamics of the crisis after the 1970's.

A second observation is that in the region where both the traditional classes of the capitalist social formation, (workers and capitalists) are under-developed, and where both of these classes are small in numbers and qualitatively weak, there is no clear hegemonic ruling class. Further, the proletariat, while the weaker of the two, has been in existence longer and so demonstrates the existence of an original contradiction between the local working class and foreign, even though both ^{the} local bourgeoisie and the proletariat developed under the domination of expatriate capital. The phenomenon observed here is a particular feature of peripheral capitalist societies .

A third observation is that the social and cultural conditions under which the working class developed in the region have produced deep divisions within it. This fracturing of the working class - whether along sexual, ethnic, cultural, or religious lines has led to racial, religious and other aspects of a "caste" outlook playing important roles in forming class consciousness in the region. This has frequently made it difficult to delineate class lines. Thus while it may be possible to predict, on the basis of past experience that

class consciousness will develop as capitalist relations deepen, at the moment the situation in these societies is too complicated for easy prediction.

A fourth observation is that the petty bourgeoisie that presently controls state power is not a homogeneous group, but includes several fractions - professionals, political administrative, state-economic, and private - and although fractional conflict exists generally, in the absence of an entrenched ruling class, its self-interest leads it to develop closer relations with national private capital. Because of these considerations the state takes on the characteristic of being a "state for itself", and in the absence of bourgeois democratic constitutional restraints, it can proceed rapidly to the institutionalization of all forms of corruption. This, we believe, is the central explanatory factor behind the rise of corruption, and the pattern which it has taken in the region, i.e., it constitutes a means of facilitating the consolidation of an economic base and the enlargement of property held by this class.

It is out of this complex situation that a final observation arises, which is, that despite the complexity and fluidity of the class structure, the pre-capitalist influences on class outlook, etc., class struggle nevertheless continues no less sharply than elsewhere. Indeed, as we shall discuss

more fully in succeeding chapters the development of state property and the consequent role the state has come to play as a major employer of wage labour, has enhanced class struggle. The reason for this is that in developed capitalist societies where private capital is dominant, the link between worker-capital conflicts and state power is not easily perceived by the general population; but in the circumstances of a significant state sector, and a major structural crisis of world capitalism the consequent impact on employment, incomes, etc, allows employees to see the link between the state and the dominant economic interests in the region more clearly.

II: Ownership and control

With the description of certain features of the social structure presented in the previous certain we can understand the crisis confronting nationalist policies in the early 1970's. Those policies, we observed, were based on adapting the then existing colonial model to the requirements of countries moving towards formal political independence, and as such they depended on four key measures, viz;

- 1) Capital importation as the major source of expansion of economy. While this led to a further deepening of the colonial dependence on foreign capital, the effort here was to adapt this

circumstance to the possibilities of a local diversification of economic activity through import substitution, the development of mining in new areas, and the promotion of tourism and off-shore financial services.

2) Diversification in the source of capital and trade dependence through exploitation of the geographic and strategic links with Canada and the USA. This process was facilitated by the decline of Europe and Britain in particular in the world economy, and the rise of the USA.

3) Implicit in the above was a policy of deepening the regions ties to the world market, and as it turned out it came to be believed ^{this} was best expressed by giving a dominant role to the TNCs. which effectively controlled technology, skills, finance, markets and management, in the diversification of the regional production structures.

4) No explicit policies for tackling poverty as a social problem in itself were actively promoted, although it can be said that some limited amelioration was clearly intended as can be seen in the introduction of a minimal range of social services. In general the distressed sections of the population depended on traditional sources for relief: friends, family, social agencies like the Salvation Army, Child Boards, and the churches. Implicit in this approach, also, was the expectation that in the natural order of things the growth

objectives which their policies were aimed at would trickle-down and/or spill-over into the under classes and so ensure the development of the whole society.

As we saw several economies experienced high rates of growth of per capita product during the post-war period, e.g. Jamaica, Barbados, and the Bahamas. While the point was made earlier that this often depended on the development of special sectors in largely fortuitious and unexpected ways, e.g. bauxite-alumina and tourist development, the point at issue, however, is, that even in these economies by the 1970s a range of problems (economic, political, social and cultural) had emerged. Thus as we saw unemployment in the region ranged from 12-40 percent. In Guyana in the farming community only fifteen percent of the peasant households depended on farming as a sole source of income. In a survey conducted by PAHO/WHO it was discovered that as many as 57 percent of the surveyed households depended on sources other than farming for more than one-half of their income. ^{4/} The survey also showed a complex situation of land titles, where more than one-third of the farmers surveyed did not have bona fide titles to their land. Only 48 percent of the farm lands surveyed had irrigation, and 62 percent had drainage facilities. Farmers were so poor that as many as 57 percent of the farms surveyed applied no regular fertilizers and 56 percent did not use insecticides. This picture of rural poverty is compounded when we consider

the social amenities available to rural households at the time. Thus the survey showed that as many as three to four persons slept in the same room at night. Only 53 percent of rural families had piped water running into their homes or yards, while one-eight of the rural housewives had to travel one hundred yards or more for water. Ninety percent of rural families used pit-latrines, while only 23 percent of rural dwellings had refrigeration. A study of eating habits showed that rural diets were low in energy, protein, riboflavin and niacin. Seventy-seven percent of rural households had less than the recommended daily intake of energy and 65 percent had less than the recommended daily intake of protein. Indeed, as many as 54 percent of the sample received less than 80 percent of the recommended intakes of energy and protein respectively. It is not surprising that whilst the survey showed that one-third of the labour power available on these farms was underemployed and that the average farm worker worked only seven hours per day, one-fifth of these did so because they claimed that they were "too tired to work". The evidence on malnutrition was confirmed by anthropometric data. Approximately 18 percent of the children in all households in Guyana suffered from malnutrition. However:

"malnutrition is more severe in the rural areas where 22% more infants and children under 5 years old are in Gomez Grades II and III than in the urban areas". 5/

In Jamaica evidence of poverty and inequality was no less striking. Thus Stone provides a portrait of the Jamaican class structure in terms of three major categories and seven sub-categories. 6/

A. Upper and Upper Middle Class

- | | | |
|----|--|------|
| 1. | Capitalists (owners and managers of large and medium business) | 0.5% |
| 2. | Administrative class | 0.5% |

B. Lower Middle Class

- | | | |
|----|---|-------|
| 3. | Independent property owners and middle level capitalists | 5.0% |
| 4. | Labour aristocracy (technicians, white collar, skilled workers ...) | 18.0% |

C. Lower Class

- | | | |
|----|--|-------|
| 5. | Own-account workers or petty capitalists (small farmers, higglers ...) | 28.0% |
| 6. | Working class (low wage manual workers) | 23.0% |
| 7. | Long-term or indefinitely unemployed | 25.0% |

The stratification is reflected in unequal consumption levels and access to social amenities. Thus as Kaufman points out his data show that in the Kingston area only 10 percent of the lower working class and 21 percent of the working class homes had a refrigerator or a stereo set. Only 40.6 percent of urban dwellings and 6.4 percent of rural dwellings had piped

water. As many of 45 percent of urban dwellings had only one room. Using an estimate of J\$30 per week and J\$50 per week for the poverty-line of peasant and working class categories respectively in 1977, he points out that Stone's data show that 84 percent of small farmers, 94 percent of the lower working class, and 50 percent of the working class earned below their respective poverty lines. The poorest 70 percent of the population consumed only 37 grams of protein per day (a figure less than the recommended daily allowance) even though on average 68 grams of protein per day was available to the population at large (that is, a figure one and a half times the recommended daily allowance). It was estimated then, that one in three pre-school children did not receive sufficient food energy and protein and that almost half of pregnant and lactating women were anaemic. ^{7/} The crisis of this period became more acute as the capitalist world system itself entered a period crisis brought about by the ending of yet another long wave of capitalist expansion, this one having lasted from 1945 to 1970. The long wave ended for a number of reasons, but the most important for our purposes are:

-- The end of the US hegemony in the capitalist world economy established after World War II and the emergence of a number of different growth centers, in particular the European Economic Community (West Germany) and Japan.

- The rapid growth of Eastern Europe, particularly when measured in terms of its contribution to gross world output, to manufacturing, to technology and to armaments production.

- The emergence of the oil-producing states as a major economic force brought about by the oil crisis and the impact this has had on the global division of income.

- The growth of nationalist measures in the periphery, whose objective is to alter the terms of their engagement in the world division of labour.

The structural crisis of world capitalism has manifested itself in many ways: a sluggish demand for imports, international inflation, persistent balance of payments crises in several important capitalist countries, the development of nationalist and "beggar-thy-neighbour" policies that have put severe pressure on international regulatory mechanisms. The generalized foreign exchange crisis and the slow growth in the demand for exports of the nonoil-producing countries of the periphery have also forced a growing indebtedness (with the attendant risks of default), and restrictions on demand for imports. These in turn have led to lower domestic consumption, a shortage of consumer goods, raw materials, spare parts, and so on and to reduced domestic production because of the high import content of domestic output and

consumption. Not surprisingly the period was marked by considerable ferment and agitation. Popular resistance to all forms of foreign domination was widely expressed and these peaked in a number of social explosions: the Rodney Riots in Jamaica, the Black Power revolt in Trinidad-Tobago in 1970, and the crisis in the Dominican Republic in the late 1960's. As we noted a number of left wing political parties also developed out of this increasing consciousness of foreign domination and the need for change. In the ideological struggle which ensued a key issue which emerged was the extent of foreign ownership and domination of the economy of the region. Since raising such an issue was in effect to question a key premise of both the colonial and later the nationalist strategy for regional development, this turned out to be an issue of immense significance in the pursuit of means to overcome the crisis.

Crudely put opponents of existing strategy argued two things. First, regional ownership was a necessary, and misguidedly to many, a sufficient condition for indigenous regional control of its resources, and secondly, it was argued that only with such ownership and control was it possible for models of economic development on which policies were developed to be oriented to the needs of the historical majority - the poor and the powerless. When put in such a crude form, as it was frequently done, a number of complex considerations were definitely by-passed. To take a few examples; did regional

ownership and control necessarily further mean either state control or control by indigeneous private capital? Was ownership and control indifferent to everything but the nationality of those in control? In other words, were these class related categories? Was local ownership and control in whatever form capable of producing rates of material progress comparable to that of the earlier periods and therefore in keeping with the expectations of the masses in whose name such control was sought after? What were the domestic political implications of these choices? What international ramifications did they entail and how far could small, vulnerable economies in the "backyard" of the world's most powerful imperialist state pursue policies in contradiction to the historical evolution of imperialism itself?

With the vision of hindsight (which is of course more easily 20:20 than foresight), the vital significance of all these considerations appear self-evident. At the time, however, they were not and to be frank a number of serious errors were made, as shall be observed in some detail in the succeeding chapters. Here we would like to confine the discussion in remainder of this chapter to an examination of the broad characteristics of the four major approaches to the issue of ownership and control which as events proved, were to be pursued in the region. Before turning to this, it is important to recall very briefly at this stage some of the changing

character of TNC domination in the region referred to earlier, as it is important to the discussion. First the exclusive dominance of UK firms was being replaced by North American companies. Second, the major sectors under TNC control were no longer the old plantation and raw materials producing sectors. These remained important, but even here new crops, e.g., bananas, and new raw materials, e.g. bauxite-alumina in Jamaica, and manganese in Guyana, were being developed under their control after World War II. The newer areas were tourism, banking, finance, and other related services; import substitution manufacturing and agro-processing activities; with a limited spill over into exports and here it was confined mainly to the regional market; and export-processing zones. Large scale capital projects in joint venture arrangements with governments in the area, e.g. steel and fertilizers in Trinidad-Tobago, as well as in the more traditional manufacturing areas were also of importance. Examples of the latter are in Barbados, Government/TNC joint ventures in dairying and sea-foods; and in Trinidad-Tobago in flour-milling.

The policy responses to regional ownership and control were to take four major forms:

- i) - localization of "decision-makers" in foreign enterprises;
- ii) - requiring foreign firms to localize their ownership by raising a substantial part of their capital through local equities;

- iii) - state participation through joint-ventures;
- iv) - nationalization or compulsory acquisition.

In broad terms these four policies either reflected stages of evolution of policy or the degree of radicalism in the approach of governments to the problem. 8/

Localization of Management

Throughout the region a great deal of state activity was directed toward publicizing and pressuring foreign-owned companies to allow participation by nationals in the higher levels of management and decision-making. This strategy sought to find attractive employment outlets for local skilled personnel while at the same time claiming that such an infusion of indigenous people into key management positions will serve to localize these companies in their operations and decision-making. Inasmuch as such localization is seen as operating to dramatically offset one of the major means of perpetuating dependency, it is not infrequent to find that progress is simply measured in terms of the number of foreigners whose jobs have been taken over by local personnel-and, judging from the propaganda claims all around, this progress has been claimed to be quite considerable.

There are of course very serious limitations to the effectiveness of this approach, two of which we can single out as being the most fundamental. In the first instance, while this policy is undoubtedly a logical extension of the dismantling of the administrative apparatus which began during the struggle for constitutional independence, it nevertheless seriously underestimates the social power of these institutions and their almost total control over individual lives. Pursuing such a policy in the context of a drive to establish an indigenous capitalist class can contribute very little to the struggle to transform the mode of production because the local persons, when appointed to positions in these companies, inevitably move into particular institutional structures which in turn have developed their own particular ethos, values, life-styles, and ways of doing things, all in direct relation to the imperatives of exploiting local resources for the benefit of metropolitan capital. These nationals, therefore, function in an institutional situation where there are strong historically built-in pressures to conform to the patterns of behaviour of the enterprises. The pressures inevitably continue as long as the individual is a functioning part of the corporate entity.

But as this socialization process continues, it becomes evident that instead of the company becoming more and more national in its outlook, character, and purpose, it is in fact the nationals who are becoming more and more integrated

into this foreign system and who usually end up as extensions of the exploiting corporation. In this conflict between effective localization and integration into the existing company system the enterprises are indirectly aided by the very public policies which seek to encourage capitalism. Thus these policies create a contradictory situation in which it is easy for the national bourgeoisie, which they themselves seek to create, to become more effectively denationalized in practice, since it is required to operate as a peripheral force to international capitalism. The large numbers of these personnel in the region who possess residency status in North America or Europe facilitates this socialization outlook.

It is their confidence in this acculturation process that encouraged many of the TNCs not to resist pressures for localization, but instead to appear to eagerly welcome nationals into their operations. It is by now a well-accepted part of the corporate strategy to acquire a national image this way, knowing full well that this will hardly endanger the true nationality of the corporation. For those of us living in the region, proof of this can be readily seen from the striking frequency with which the news media refer to these various promotions and appointments, often made to very public positions, so as to maximize their publicity value. Thus we have a pattern of appointments to directorships, either on boards with little authority or on boards which have

authority but where the local appointments are in a minority; of appointments to public relations offices; and, of increasing strategic importance, of local appointments as personnel officers. The latter has the additional advantage of being able to divert workers' hostility by "hiding" the true identity of the enterprise. Whatever the particular stratagem employed, these companies seek, as indeed they must, to undermine the significance of this strategy to nationalize their operations. They naturally hope to be able to exploit the dynamics of cultural and psychological dependence. In the region, the sheer weight and power of international capitalism are in their favor, and it is correspondingly difficult for their entrenchment to be overcome in this way.

The second weakness of this strategy arises from the technique of organizational substitution which has been facilitated by the technological possibilities of computerisation and virtually instant communication. This process permits the companies to let nationals nominally fill managerial positions while at the same time depriving these positions of any decision-making significance by referring to the head office decisions that would normally and routinely be made locally if the head office had the uncontrolled and uncontested right to appoint management. Of course, insofar as the previous argument holds (i.e., that local management is acculturated to the values of the enterprise and is also assumed by the head

office to be efficient), the need for this form of organisational substitution is diminished. The degree of substitution can be seen as a useful gauge of the importance of cultural and psychological dependence in the development of the local managerial class.

The beneficiaries of the nationalist pressures on the corporations are supposed to constitute the embryo of an indigenous capitalist class. They are supposed to acquire from their jobs and their positions in the multinational firms the technical and managerial skills which will enable them to play a pioneering and innovative role in the transformation of their economies. But, being dependent on the multinational corporations and on local nationalist sentiment to ensure their mobility, it is not clear where they were to get the capital for indigenously owned enterprises, even should they acquire the necessary entrepreneurial capabilities. Some therefore engage in petty businesses, mainly housing and land speculation, as sidelines, but it is clear that the returns are marginal to the capital needs of the society. The class remains at present objectively very much a dependent offshoot of the multinational firm and probably will become little more than a further agency for internalizing the dependency characteristics of the society.

Local Share Issues

The second strategy (i.e., issuing local equities in order to ensure local private participation in the ownership of the enterprises), also contains a number of fundamental limitations. First, practice has shown that when compelled to incorporate locally these companies have managed to issue shares in such quantities, and in such a way, as to avoid putting any real control of their companies into jeopardy. They are often encouraged in this by generous timetables set by the local governments for achieving stated levels of local private participation in their activities. The governments argue that these generous timetables are necessary to minimize disruptions of the local capital market. Second, this device is strongly reinforced by the tendency for these shares to be taken up by other similarly "local" enterprises (e.g., a financial company that has been previously localized in a similar fashion, or by a particular group of local businessmen who specialize in the partnering of local and foreign capital).

A third difficulty with this strategy derives from the familiar strategem employed by the companies of making the local share issues raise sufficient funds from the local capital market to finance the physical construction costs of the enterprise, while exchanging the remainder of the shares for

patent rights, technical services, etc., from the parent firm. Furthermore, where the enterprise is already a long-established and going concern, the issuance of local shares to enable participation in this way simply provides the firm with funds that it may then choose to invest elsewhere, particularly if the fear of local incursion into its control is taken seriously. In the context of this strategy of issuing local shares, where foreign capital comes, woos local capital, uses it, and controls it for foreign ends, it becomes impossible to sustain the claims by its supporters regarding its ability to augment national resources.

While this clamor to issue shares on the local market is often directed toward foreign-owned enterprises, at the same time, there remain many locally owned firms that are not very public in their ownership structures and that remain in the firm and uncontested grip of particular families and business cliques. While, in terms of capital employed, these are of lesser importance compared to their foreign counterparts, this failure to implement positive policies aimed at diluting their ownership structures serves to emphasize that the strategy is based on the creation of a new local capitalist class to replace the foreign capitalist within their enterprises and does not in any way seek to contest the legitimacy of the capitalist structure itself.

Majority Joint-Ventures

The third strategy, that of the state being the majority shareholder (i.e., the 51 percent formula), is the most common among the progressively inclined states in the region. While the regional struggle to contain the multinational firm is implicitly anti-imperialist, when pursued in the context of generating an indigenous capitalism there are at least three basic reasons why this policy is incapable of leading to effective control of local resources.

First, given an absence of local confidence regarding knowledge of the technical, marketing, and managerial processes of the firm, such participation in ownership has been frequently counteracted by the practice of simultaneously entering into management contracts with foreign capitalists. To the extent that this practice prevails, it is possible for these arrangements not to diminish the power of foreign decision-making in these enterprises. Moreover, when pursued in the context of generating a local capitalist class, this policy does not provide a dynamic basis for phasing out these foreign decision-makers.

Second, experience has shown that contracts made for these services often constitute a significant income drain. Thus as we shall see in both Guyana and Manley's Jamaica when

a "socialist" program for phasing out this foreign dependence existed, management contracts have been concluded on such bases as the total rate of sales (turnover) of the firm. Since such expenses are prior to profits, we find firms having persistent commercial losses forced to carry the income drain of foreign management contract payments. In other instances, either full profit repatriation is guaranteed or the state implicitly, or occasionally explicitly, accepts the obligation to "manage" and "stabilize" the labor situation. All these in effect provide these firms with guarantees they never would have had in the absence of state regulation.

The third fundamental weakness of this strategy lies in a basic misunderstanding of what a multinational corporation, and particularly an exporting corporation, represents locally:

"It is essentially a plant. It is not a firm. It is true that there are titles such as Directors, Managers, Managing Directors, etc. But the local expression ... makes no decision as regards prices ... output ... levels of investment, or the markets. All these are done at the head office, where decisions which normally define a firm are made. The apparatus which exists locally is just a participation in a multi-plant firm. Therefore, when we seek meaningful participation, it is not simply to acquire a share in the local apparatus, but to ensure that inroads are made into the decision-making centers which exist in the North Atlantic. 9/

If this point is not fully grasped and if the thrust of state policy is confined simply to legal ownership of part of the expatriate enterprise, there will inevitably be little change

in the content and methods of production.

Nationalization

Nationalization has been heralded as the most radical of all the approaches. In practice, however, the nationalization experiences of the region should not be confused with expropriation, as say occurred in Cuba after the revolution. In every known instance the firms which have been nationalized in the region have really been purchased from their owners by the government concerned as part and parcel of a negotiated purchase and sale agreement. There are also no known instances of firms disapproving of any of these final settlements to the extent of either stating this publicly or pursuing lines of redress either through referring the matter to the government's of the countries where their parent companies are located or through international legal arbitration. One immediate consequence of such a purchase has been to increase the foreign indebtedness of these countries and so add to foreign exchange and balance of payments pressures which later emerged as the crisis both nationally and internationally deepened. A good example of this, is as we shall see, Guyana. Apart from this consideration, a number of other defects of this strategy are also evident. One of these is the existence of management contracts after nationalization, and the income drain which this has historically constituted. Second, in the absence of qualitative changes in the character

of the state, a certain sequence of degeneration has unfolded itself. There has been a growing bureaucratisation of economic enterprises which has turned out to be costly in terms of efficiency. Further, in cases where the state is corrupt and/or its functionaries this has opened the way for clientilism, nepotism, graft, and so on, to become institutionalized. Later confusion develops over the objectives and criteria for efficiency evaluation, in these enterprises. This is particularly noticeable in situations where as with bauxite-alumina in Guyana, nationalized concerns previously undertook responsibility for certain social functions traditionally within the purview of the state, or alternatively where downturns in economic activity world-wide impinge themselves on the markets for these firms output. As these developments have made themselves manifest in the management of these enterprises economic rationality has rapidly gone into retreat. 10/

Because the purchase of TNC assets under nationalization programmes result in a fixed charge on these enterprises, these companies have not resisted these developments in the region, and indeed cases can even be cited where they have precipitated their own "buyout" by the government as a means of shifting to the no-less-profitable but far less risky reliance on management, technology, marketing and licensing agreements with the government as the new owners. 11/

As the crisis has deepened in the region.

we find that regional governments have tended to reverse many of their earlier positions as they now believe they need the TNCs more than the TNCs need our resources. This has opened the way for divestment policies, particularly in Guyana and Jamaica. This story, however, is taken up in the final section of our study.

Notes to Chapter 10

1. The discussion here draws on my earlier work, "The Rise of the Authoritarian State", 1984, particularly P49-66.
2. See, I. Shivji, Class Struggle in Tanzania, Monthly Review Press, New York and London, 1976, also the reference cited at (1) above.
3. See the reference cited at (1), P.61-63. Guyana has the largest military establishment in the region, at least on a per capita basis. It is estimated that one in every 35 persons belong to one or other security service. This point is referred to again in the discussion of Guyana in the next chapter.
4. PAHO/World Health Organization, The National Food and Nutrition Survey of Guyana, Scientific Publication no. 323, Washington, D.C., 1976. See also G. Standing "Socialism and Basic Needs in Guyana", in G. Standing and R. Szal, (eds), Poverty and Basic Needs, ILO, Geneva, 1979.
5. PAHO/WHO publication cited at (4), P.32.
6. Table cited in M. Kaufman, Jamaica Under Manley; Dilemmas of Socialism and Democracy, Zed Books Ltd, Between the Lines and Lawrence Hill and Co., London, Toronto and Westport, Connecticut, 1985 from Carl Stone, Democracy and Clientilism in Jamaica, Transaction Books, New Brunswick, New Jersey, 1980.
7. Data taken from Nutrition Advisory Council, "A Food and Nutrition Policy for Jamaica", (mimeo), Jamaica, 1975. Cited in M. Kaufman op cit.
8. The discussion of this section draws on an earlier work, Clive Y. Thomas. "Dependence and Transformation", 1974, P.88-96.
9. Clive Y. Thomas, "Meaningful Participation: The Fraud of It", in D. Lowenthal and L. Comitas (eds), The Aftermath of Sovereignty Doubleday, New York, 1973, P.358-359.

10. Clive Y. Thomas, "State Capitalism in Guyana" in *A. Payne + P. Sutton (eds) Overcoming Dependence: The Political Economy of the Commonwealth Caribbean*, Manchester University Press, Manchester, 1984
11. See Clive Y. Thomas, *Plantation, Peasants and State*, University of California, Los Angeles and University of the West Indies, Jamaica, 1984, P.145-162. For further discussion of the issues raised here see the following works by Girvan. N. Girvan, *Corporate Imperialism, Conflict and Expropriation*, Monthly Review Press, New York, 1976; "Economic Nationalists vs Multinational Corporations. Revolutionary or Evolutionary Change?" in C. Widstrand (ed) *Multinational Corporations in Africa*, Uppsala, Sweden, 1975; "Caribbean Mineral Economy" in G. Beckford (ed) *Caribbean Economy*, ISER, University of the West Indies, Jamaica, 1978, P.92-129; and "Why we need to Nationalize Bauxite and How", in *Readings in the Political Economy of the Caribbean*, (ed) N. Girvan, & O. Jefferson, New World Group Ltd, Jamaica, 1971, P.217 - 240.

CHAPTER 11: NATIONAL EXPERIMENTS: THE "RADICAL" OPTIONS

In this chapter we shall examine three countries of the West Indies which opted for what the political leadership described at the time as "radical" or "socialist" solutions to the crisis confronting their territories in the 1970s. In light of the many issues surveyed in this text it would be impossible to attempt here either a detailed analysis or case studies of the various countries of the area. What I shall try to do is to focus on the major policy thrusts with a view to evaluating their general success, or lack of it, and the potentiality for success, if any, inherent to the approaches. The references given from time to time would enable the interested reader to pursue the rapidly growing literature focussing on these countries as important case studies of Third World attempts at social transformation.

I: Democratic Socialism and Conservative Reaction: Jamaica

It is difficult to determine which of the countries under consideration, (Jamaica, Grenada and Guyana) has attracted the most attention at the regional and international level as social experiments. What, however, is quite certain, is that at the level of international propaganda about the merits/demerits of "socialism" and "free enterprise" as models of

Third World development, Jamaica has attracted an extraordinary amount of attention. This is partly due to the active role played by successive US administrations in the internal affairs of Jamaica, particularly in destabilizing "Manley's socialism" in the period 1972-1980 and supporting "Seaga's free enterprise" approach since then. It is also in part due to the leading role Manley has played in the recent history of the Socialist International. The position has been summarized as follows:

"The Fall of Michael Manley, the Socialist International's most important representative in the Third World, dealt a serious, if not fatal, blow to the gradualist strategy of social change advocated by broad sectors of the Caribbean left and endorsed in recent years by the Cuban leadership. At the same time the restoration of the stalwartly anti-communist JLP provided the Reagan administration with an invaluable collaborator in its crusade to contain and roll back the wave of revolutionary mobilization that has swept the Caribbean and Central America since 1979." 1/

It has also been alternatively put as follows:

"In the last few years Jamaica has aroused more interest in the eyes of the world than any other country in the Commonwealth Caribbean ... the whole Manley experiment constitutes dramatic evidence of the problems and possibilities that attach to 'democratic socialist' strategies of reform in trying to overcome dependency in the Third World." 2/

Policies

To appreciate the nature of the solutions offered by Manley's democratic socialism, it is necessary to bear in mind that between World War II and 1972 Jamaica more than perhaps any other West Indian territory epitomized the classic forms of the colonial-nationalist strategies discussed in Part 2 of this study. This period witnessed a rapid growth in its domestic output as the bauxite-alumina and tourism sectors expanded on the basis of large foreign capital inflows. Between 1950 and independence in 1962, nominal GDP grew seven-fold, and per capita national income and foreign trade grew eight-fold. In real terms, the GDP had grown at a compound annual rate of 5-6 percent while real per capita GDP had grown at 3-4 percent per annum. Foreign savings financed about one-third of total investment in this period. One reflection of the growth of these new sectors is that whereas at the end of World War II the traditional exports were sugar, bananas, and other agricultural products together accounted for 96 percent of merchandise trade, by the mid-1960s their share had been reduced to 37 percent.

Despite the rapid growth in national income, a severe crisis of development existed in 1970. Between 1962 and 1972, unemployment had grown from 13 to 24 percent of the labour force. The unemployment situation was magnified by the closure of migration outlets, as UK governments in

particular sought to bring the flood of West Indian immigration into that country, to a halt. Income distribution had also worsened, with the personal income earned by the poorest 40 percent of the population declining from 7.2 percent of the total in 1958, to 5.4 percent in 1968. In absolute terms, the income of the poorest 30 percent of the population had fallen from J\$32 per capita in 1958 to J\$25 in 1968, measured in constant 1958 dollars. At the same time the evidence shows a continued consolidation of the traditional hegemonic groups in the society. Reid shows that at this time 21 families accounted for 125 of the 219 directorships in corporations registered in Jamaica. These same families also accounted for approximately 70 percent of the chairpersons of the various corporate boards. Not one firm was in the hands of blacks who nevertheless made up 80 percent of the population. Of the 219 directorships only 6 were held by blacks, and of these two were government appointments in joint-venture arrangements. ^{3/} Allied with this there was extensive foreign ownership in the major sectors of the economy, e.g. mining 100 percent; manufacturing 75 percent; financial services 66 percent; transport 66 percent; communications, storage and tourism all exceeded 50 percent; and sugar was 40 percent. The Jamaica bourgeoisie was therefore limited, linked together by family ties, and in economic terms, subordinate to North American and British capital.

The Manley government's strategies to deal with this situation consisted of five major elements; namely policies geared to:

- reduce the dependence of the economy;
- create a mixed economy with the commanding heights under state control;
- reduce social inequalities;
- deepen political democracy;
- forge an independent foreign policy.

As Manley himself has defined his domestic policy:

"We began and ended with four basic commitments, each of which bears a relationship to and reinforces the other three. Firstly we wanted to create an economy that would be more independent of foreign control and more responsive to the needs of the majority of the people at home. Secondly we wanted to work for an egalitarian society both in terms of opportunity and also in the deeper sense of a society in which people felt that they were of equal worth and value. Thirdly we wanted to develop a truly democratic society in which democracy was more than the attempt to manipulate votes every five years. Finally, we wanted to help, indeed accelerate the process by which Jamaicans were retracing the steps of their history." 4/

Manley's effort was overall guided by the desire to find what he termed as a "third path":

"The PNP won a landslide victory in the general elections of February 1972. Before our eyes were these two models - Puerto Rico and Cuba. Surely there was another path, a third path ... we were to spend the next eight and a half years in our periphery exploring that third path." 5/

It is in the context therefore, of this central thrust to discover and pursue a third path that Manley's economic policies in Jamaica must be analysed. It is important to note from the outset that Manley was not aware of what that path was, but he has expressed a faith in the certainty of its existence. In relation to the first element of strategy listed above, the goal was to bring the foreign control over the economy to an end through the combination of two sets of policies, namely, selective nationalization, and the imposition of a tax system on the bauxite-alumina industry, which formed the core of the economy. The policy of selective nationalization was directed to the public utilities, those parts of the sugar economy under foreign control, some textile operations, the flour refining industry, some financial institutions and hotels in the tourist industry. These nationalizations reflected the traditional concerns expressed earlier e.g. need to keep natural monopolies in the hands of the state (public utilities), and to rescue ailing industries in order to minimize economic and social dislocation (hotels). However it was argued then that the end result would also be an enlarged influence of the state sector on the pace and direction of internal capital accumulation, with the possibility of using this to develop other industries so as to forge forward and backward linkages within the national economy. It was on the basis of this rationale that the state sought to promote the formation of agro-industrial enterprises and to bring distribution under

closer public control through the establishment of a state trading entity and the state importation of certain basic goods.

It is important to note that all the nationalizations of the Manley period were undertaken with prompt and adequate compensation. Manley himself described his government's attitude to capital as follows:

"We were determined to try to put the whole question of foreign investment on some kind of national basis. Make no mistake about it: we wanted foreign investment ... but we were not willing to continue the approach to foreign investment of the Puerto Rican model type, where foreign investment is seen as the main engine of development with all policy being made to revolve around the entrenching of that element. We saw foreign capital as part of but not the whole of the development process." 6/

As regards local capital Manley's regime often expressed support for local small business which it no doubt saw as a counterweight to the entrenched influence of the famous 21 families. At the same time, however, its allies within this family were invited to play active roles both in negotiating the nationalization of foreign capital and administering the state enterprises which were subsequently created.

The bauxite policy adopted by Manley is in many ways the most interesting of those initiated during his administration. Although it falls short of nationalization, ironically it provoked

more protest from the companies than any of the nationalizations. The declared aim of his bauxite policy was to secure a "limited disengagement" of the country's most vital natural resource from control and ownership by Europe and North America and simultaneously to promote the closer integration of this resource into the production system of Jamaica. The former goal was pursued in policies aimed at securing state participation in the ownership of the bauxite companies operating in Jamaica, the formation of a world-wide cartel of bauxite-producing countries, the introduction of a tax levy,

and the formation of a Jamaica Bauxite

Institute. The second goal was to be achieved through repatriation to the local peasantry of lands owned by the bauxite companies and held idle, and the development of an aluminum smelter complex in association with other regional countries; Guyana, Trinidad-Tobago, Mexico and Venezuela. Over the period of Manley's government it secured 51 percent of the local operation of the bauxite-mining companies, and 6-7 percent of the companies which produced bauxite-alumina. While the purchase price was based on relatively low book values, certainly in comparison with market prices or replacement costs and the rates of interest were attractive, the agreements nevertheless included the very profitable management contracts clauses already discussed in the previous Chapter. It should be noted that it took several years to negotiate the partial ownership and return of idle bauxite lands.

What the government eventually did was to purchase all lands and then re-assign portions to the companies to mine bauxite at the level the companies desired with a guaranteed of access to ore reserves over the next 40 years.

As we noted earlier the companies resisted the levy and took the issue for legal settlement. After strenuous effort the International Bauxite Association was formed, but this did not turn out to have the teeth of OPEC. For one thing Australia a developed capitalist economy was a member and had little interest in disrupting the international economy the way the oil producers had; for another, as Manley pointed out the other Third World countries of the association showed a low level of interest in asserting the monopoly power of the association, and in fact they all imposed levies on their bauxite sales lower than Jamaica's, in order to preserve their competitive advantage. During the period of Manley's government bauxite-alumina sales were diversified to Eastern Europe, but by all accounts the terms were not particularly concessionary price-wise. This diversification nevertheless, opened up the possibility of stable long term sales contracts, and this must have constituted a major advantage in marketing the product in these countries. Finally, by 1980 a deal was signed with Norway for that country to establish an alumina plant in Jamaica, but this never came to fruition as Manley lost the elections in that year. In like manner, Manley's efforts to get regional countries to pool

resources in order to establish a major alumina complex never managed to get off the ground by 1980. The effect of the levy was to lead to a substantial growth in bauxite earnings. These increased from an average of US\$30 million between 1970-1973, to an average of US\$164 million between 1974-1977, and US\$196 million for 1978-1979. During this period, however, as we have previously noted Jamaica's share of world output fell rapidly. This was due to three major factors, the rapid growth of the industries in Guinea and Australia, and later Brazil; the policies of the companies in Jamaica cutting back production to reduce the impact of the levy on their global operations; and the general uncertainty created by the government's confrontation with the companies. In relation to the third of these factors, it should be noted that recorded foreign capital inflows through the bauxite-alumina sector in Jamaica dried up in the later years of Manley's rule. Further, mainly because of concerns raised by the companies to the levy, insurance to Jamaica was suspended by the Overseas Private Investment Corporation.

In relation to the land a moderate land reform programme was instituted by the government, based largely on a land lease programme and the establishment of productive cooperatives in sugar. The focus of the land lease programme was "to put idle lands into idle hands" and the scheme was modelled on one created by the bauxite companies to put idle bauxite

lands into productive use through leasing them to small farmers. Basically the programme required government to lease to small farmers its own lands as well as privately owned lands which it acquired where holdings were in excess of 100 acres and were kept idle. In the first stage the leases were for a period of 5-10 years and the second stage, (never effectively revealed during the period of Manley's rule), required a longer lease, and a more definitive cooperative structure was to be established in order to fulfill the obligations of the programme.

In a number of important soci-cultural areas several innovations were attempted by the Manley government. Legislation was introduced to deal with a number of trade union-worker situations which needed remedying, e.g. minimum wages for certain categories of workers, maximum working hours in some industries, severance pay, maternity leave, sickness benefits, and the initiation of worker participation programmes in the public sector. In the area of education considerable attention was paid to the pre-primary or basic period, and the post-primary, or secondary period, particularly by way of curricula reform, the training of teachers, and the provision of improved physical facilities. In the area of health broad reforms were also attempted. In general the aim of the government was to make the social welfare services which it provided meaningful and effective in order to relieve the situation of the mass of the

impoverished population. It was with this rationale in mind that the government provided unemployment relief through a number of sites and services works programmes, sought to upgrade the public media as fora for public education, and even to improve the system of taxation by taking measures to counter the extensive tax evasion practised by the well-to-do.

In its external relations, efforts were made to diversify trade contacts away from North America and the U.K., which in the early 1970's accounted for as much as 90 percent of the country's trade. By 1980 this was reduced to 60 percent, with the CARICOM area, Latin America, Japan, and Europe (East and West) becoming important as markets for Jamaican produce and as sources of imports. In this drive Manley was very vocal in this support for a New International Economic Order. Perhaps his most major radical departures on the external economic front were the development of technical assistance/trade/and other economic relations with Cuba, and the formation of the International Bauxite Association, headquartered in Jamaica.

To cope with the historic powerlessness of the masses Manley's government advocated more popular forms of democracy than periodic national and local elections, e.g. workers participation, and community councils. The latter were promoted as a "a new arena for group co-operation and, consequently, a new focus for a sense of communal reality". ^{1/} These communities were constituted over:

"a defined geographical area in which residents share basic services and institutions, and where residents regard themselves as having common interests and needs. Examples of communities are village, districts, housing schemes, neighbourhoods". 8/

The functions of these organizations were to initiate, develop, and implement plans and programmes for the community in liaison with government and other non-governmental agencies; to mobilize people to participate in community affairs; to disseminate public information and provide fora for community discussion and education on issues of importance to it; to represent communities in relation to other agencies; and to coordinate their relationship to government agencies and non-governmental organisations.

Weaknesses

In the course of time several generally recognized weaknesses emerged in the program of the Manley government; some of these were intrinsic to the proposed policies, given the context of their implementation, while others developed because^{of} either poor conceptualization, articulation, implementation, or monitoring and evaluation. In the interests of brevity I will list some of these serially before proceeding to evaluate the overall success of "the third path".

- i) In any society undergoing a fundamental transformation there would be difficulties in arriving at a correct blend of

social reforms and material progress. In societies such as Jamaica, where resources are limited and the size of the economy markedly small, these difficulties are compounded. In both the articulation of its policies, and their implementation, Manley's regime seems to have, at best underestimated the role of sustained income flows (and in particular in their foreign exchange form) in creating the social space required for social reforms. This is a complex issue, linked in part to the expectations of the masses, the alternative experiences they are exposed to through the media, and the degree of political and social mobilization which is achieved. It is the last, which I believe that ultimately determines the trade-off between present and future, or the extent of self-sacrifice which the masses would accept. As a general rule they are more likely to accept poverty if they believed that their social power has increased to the point where it is irreversible, and where they and their representatives can play the leading role in undertaking serious programmes to secure its permanent eradication.

ii) The articulation given to the plans of Manley and the PNP look much clearer after the event, than during it. For most of the period there was no comprehensive plan or framework to guide economic policy. Thus the period 1972-1974 differs significantly from the period when the IMF became intimately involved, and in this latter period there were many different starts and false starts. This criticism is not intended to suggest that the PNP should have had some hard and fast

comprehensive plan which it stuck to, through thick and thin. It merely seeks to advance the view that the strategy emerged confusedly, as events, more often than not unanticipated, bore down heavily on the government forcing reactions. In other words the strategy employed by Manley was largely ad hoc and pragmatic, and rationalized after the event in terms of the orientation of the ideology of the government. Because this ideology was phrased in radical terms the consequence of this was largely predictable. As Barry et al put it:

"For all the criticism leveled at it by the United States, the Manley government was never a radical government with a plan for a substantial restructuring of the economy. The PNP had not formulated an overall plan to mobilize domestic agricultural and industrial workers. Consequently, it fell helplessly victim to international and local pressures". 9/

iii) The record suggests that many of the programmes put in place by the PNP failed because of mal-administration, a good example being the Community Enterprise Organization, which although termed the key element in popular mobilization, never really got started. By December 1980 only 86 of these were financial with a total expenditure of only \$6.6m. Yet the 1978-1982 development plan described them in such exalted terms as "a higher stage of development in socialist relations of production than the cooperative" 10/ and goes on to argue that they were "ideally suited to undertake an integrated complex of socio-economic activities primarily oriented toward

satisfying the basic needs of the community". 11/ In structure these organizations took two transitional forms, namely the Pioneer Farms where "idle hands were put on *idle* lands" to work cooperatively, and an urban unit which would use idle buildings, land, and other facilities, unemployed labour, and local materials. Although in the 1978-1982 plan it was envisaged that 300 farms employing 15,000 people would be created, by the end of Manley's rule only a few existed. As regards the urban units, it was not until 1979, that is two years after its first announcement, that the first of these were established and then in a form where their "socialist content" was watered down to the point of unrecognisability.

Apart from the negligible quantitative impact, many of the community organizations were criticised for being cooperative in name only. The record suggests that many remained inactive paper institutions and only a few lived up to the high promises and expectations of the original concept. Many did not have a building of their own and in some instances even a permanent address. All seemed to have suffered from the bureaucracy of the central government as disputes frequently arose out of their relation to the numerous government departments they had to deal with (e.g. agriculture, housing, regional affairs, youth, sports and community development, local government, etc). By the end of the Manley period truly mass or community structured organisations were not in existence. Many

of the community enterprise organisations had in fact degenerated into partisan bodies where by and large only PNP supporters actively participated.

A similar set of problems of execution could be found in the sugar farm cooperatives. These were not only created at a period of depressed sugar prices, but by the time they were established the sugar companies had run down their capital stock considerably. The sugar factories were not integrated into the farms so that the cooperatives were located in the most unprofitable segment of the industry. It was also widely reported that many members of the government opposed the sugar cooperatives and this helped to complicate the difficulties they had in their dealings with the central government and in acquiring resources to put the industry on a profitable footing. 12/

As Kaufman has observed:

"When all was said and done, there was one last set of problems key in limiting the economic health of the coops and in limiting the attractiveness of the coops as a model for other workers in Jamaica ... the farms were now worker-owned ... but actual control was not exercised by the average worker". 13/

He goes on to point out that:

"because the cane workers were not peasants they had no ~~entrepreneurial~~ experience or orientation"; 14/ there was:

"a lack of educational programmes, low levels of literacy, income inequalities, the maintenance of the pre-existing division of labour and actual social relations of production and the large size of the coop farms and the estates which prevented identification between individual workers and problems of the coop ... these problems were exacerbated by low self-esteem among a group that had been severely oppressed - socially, culturally and economically - for generations." 15/

Arising out of the above, perhaps the more general point can be made that the expansion of the state sector during the Manley period was at too high a cost. Not only were the nationalizations as we have already indicated paid for promptly and adequately, but very often the government purchased enterprises in danger of economic collapse in order to minimize social and economic dislocation. This was the case with the sugar cooperatives. The general weaknesses of this sort of state expansion was worsened by the severe shortage of managerial resources to permit the enterprises which were acquired to function efficiently. The inefficiencies of the sugar coops and or the community enterprise organizations identified here, therefore, mirrored the larger inefficiency of an unplanned, unco-ordinated ad hoc expansion of state property. When this was combined with propaganda about the socialist thrust of the government and so on, it was to lead to further weaknesses identified below.

iv) Another critical weaknesses of government's policy was the failure to appreciate the crucial nature of foreign exchange, and in particular the need to maintain inflows adequate to service the structure of the economy it had inherited. Eventually it was the drying up of these flows which forced the Manley government into the hands of the IMF and lay the basis for its eventual removal from office. Jamaica's balance of payments difficulties reached crisis proportion in 1976 with foreign exchange reserves falling from J\$137m in June 1975 to minus J\$181m in December 1976. In June 1977 the government signed a Stand-by Agreement with the IMF. This was terminated in December 1977 when the government failed to meet the net domestic assets test set by the IMF. After extensive discussions an Extended Fund Facility was obtained in May 1978 and this lasted until December 1979, when the Bank of Jamaica failed to meet the net international reserves test set by the IMF. Between December 1979 and March 1980 prolonged negotiations were held with the IMF and finally the National Executive Council of the PNP decided to reject the IMF path. Two ministers of government resigned in protest. As we shall see later, by then, however, it was too little too late.

Underlying the foreign exchange crisis was a rapid expansion of imports (126 percent between 1972 and 1976), and more particularly oil imports as the import bill for oil increased from J\$63m in 1973 to J\$178m in 1976. External debt

repayments also worsened, rising from J\$49m in 1974 to J\$100m in 1976 as the gross external debt increased from US\$195 in December 1973 to US\$489m in December 1976. The government's budget deficit had also grown from J\$67m in the fiscal year 1972-1973 to J\$278m in fiscal year 1975-1976. Tourism receipts also fell by 13 percent during 1974-1975 and again by 10 percent in 1976. Much of this was due to destabilization measures pursued by the US administration, as it became increasingly hostile to Manley's foreign policy positions and increasingly supportive of Seaga, who seemed to offer the prospect of a good collaborator. The foreign policy positions of concern to the US were Manley's position in the Socialist International, his friendship with Castro, growing Cuba-Jamaica relations, Manley's support of Angola and Cuba's effort to defend it, and the formation of the International Bauxite Association. The result was that in 1975 USAID turned down Manley's request for aid and food grants unless government's stance was changed. The Export-Import Bank also reduced Jamaica's credit rating. The fact that Manley won the elections in 1976 only served to harden positions on both sides. Thus the press campaign in the US on violence in Jamaica continued unabated, fuelled by the fact that over 750 people were killed during the partisan struggles at this time.

During this period Jamaica's share of total world bauxite exports fell from 27 percent in 1970 to 17 percent in 1975. Capital inflows into Jamaica which had averaged US\$254

million in 1973 fell to US\$115m in 1975 and became negative (i.e. a net outflow) by 1976.

By the end of Manley's rule in 1980, the economy had shown no real improvement. Product concentration in exports had increased not reduced, and along with it the vulnerability of the economy. Thus we find that although non-traditional sources of trade had grown from 10 to 40 percent, dependence on bauxite-alumina, sugar, and bananas had grown from 79 to 83 percent between 1972 and 1980. Trade as a ratio of GDP had increased from 72 percent in 1970 to 107 percent in 1980. The external indebtedness of the country had grown from \$US370 million in 1972 to US\$1.7 billion in 1980. The debt service ratio in 1979 was 17 percent of exports of goods and services. Capital flight out of Jamaica was extraordinarily high, prompting the formation of a special detection unit in the security services. All the public utilities were in a state of disrepair with massive investments required to upgrade their capacity and the quality of the services they delivered. The bauxite-alumina, sugar, and tourist industries were all in structural crisis, with the result that between 1972 and 1980 real income had decreased by 25 percent. Recorded inflation in this period was 320 percent. Efforts at diversification and import substitution of food were not significantly successful, for although food imports as a percentage of non-fuel imports had fallen from 14 to 10 percent between 1973 and 1980, food shortages was a

prominent feature of that year. The flight of skilled persons out of the country had peaked, as it was estimated that between 1976 and 1980, 18,000 persons on average went to the US alone. In one year, 1978, 2,705 persons migrating were in the categories managerial, administrative, or technical. 16/

Assessment

In assessing the effort at a third path solution to Jamaica's problem it is important to gather from this insights and observations which could be useful in any future social experimentation along these lines in the region. The need for a constructively critical approach stems from two basic judgments which I have formed, and I should indicate here at the outset. One is, that despite the contradictory nature of the evidence, it is my belief, that on balance, the central figures who were urging the third path approach were guided more by concern for the poor and the powerless, than exclusively expressing the social opportunism of their class, as some have argued. Second, I do not believe that the collapse of the experiment into the conservative reaction of Seaga's rule, rules out future effort along these lines by other political and social movements in the region. There have been other previous so-called "confirmation" that reformist socialist change is not a viable option in the Third World, but yet other experiments have followed these. 17/ Not only does time fade

memories but the attractions of the third path stems from the belief held by many political actors and theorists that it is the only path which combines socialist and democratic practice. This belief is grounded in the growth of the false notion among socialists, Marxists, and Marxist-Leninists that socialism and political democracy are irreconcilable as either objectives or practice for capitalist societies. I have explored the weaknesses of this view elsewhere and it is not necessary to delve into these issues here at any length. ^{18/} The main point to grasp here is that the third path offers a resolution of the "contradiction" between socialism and democracy by the dilution of socialism to its social democratic form.

Given its reformist goals, it is evident that all "third path" options carry in them the dangers of vacillation and the risk of governments' policy so degenerating that it becomes structurally "caught between two stools", thereby ending up with the worst of all possible worlds. As events unfolded in Jamaica the PNP regime was clearly caught between the demands of the upper classes and the lower classes. Constructed on the basis of, and espousing an all class alliance, the party strove with all its might to avoid establishing a clear priority in its class line. As economic disintegration continued and the pressures mounted the government ended up displeasing both sectors while alienating middle class support. The lower classes resented the pressures on their living standards which grew

rapidly after 1976, and the upper classes scared of socialism, proceeded to make destabilization, sabotage, capital flight, and migration, its major social and political goals. While one can say that this development partly reflected the traditional vacillatory character of ^{the} petty-bourgeoisie in Jamaica, more generally it also reflected the political underdevelopment of class in general, and the division of the country's labour force into two rival trade union-political groupings. The extraordinary premium which this situation places on creative and constructive political mobilization was not fully appreciated by the Manley regime.

Instead a second weakness emerged, which can best be described as a consistent under-estimation of the impact of ideological rhetoric and foreign policy stances in a period of acute cold war rivalry on local politics. Such rhetoric served to "over-ideologize" the domestic struggle and consequently to expose it to developments in the international arena which it could not contend with. Whilst no doubt those who used the rhetoric saw its internal mobilizing appeal as a decisive factor in its favour, they clearly did not fully gauge the use to which persons hostile to the regime could put this same rhetoric in mobilizing opposition to the regime. In particular the US administration and the media skillfully used the rhetoric to whip up capital flight from the country, to deter tourists visiting Jamaica, and to swing opinion in such institutions as

the IMF in its direction. The fact that the rhetoric belied the internal social reality was of little immediate concern to those who promoted it and those who reacted to it. Thus Barry et al cites a statement attributed to Larry Burns of the Council on Hemispheric Affairs. "In the closing days of the Ford Administration, Kissinger had become almost manic about getting rid of Manley". 19/ Similarly Stone has made the perceptive observation that:

"Mr. Manley's radical foreign policy clothed his relatively moderate domestic economic and social policies in an aura of leftist radicalism far removed from the reality of what he attempted to implement. But the image of a radical, marxist orientation to domestic social policies was sharpened both by the leftist rhetoric of Mr. Manley and his party spokesmen and by self-serving interpretations of what was happening in Jamaica promoted by the North American media and the Jamaican bourgeoisie". 20/

He goes on to state that these pronouncements

"panicked the local bourgeoisie who became convinced that Jamaica was heading towards communism. Washington made common cause with the Jamaican bourgeoisie in seeking to undermine Mr. Manley's administration". 21/

It is perhaps in its relation with the IMF that many of the limitations of the third path pursued by the Manley administration best expressed themselves. Although Jamaica's foreign exchange difficulty manifested itself dramatically in the last four years of Manley's rule (1977-1980), its origins

can be traced earlier to the decline of bauxite-alumina investments in Jamaica and the position of the industry globally, import price inflation occasioned by the oil-price shock of 1973-1974, declining export production as local industries such as sugar and bananas faced major structural constraints, the high import-intensity of the manufacturing sector, the failure to develop a significant export capability in manufacturing; and reliance on tourism which was very susceptible to adverse publicity generated in North America. Capital flight, migration of skilled persons, retaliation of the bauxite companies, and so on, all of which were important in the last four years, in effect compounded these structural difficulties already existing. 22/

A good starting point for appreciating what is involved in relations with the IMF has been provided by Bernal:

"All programs of balance of payments adjustment involve the manipulation of macroeconomic variables and, therefore, implicitly contain a specific strategy of economic development that takes effect during, and continues after, the adjustment period. The IMF's strategy is derived from its role in the capitalist world economy [its role] is to maintain an environment that facilitates the accumulation of capital on a world scale. This requires the complete international mobility of capital and commodities". 23/

The IMF's adjustment strategy for Third World countries comprises a familiar package: deregulation, i.e., removal of price controls, subsidies, exchange controls and import licensing; devaluation of the currency; emphasis on the development of the private sector as a corrective to the "inefficient" statist bias of the previous period; a reduced public sector; strict fiscal goals to be set in terms of the size of the government's deficit and the amount of borrowing permitted from the banking system; and wage controls. The objective of the package is to stimulate capitalist initiatives through the promotion of "free markets" and the policy of rolling back the state serves as a means of stimulating exports and making the previously inefficient import-substitution sector competitive. At the same time the growth of real wages and living standards is to be contained, and if necessary reduced to a level compatible with import expenditure levels the country can "afford". This reduction is achieved through a mix of cuts in social expenditure, retrenchment of public sector employees, wage restraint, reduced government deficit and its associated tight monetary policies, and the implementation of "realistic rates of interest". The policy differences between this approach and Manley's, and their probable political impact has been neatly summarized in two tables prepared by Bernal.

TABLE 11.1

POLICY DIFFERENCES BETWEEN THE MANLEY GOVERNMENT
AND THE IMF

sue	Manley Government	IMF
pe of Society	Mixed	Dependent capitalist
Dominant sector	State	Capitalist
Ownership of the means of production	State/cooperatives/capitalist	Capitalist
Allocation of resources	Planning/market	Market
Openness	Reduce	Complete
umulation and distri- tion	State-directed capitalist/ cooperatives	Laissez-faire capitalist
Investment	State/cooperatives/ capitalist state to invest in production, distribution and infra- structure	Capitalist investment in production and distri- bution. State confined to infrastructure investment.
Savings	Public and private	Emphasis on capitalist savings out of profit
Foreign capital	Aid, loans, and regulated foreign investment	Direct foreign investment
Income distribution	Increase the share of labor	Increase the share accruing to capital
onomic management	Increased state inter- vention and planning	Laissez-faire with emphasis on monetary policy
Monetary policy	One of several policy instruments	The most important policy instrument
Fiscal	Expansionary	Contraction
Exchange rate	Dual exchange rate	Devaluation
Exchange controls	Yes, to effect foreign exchange budgeting	Elimination of controls
Trade	Import restrictions and licensing	Removal of import re- strictions and licensing
Prices	Control and subsidies	Removal of controls and elimination of subsidies
Wages/incomes	Increased; pegged to cost of living increases	Decrease in real terms

Source: R. Bernal, op. cit.

TABLE 11.2

POLITICAL IMPACT OF IMF POLICIES

IF Policies	Economic Effect	Classes Affected
devaluation	Increased cost of living by increasing the cost of imports	Reduce real income and standard of living of all classes except the capitalists and self-employed professionals
wage restraint policy	Reduce real income as the upper limit of wage increases was below the rate of inflation	Reduce the standard of living of workers, the salariat and state bureaucrats
reduction in budget expenditure in real terms	Cutbacks in social programs and shortages and delays in the state sector	All classes, especially the poor, severely affected
increase indirect taxation - taxes on profits and property	Reduce disposable income	Reduce standard of living of all classes except capitalists and self-employed professionals
incentives to capitalists including price increases to ensure 20% rate of profit	Capitalists accumulate profits but do not invest - profits often illegally smuggled out	Support capitalists at the expense of small business and wage earning classes
reduction and elimination of subsidies provided by the budget	Price increases of all basic food items	Reduction in the standard of living of the poorest
reduction in the state's borrowing from local and foreign sources	Leave loanable funds in the domestic banking system for capitalists. Capitalists do not respond, state expenditure restrained	Reduction of the ability of state and state enterprises to perform - all classes adversely affected
restraint on direction and expansion of state enterprises	State prevented from assuming a dominant role in the economy	State impotent to meet demand of various classes
debt repayment and repatriation of profits and royalties made the first charge on available foreign exchange	Service foreign capital at the expense of imports of food, raw materials and spare parts	Shortages of essential imports, especially food, hurt all classes and leads to price increases in the 'black market' and hoarding by capitalists and small businesses. Lack of spare parts and raw materials hampers production and distribution resulting in layoffs and work stoppages. All classes hurt.

TABLE 2 continued

MF Policies	Economic Effect	Classes Affected
Unwritten demand for the government to adopt a pro-capitalist, pro-foreign investment posture	Reduced the government's ability to borrow from progressive oil rich countries and to forge trade links with Socialist countries	Failure to realize aid and trade benefits outside the capitalist orbit. Destroys the credibility of the Democratic Socialism and the PNP, internationally and domestically. Intensifies differences between the left and right in the PNP.

Source: R. Bernal, op.cit.

Given the very different trajectories of these approaches, and their varying political impacts the fact that Manley ultimately capitulated and sought to preside over the imposition of the IMF solution on the Jamaican population could only have led to the result it did, namely, the removal of his party from power. The literature emerging since 1980, makes it clear that as the struggle between the government and the IMF progressed, more and more the IMF and its backers were prepared to push their view of how Jamaica should develop to the point of removing the government, if necessary. At this juncture, Seaga's JLP proved to be a perfect ally in derailing the third path. In retrospect the only viable option for Manley, was to have moved at the outset for a qualitative deepening of the governments' commitment to the poor and the powerless. This would not of course have guaranteed success, since in real life political certainties are rarely known in advance, but it was the only option available apart from capitulation and certain down fall. To have moved in this direction, however, would have required a qualitative leap in the political and social movement which he headed. This, again in retrospect does not seem to have been as impossible as some have argued. In the end the crisis which confronted the third path through the IMF really permitted no third option or third solution at the time, but it did not rule out a transformation of the political movement itself. The IMF call was for a reversal of Manley's policies and the pursuit of the forms of dependent capitalist growth typified

in the colonial and later nationalist period. The only way to avoid this, was to secure a hegemonic position for the mass of the working people who had always opposed these strategies. While the class alliance which supported Manley and the PNP was too fragile in the end to pursue a third path successfully, there is no certainty that a progressive advancement of the interests of the working people in the coalition could not have been achieved, on the basis of an early and resolute decision to pursue an economic programme which placed their interests first. In the end the regime vacillated and when after years of trying to implement the IMF programme unsuccessfully, the decision was taken to end all relations with the IMF in March 1980, it was already too late.

These events in Jamaica raise two further sets of issues of considerable importance. One is to what extent the defeat of the third path can be said to be due to the specific conjuncture of events in the capitalist world economy at that time, and the other is to what extent basic limitations of Caribbean societies prevent any sort of solution to the problems of poverty, powerlessness, and underdevelopment. It is clearly true that the period of Manley's rule coincided with a profound crisis of the capitalist world economy. This we have already described. There is, however, no evidence to support the view that this crisis was so immutable in its effects as to prevent universally, social and political advance. Indeed it might be argued to the contrary, that the emergence of the crisis

after 1974, has been helpful worldwide in precipitating political and social movements, including the development of Manley and the PNP in a radical direction:

"It was the cumulative impact of this severe economic situation rather than political commitment per se which forced the Manley government to press ahead with the more radical of its proposed reforms". 24/

The conclusion must necessarily be that while the conjuncture of internal constraints and international crisis complicated events, these cannot fully explain the weaknesses of the third path. As Stephens and Stephens put it a crucial issue to determine is:

"whether idiosyncratic and country-specific features of the Jamaican experiences in the seventies were primarily responsible for the decline or whether it was due to the very characteristics of the path itself". 25/

While in their sympathetic review of the Manley period they concluded that the third path achieved more than it is usually given credit for, the point which emerges and is important for us here, is that different judgements about how much was achieved by this approach, nevertheless agree in the rejection of the view of a completely determinist situation in which either international developments in relation to local developments or the specific limitations inherent in Caribbean society, or both together, can rule out forever the prospect of meaningful

social and political change in the region.

In expressing this view, I am not intending to casually under-estimate the negative impact of either of these factors in the struggle for change in the region. In particular the internal constraints should be stressed as frequently these are the most underrated. Just to list them is to impress one with their range and severity: small size, limited national resource endowment, population and markets, geo-political location in the "back yard of imperialism", the limited capacity in these societies for managing radical social change or even broad based reform programmes over a wide range of social life, the non-participatory traditions of the region's politics, divided labour movements, pressing social problems (especially poverty and unemployment) which place a high premium on directing resources for their immediate relief, and the importance of foreign exchange flows to the on-going system of economic reproduction. By itself, any one of these constraints would be serious, but when combined they become particularly daunting. The fact, however, that Cuba was able to make a revolution and survive against these odds is a heartening consideration. It remains true, nevertheless, that the struggle for development continues in Cuba, and the very existence of Cuba has altered negatively the chances of other states following this route, certainly if one were to judge from the hostility exhibited by imperialism against even moderate social change in the region.

Conservative reaction

By 1980 Jamaica was in disarray. Political violence had left over 750 persons dead; shortages of basic commodities were widespread; labour unrest was the order of the day; foreign capital inflows had dried up with the US government providing only US\$56m over the final years of Manley's administration; unemployment was 28 percent of the labour force; during 1977-1980 GDP growth was negative and in 1980 alone it had declined by nearly 6 percent; manufacturing, agriculture and construction all showed massive declines, with construction down by 28 percent in 1980 and manufacturing 12 percent. As we observed earlier, capital flight, migration of skilled personnel, inflammatory news reporting, all added to the feeling of crisis and collapse. Not surprisingly, the people rejected the Manley administration and voted in Seaga and the JLP with the largest electoral victory ever - fifty-one of the sixty seats in the national parliament.

Seaga's policies were diametrically opposed to those voiced by Manley and the PNP. In the domestic front his administration has advocated the following:

- foreign investment and not national ownership and state control was given the leading role in promoting economic growth;
- state enterprises were to be divested to support the thrust in favour of privatization of the economy;

- exports and not self reliance and import-substitution was to be the major focus of economic activity, and in this regard the government readily embraced the IMF package for stabilization of the economy;
- support of the IMF package was expected to facilitate loans from the IMF itself, private commercial sources and the US government in particular;
- the economy was made open to foreign expertize and skills since this was seen as a necessary complement to the flow of foreign capital;
- finally, as Stone put it "the style of political management [with] the PNP's emphasis as intense political mobilization gave way to demobilization and a technocratic managerial style". 26/

On the external front the Seaga administration promoted itself as a willing collaborator to the right-wing Reagan administration which won office in the USA at about the same time as Seaga did in Jamaica. As part of new role diplomatic ties with Cuba were cut, a strong attack on the Bishop regime in Grenada was launched, and Seaga offered Jamaica as a willing ally in promoting an anti-leftist, pro-US alliance in the region. In relation to foreign policy the Seaga government has played a leading role in both the invasion of Grenada and the formation of the Caribbean Basin Initiative. 27/ The result of Seaga's new line was a considerable inflow of foreign capital. It is estimated that between 1981 and 1984 nearly US\$2 billion of concessionary

financing from all sources was obtained by Jamaica. From the US alone the government received US\$679 million on concessionary support for the fiscal years 1980-1981 to 1984-1985. On a per capita basis, US support to Jamaica was the second largest worldwide, after its aid to Israel. These details are shown in Table 3 below:

TABLE 11.3

U.S. CONCESSIONARY SUPPORT FOR JAMAICA 1980/81 TO 1984/85 (US\$m)

<u>U.S. Fiscal Year *</u>	<u>Balance of Payments</u>	<u>Rejects</u>	<u>PL 480</u>	<u>Other Food</u>	<u>Housing Guarantee</u>	<u>Total</u>
1980/81	47.7	13.9	17.1	-	-	78.7
1981/82	95.0	31.3	17.5	-	-	143.8
1982/83	54.4	27.2	20.0	-	15.0	116.6
1983/84	50.0	37.7	20.0	6.8	25.0	139.5
1984/85	99.5	29.4	40.0	16.0	15.0	199.9
	346.6	139.5	114.6	22.8	55.0	678.5

* U.S. Fiscal Year runs October 1 to September 30.

Source: U.S. AID Office, Kingston, Jamaica, cited in O. Davies, "Socio-Economic Developments in Jamaica, 1980-1985"; mimeo, 1985.

In addition to this aid, it is common knowledge that the Reagan Administration has used its influence to secure funds for Jamaica through multilateral institutions like the IMF, World Bank,

and the Inter-American Development Bank. It has also attempted to cushion the impact of the world recession on Jamaica's bauxite, by purchasing for the government's stock-pile, even at a time when adequate stocks were on hand.

Despite the massive support provided to the Seaga administration by US and other foreign capital, and its full cooperation with the IMF stabilization programmes as a major plank in its free-enterprise strategy of recovery and growth, the economic and social situation in Jamaica at the end of 1985, has not improved over 1980. To begin with the foreign exchange and balance of payments crisis which precipitated Manley's downfall has not abated. The exchange rate has continued to deteriorate with massive negative consequences on the living standards of the poor. After experimenting with a multiple exchange rate system introduced in January 1983 to give formal recognition to the thriving blackmarket in foreign currency which had developed by then, this was abandoned in December 1983 when the exchange rate was unified and fixed at a par value of US\$1= J\$3.30, and determined thereafter at a twice weekly public auction. By the end of 1985 the rate was reduced to US\$1= J\$5.50. Such a large devaluation in such a short period has had predictable inflationary effects. In one year, 1984, the retail price index rose by 31.2 percent, and the GDP deflator rose by 36.3 percent. As a result of the import liberalisation programme put in place by Seaga, and the

continuous decline in export earnings experienced through low output in the major industries, the trade balance worsened dramatically, with the deficit in 1984 reaching over one-half of export earnings. (See Table 4 for more data). Net foreign assets in the banking system in 1984 was negative, and stood at nearly twice the negative value in 1980. The external debt had grown to US\$3.2 billion, i.e., nearly twice the 1980 level. On a per capita basis this debt was twice that of Brazil, the Third World's largest debtor country. This debt as a percentage of GDP stood at 135 in 1984, as compared with 82 in 1980. Finally, real output growth had stagnated with the GDP in real terms in 1984 being 19 percent below the 1972 level. While Seaga promised to reverse the increase in the public sector, where employment had doubled and public spending as a percentage of GDP had grown from 22 percent in 1972 to 42 percent in 1980, while private sector employment fell by 25 percent, his programme of divestment had achieved little positive results.

There are many social manifestations of this failure. Public demonstrations (as many as 50,000 strong) have been mounted against the exchange-rate auction system; rioting and looting have occurred after gasoline price increases in 1984; Manley's party has refused to participate in the general elections called in 1983 on the grounds that electoral changes which was promised were not put in place before the elections

were called. Since then the Seaga administration has functioned as a "one-party state" in the face of persistent pressures to call fresh elections. Crime has been rising and Stone cites the result of one survey which he undertook in 1981 in which he found that "approximately 10 percent of the total volume of produce and livestock on Jamaican farms was stolen by highly organised criminal gangs for sale in urban areas". 28/ Crimes of violence had increased from 13,000 cases in 1974 to 15,300 in 1981 and theft cases had risen by more than one-third between 1974 and 1981. In this atmosphere of economic chaos and decline, crime and corruption, the feeling of crisis which helped bring the PNP to power in 1971 and then the JLP to power in 1980, still pervaded the society. As Stone has commented:

"The revival of faith in the future aroused by the change of government in 1980 after the bitter disappointment with socialism in the 1970s had dissipated by mid-1982, to be replaced by a feeling of hopelessness as the Seaga government seemed unable either to solve the basic problems or to engineer the promised economic recovery. A mood of national desperation led to the embrace of any inflow of aid or any political or economic terms. A renewed and pervasive form of neocolonialism set in under the JLP as the country lost confidence in local initiatives and efforts as a means of pulling out of its deep economic problems. External influence ... had now taken over in a country that ten years earlier was boasting aggressively about taking on the multinationals and the world economic system, and breaking the cycle of dependency. The national mood had come full circle". 29/

Such then was the situation forty years after the end of World War II, and more than two decades after independence.

TABLE 11.4 : JAMAICA : SELECTED ECONOMIC INDICATORS

YEAR	EXPORTS ² (f.o.b.)	IMPORTS ² C.I.F.	TRADE BALANCE ²	UNEMPLOY- MENT (%)	RATE OF GROWTH OF GDP (%)	CHARGES IN RETAIL PRICE INDEX OVER YEAR (%)	NET EXTERNAL ² DEBT	EXTERNAL ¹ DEBT/GDP RATIO (%)	EXTERNAL DEBT/ EXPORTS OF GOODS AND SER- VICES RATIO (%)
1978	782	865	- 83	23.0	0.4	49.4	-	-	-
1979	815	1,003	-188	24.4	-1.7	19.4	-	-	-
1980	965	1,179	-214	27.9	-5.8	29.0	1,734	82	122
1981	975	1,474	-499	26.2	2.5	4.6	2,212	105	148
1982	768	1,382	-614	27.0	1.0	6.5	2,690	129	193
1983	686	1,281	-595	25.8	2.0	16.7	2,920	141	215
1984	739	1,182	-443	25.6	-0.4	31.2	3,207	135	233

Notes (1) disbursed debt medium-long term. (2) value in US\$ million

SOURCE: Bank of Jamaica (25th Anniversary publication) and
Government of Jamaica Statistics.

II: GRENADA: NON-CAPITALIST DEVELOPMENT/SOCIALIST ORIENTATION

Background

As with Jamaica under Manley, Grenada during the Maurice Bishop regime (1979-1983) acquired an extraordinary reputation as a progressive social experiment. As Fidel Castro once put it, Grenada along with Nicaragua, and Cuba were "three giants rising up to defend their right to independence, sovereignty, and justice on the very threshold of imperialism". Ambursley and James have also commented as follows:

"In four years the PRG acquired an international status out of all proportion to the tiny size of the island. On account of Bishop's fervent and astute oratory, and the energy and originality devoted by the regime to Third World issues, Grenada emerged as a leading force in the non-aligned movement. The PRG consistently spoke out in support of national liberation movements throughout the world, and was audacious in its opposition to the aggressive designs of US imperialism in the Caribbean". 31/

If Jamaica has been termed a small island state where the problems of size made Manley's task of economic transformation especially difficult, then it is important to recognise that even on that scale Grenada would best be described as an extremely small "mini-state". With a population of only 110,000 people, an area of 133 square miles, and a GDP of

only US\$100 million at the time of the assumption to power of Bishop's Provisional Revolutionary Government (PRG), the pressures of small scale in the society are indeed awesome. Small scale and a colonial history had combined to produce a situation in the early 1970s, in which over 90 percent of GDP was derived from traded goods and services. There was an extreme export dependence on three primary crops, bananas, cocoa, nutmegs, together with tourism and the wholesale and retail trade associated with it. Imports supplied most of the manufacturing goods, food, fuel, raw materials, equipment and machinery, and other capital goods. In addition the incomes of the local population also depended heavily on remittances received from relatives and friends who had migrated and were living abroad. The small size of the economy also produced severe dis-economies of scale in provision of public services, and so raised considerably the average per capita cost of state activity, with the result, that like many of the other Leeward and Windward Islands, there was a historical reliance after World War II on grants-in-aid from the British treasury to finance state provision of basic services. Agriculture contributed on average about one-third of the GDP over the two decades of the 1960s and 1970s. During this same period the contribution of manufacturing never exceeded four percent of the GDP. Similarly, except for periods associated with hotel construction, construction activity was low, averaging less than five

percent in the five years preceding the assumption of power by the PRG. In 1979 when the PRG assumed power, the economy was in the midst of a severe depression, with per capita income less than what it was at the beginning of the decade.

Although heavily dependent on agricultural production, extreme inequalities prevailed in the rural areas. Thus in 1972, farms in the size group up to 5 acres accounted for 89 percent of total landholdings and only 45 percent of the cultivable acreage. Farms 100 acres+, accounted for 0.5 percent of the total landholdings and 49 percent of the cultivable acreage. To this we can add such prevailing features as the concentration of idle lands among the larger acreages, the extreme fragmentation of the small holdings, and the concentration of better quality lands among the large holdings. ^{32/} Despite this, the peasantry nevertheless produced two-thirds of the nutmegs, one-half of the cocoa, and about one-third of the bananas. Processing, however, was not in the hands of the peasants and it has been estimated that as high as 90 cents in every dollar was assigned to processing their produce. Historically, the plantocracy dominated the three statutory agricultural export marketing organizations which were created for the nutmeg, cocoa, and banana crops. These organizations had exclusive right of purchase for the entire crop, marketed them overseas and after deducting their commissions paid the producers.

Under Gairy's rule, this group was replaced by his own political henchmen.

The drive to establish a tourist industry began in the 1960s and as in other West Indian territories the main ownership was foreign, with a sprinkling of local interests, particularly planters who moved into this sphere of economic activity. An important aspect of the tourist industry which had developed was the significant number of foreigners who built holiday and retirement homes in Grenada. This development had a noticeable impact on the real estate market, producing much land speculation and causing a considerable increase in the price of land. Outside of tourism and farming, most of the capital was concentrated in retailing and distribution of vehicles, food, building materials, household appliances, and in addition some capital was attracted to local branches of insurance companies, shipping lines, tour operators, and so on.

Two other features of the economy at this time are worthy of note. One is, that unlike other West Indian territories the rate of urbanization in Grenada was unusually low; net rural-urban migration was recorded at only 0.6 percent during the two censuses held in 1960 and 1970. A high percentage of the rural youth still lived and worked in the agricultural sector at the end of the 1970s, and

this has been explained as due to the combination of subsistence farming and the use of wage labour as a supplement to family labour on almost all Grenadian farms. The other feature of note is that in the absence of a significant manufacturing sector, labour was employed in many small establishments. The largest manufacturing employer was the local brewery which offered only 76 permanent jobs. One consequence of this was the underdevelopment of unionism in the country. The largest concentrations of the labour force were found on the docks and in the large agricultural estates.

Economic Policy

After a long rule based on persistent rigged elections, repression, and terror, the Gairy government was finally removed by force in March 1979. The PRG which succeeded it immediately proclaimed a process of revolutionary reconstruction of Grenadian society based on adherence to the principles of the "non-capitalist path" or "socialist orientation". Its economic programme was derived from these principles, and in essence may be summed up as follows:

- because of the severity size and nature of the inherited economy, a pragmatic necessity was to make the centerpiece of economic policies the construction of an airport capable of landing commercial passenger jets. This it was anticipated

would lead to a very rapid expansion of the tourist industry;

- construction of a mixed economy based on three major sectors, state, cooperative and private, with the state sector playing the leading role;
- improving the quality of life of the citizens through a comprehensive programme aimed at upgrading social services, and ensuring that other basic needs were met;
- diversification of external trade and sources of investment with the particular aim of opening channels to the socialist bloc and improving South-South cooperation, as part of a broader strategy in support of international efforts directed at creating a new international economic order.

In what follows we shall briefly discuss these policies then turn to an overall evaluation of them.

An obvious weakness of the Grenadian economy at the time of the PRG takeover was that the growth of its tourist industry was severely constrained by the absence of an airport with facilities to handle modern passenger jet aircraft. Without this tourists had to be transhipped through other islands to smaller aircraft, and invariably this required them to stay overnight in the other islands in order to make connections. The difficulty was that the mountainous terrain

of the island; permitted only one area large enough and flat enough with the potential for constructing a runway of the right length at a tolerable cost. Even so from an engineering standpoint this enterprise would have involved massive construction works as it was necessary to fill in areas then covered by the sea. To the PRG the construction of the airport was a means of breaking this constraint and its decision to proceed was always linked to the economic potential of a developed tourist industry first and foremost. Other linkages were recognized, but these were by-products of tourist development. As Bishop himself put it, the airport was:

"the gateway to our future ... it is what alone can give us the potential for economic takeoff ... it can help us to develop the tourist industry more ... to develop our agro industries more ... to export our fresh fruits and vegetables better". 33/

The bulk of the capital, technical expertise, equipment and machinery for the airport project was provided by Cuba. It was projected that when the airport was completed tourist arrivals would increase by nearly 60 percent above the prevailing levels of about 32,000 tourist arrivals. This expansion in number of arrivals was expected to lead to a tripling of gross tourist expenditures on the island. As a result of this increased expenditure, linkage industries would

expand, such as hotel and other services, domestic agriculture and food supplies, local crafts, and industries such as clothing, footwear, furniture, etc. In the year prior to the establishment of the PRG tourist arrivals, excluding cruise ship passengers numbered over 32,000 but in succeeding years it fell to a low of about 23,000 persons. Initially, the government spoke of a "new-tourism" which from a reading of the speeches at the time seemed to have implied the following: nationalization of foreign-owned hotels; a shift from luxury accommodations to more modest ones; and the development of new markets in Latin America, the rest of the Caribbean, Africa, and among non-white North Americans. The focus was also to be on middle class categories like students, teachers, the higher grades of blue-collared workers, etc. Further emphasis was laid on the provision of locally grown foods and menus in local establishments. In practice very little was done to promote this "new-tourism" prior to the overthrow of Bishop. Although the Holiday Inn Hotel was acquired and added to the five hotels taken over by the state which Gairy and his cronies had previously owned, the state sector in the industry was in a minority, since in 1983 there were twenty hotels and eight guest houses owned and operated by private capital both local and foreign. All the state owned hotels appeared to have functioned uneconomically as a result of external factors, e.g. decline in tourist trade, and internal factors, e.g. overstaffing, weak management,

and inexperienced workforce. Nothing was done in any systematic manner to promote Grenada in any of the new markets listed above. Indeed as time progressed, even in speeches of the leadership, less and less emphasis was placed on this sort of reform. As we shall observe in our later evaluation the government seemed to have been more and more painfully aware that there was an inherent contradiction in a progressive government supporting tourism, given the associations which are perceived in the historical development of this industry in the region.

The mixed economy strategy of the regime rested on three major policies, namely, those which the state pursued in such major areas as agriculture, public utilities, tourism, trade, finance, science and technology; state promotion of cooperatives; and the relations between the state and private capital. When the PRG was established the state already controlled 30 estates with a total acreage of 4,200, that is, approximately nine percent of the land under cultivation. In 1982 a Land Utilization Act was passed which permitted compulsory state acquisition of leases for ten years in estates over 100 acres and on lands which were idle and under-utilized. The institutional mechanisms were handled through a National Land Reform Commission. Although this was the centrepiece of the land reform programme not much happened under this Act. In 1983 when the revolution was

overthrown, the agricultural sector was no differently organized in terms of resource ownership than before, as less than 15 percent of arable land was in the hands of the state. The estates under state control also did not work well and in 1983 the PRG itself admitted that only 37 percent of the targeted output on these estates was achieved. Apparently the estates were plagued with poor organisation and management, backward agricultural methods, and a labour force that was too old and inadequately trained. Levels of physical productivity were also reported as being consistently low.

The state owned estates could, therefore, in no way be promoted as model farms, serving as exemplars to other farmers as part of the PRG's incentives to modernization. Yet this was the expressed hope of the PRG at the time. Moreover, in so far as tourism was key to the airport emphasis, and domestic food supplies offered the prospect of the major internal linkage with this, the results were particularly disappointing, although perhaps characteristic of the difficulties other socialist regimes have encountered with agriculture.

In addition to the land reform measures, the state offered an array of other supports to agriculture: upgraded extension services, improved credits, better infrastructure by way of improved roads, water, and electricity, and the

commodity boards in the hands of Gairy's henchmen were returned to the farmers to be owned and managed by them.

In the area of trade a state-owned marketing and import authority was created. This provided agricultural inputs (fertilizers, implements, etc) to farmers at subsidized prices, offered guaranteed markets for farmers' output, and at the same time served as sole importer for such basic commodities as sugar, rice, cement and powdered milk. Part of the function of this authority was to stabilize prices, particularly through the purchase of local farmers output. The authority was also expected to complement the work of the statutory export boards.

Foreign owned commercial banks continued to dominate the financial sector, although the PRG had established a state-owned bank in late 1979 after it had purchased a foreign-owned branch bank. In 1983 it further acquired the shares of the local branch of the Royal Bank of Canada. In the insurance sector, private capital, local and foreign, controlled the eight life insurance and fifteen general insurance companies operating in the country for the entire period of PRG rule. In 1982, the government started a national insurance scheme offering such benefits as sickness, injury on the job, maternity etc.

Finally, two other areas of state activity should be briefly noted. One is that the PRG singled out science and technology as a crucial factor in Grenada's progress. As a result much emphasis was laid on training, the provision of scholarships for Grenadians to study in Cuba and Eastern Europe, the development of agricultural extension (already noted), and undertaking such basic resource inventory tasks as land capability surveys, particularly of idle land. The other is that much attention was paid to the existing public utilities (telephone, electricity) and concerted policies developed in the area of the public media, internal public transport, and the airlines.

With respect to the cooperatives, the following were the notable developments. A National Cooperative Development Agency was established and charged with the policy of implementing the government's policy of "idle lands for idle hands". In addition, fishing and handicraft cooperatives were also promoted. In general it was widely admitted that the cooperative movement grew slowly during the period of PRG rule, despite government efforts. Young people preferred the glamour of "jobs with the state", particularly the security forces, as this expanded rapidly after the revolution. In addition to this, much blame was attached to the "fierce tradition of independence" of the local peasantry, in explaining their reluctance to form cooperatives. In retrospect

however, it is clear that once again excessive outside leadership particularly by the state, seemed to have dampened local initiatives and stifled the self-reliant, self-help motivations of truly cooperative endeavours.

Because of the ideological complexion of the PRG, its policies towards private capital, particularly foreign private capital, were especially sensitive. Its overall strategy of a mixed economy approach reflected the existing dominance of private capital (local and foreign) in the economy and the need it felt for the state to play a leading role in promoting development. In this scheme, the cooperatives were essentially a transitional or intermediate arrangement. As the government stated:

"Our economy as a mixed economy will comprise the state sector, the private sector, and the cooperative sector. The dominant sector will be the state sector, which will lead the development process ... we intend to provide assistance to the private sector wherever possible, whether it be local or foreign, or in partnership with the state or with other private individuals, so long as it is in keeping with the country's economic development". 34/

The key elements of PRG strategy in relation to foreign private capital were concentrated in its retention of the incentives legislation in force at the time of its take over and its institutionalization of an investment code in

1983 as a further redefinition of its policy. The code stressed the essential role of private capital and identified manufacturing and tourism as important to the private sector, public utilities, transport (including airlines), radio and television, finance, and trading in strategic sectors were identified as important to the state sector while it gave priority to local capital in retail, business, the operation of taxi services, auto-repair, cinemas, travel, restaurant and food services. It also required foreign capital to facilitate technology transfer, train local labour, develop an export capability, and maximize the use of indigeneous resources. The access of foreign capital to the local credit markets was restricted, but guarantees on profit repatriation were provided for; as well as various tax incentives (tax holidays, income tax rebates, exemptions from withholding taxes, accelerated depreciation allowances, etc). The code also provided that nationalization could only occur after due legal process and with fair and adequate compensation provided for.

In seeking to improve the quality of life of the population and meet its basic needs, much emphasis was placed social services, particularly education and health. Free medical and dental care was provided, new health clinics were opened, while existing ones were upgraded and expanded. Given the dearth of local personnel the vast majority of these

were provided by Cuba as part of its technical assistance programme to Grenada. In the field of education hundreds of scholarships were provided for study abroad, adult education programmes were introduced, and free text books, uniforms and lunches were offered in schools. As a result as much as one-third on average of the annual current expenditure of the state was spent in these two areas. Outside of education and health much attention was directed to housing where low cost materials were provided to repair homes, to women where legislation was passed to protect them at work, and provide maternity leave etc; and to the provision of national insurance, already referred to. There was also a mass literacy campaign organized through a Centre for Popular Education. Membership of trade unions was encouraged and it is claimed that during the period of PRG rule this membership grew from 30 to 90 percent of the labour force. Apart from trade unions, other mass organizations were established such as the local militia, and national women, youth, and student organizations. Organs of "popular power" as they were termed, were also promoted through the parish and local council meetings.

In its external economic relations a number of initiatives were taken. First ties with Cuba were developed to the point where it became the major aid donor. Nearly US\$60 million was provided by Cuba, mainly through financial

and material aid to help construct the airport. In addition, Cuban technical personnel played the leading external role in the health services, schools, army, and fishing industry. As pointed out before, the PRG played a leading role in verbal attacks on imperialism, calls for a new international economic order, and denunciation of IMF policies to Third World Countries. This approach was part of its wider foreign and regional policy which stressed the rights of self-determination of all peoples (particular emphasis being laid on surviving colonies in the region); respect for sovereignty, territorial integrity, and the legal equality of all states; resistance to efforts at de-stabilizing governments; and within the region moves to declare it a zone of peace and to accept ideological pluralism as a basis for coexistence of states with different social systems. This line of policy forced Grenada into many verbal and other confrontations with other states in the region, especially Barbados. It is apposite to note here, that in response the centre-piece of its economic strategy, the airport, was vigorously propagandized by the Reagan administration, around the world, and in the region, as the creation of a military base for Cuba and the Soviet Union, which threatened vital Western interests, and the security of other states in the Caribbean.

Evaluation

One common feature of the Grenadian and Jamaican experiences is their confirmation of the historical fact that regional efforts at radical social reorganization and to forge new paths, particularly where these necessarily lead to the pursuit of new foreign policy and external relations options, will be met by insistent efforts on the part of the United States to destabilize the process, or worse.. Successful resistance to this depends ultimately on the extent of internal mobilization in favour of that process. That mobilization, it is submitted, cannot be measured by "rented crowds" or "staged assemblies" in support of the government, no matter how well-intentioned. It is determined by the consciousness of the major groups in the society that the process speaks to their class interests, and the degree of democratic express and self-organization practiced by these groups. Moreover, given the geo-political context, it seems reasonable to infer that all efforts should be taken to ensure that verbal and ideological confrontation with imperialism does not run ahead of a developed real capacity to resist destabilization, no matter how tempting the mobilizing appeal of this approach. Any gap between rhetoric and reality can, and will be exploited, by enemies of the process. In Grenada, not only did these unfortunate developments occur, but as I have argued elsewhere the impulsion of the revolutionary process also signalled the development of a

dangerous gap between the leadership and the led. Naive vanguardism and high profile verbal anti-imperialism therefore conspired to exploit weaknesses already inherent in the structure of the society and the regime in power. The development of mass organizations and organs of popular power which the PRG offered as an alternative to the parliamentary traditions of political democracy and not as its complement, was rationalized on the basis that political democracy was a bourgeois confidence trick. Socialism was therefore opposed to democracy and in the process the real historical experiences of the region were ignored. 35/

In Parts I and II of this study we were at pains to stress that experience reveals a deeper significance than that accorded by the colonial authorities to what it termed as "constitutional advance".. The failure therefore, of the PRG to hold national elections and worse to deride elections publicly, constituted a crippling limitation which eventually produced the "house arrest" of Bishop, his execution, the seizure of power by the Coard faction as "legitimate" means of political conflict resolution among "left".

When the performance of the Grenadian economy is taken into account over the period of PRG rule the policies pursued seemed to have yielded modest gains. The major weakness was the decline of traditional agricultural exports (nutmegs, mace, bananas and cocoa). This contributed to a

decline of agriculture in the GDP by about 10 percent between 1979 and 1982. Domestic agriculture, as we observed, was not particularly successful either. Despite this poor agricultural performance, overall GDP grew by 2.1, 3, 3.4, and 4 percent over the years 1979 - 1982. This was mainly on account of the rapid expansion of construction associated with airport building, community projects, feeder roads, buildings and housing. Between 1979 and 1983 the value of construction in the GDP trebled. Investment as a percentage of GDP was high; in the years 1978 - 1982, it was 5.2, 13.6, 16.7, 30.1, 36.1 percent respectively, and over the years 1979-1982 airport construction alone averaged 45 percent of total construction investments. Unemployment fell from 50 percent of the labour force to 12 percent during the PRG's rule. Inflation which averaged 20 percent in 1979, stood at an annual rate of five percent in April 1983. Most of the capital expenditure was externally financed, with Cuba playing the major role. Because the growth of the economy was so highly dependent on the Cuban connection, in turn this served to intensify the destabilization pressures directed at Grenada. In addition to Cuban support, however, it should be noted that the economy also depended heavily on the inflow of funds from such multilateral sources as the Inter-American Development Bank, the Caribbean Development Bank and the European Development Fund. This overall dependence on foreign funding, although different in some ways

from what previously obtained, nevertheless indicates that the real movement of the economy away from its inherited characteristics was by 1983 still only marginal.

While the pragmatic necessities to embark on the airport project as the centre piece of the PRG's strategy are admitted, it is clear that because of its direct link with tourism, the longer term benefits to the economy after the construction phase was over, would depend on the capacity developed elsewhere in the economy to prevent the many leakages which characterize the industry regionally. At the same time, eliminating the negative socio-political significance of tourism would in the long run depend on the regime's ability to transform the traditional character of tourism and integrate it more meaningfully into the national way of life. The failure of domestic agriculture to expand, and the further fact that the airport was nearly completed by 1983 and no plans for the "new-tourism" were being implemented did not therefore augur well in terms of these expectations. Indeed the regime perhaps realized it, as it became increasingly vague and ambiguous in its pronouncements on these issues. It should be noted that the party out of which the PRG developed (New Jewel Movement) ^{had} ~~and~~ prior to seizing power campaigned against the negative features of Grenadian tourism. The real issue which emerges therefore, is whether a left wing regime in the Caribbean can be authentic, or whole-hearted

promoters of tourism as a central strategy for the development and transformation of the economy? The answer, from the PRG experience must be^a guarded no. It surely must have been conscious that a tourist industry, apart from the historical legacy which in itself is overwhelming, would always be exposed to hostile propaganda and is therefore an easy target for destabilization. Indeed, in the case of both Manley's democratic socialism and Bishop's socialist-orientation the local tourist industries were badly affected by hostile external propaganda. To support a major thrust in the direction of tourism would have required the regime to make "peace" with the countries from which the tourists were sought, while continuing to expose the local population to life-styles it felt were abhorrent.

The failure to transform agriculture did not only weaken the potential impact of the airport-tourism strategy, but it also had further important implications. As we noted previously both the state farms and the cooperatives did not fare well. In the end, out of concern that the only solution was an intensification of private capitalist farming, the regime procrastinated and by 1983 little was achieved in the most important sector of the national economy. As Mandle has summed it up:

"With cooperatives resisted, and with managerial incompetence hampering the state farms, the PRG decided to live with the status quo in the structure of the country's agriculture. It did so rather than adopt an agricultural reform strategy which would strengthen private farming ... But the fact that the government did not adopt such proposals meant that as late as 1983 the PRG had not found an acceptable means by which to break the deadlock in agriculture which it had inherited". 36/

The PRG's efforts to promote good relations with local private capital were not particularly successful. Throughout the period the private sector showed no real expansion. During 1979 - 1982, private sector investment as a percentage of GDP was four percent. Except for 1980 when it reached 6.2 percent, the percentage never exceeded 3.4. For the same period, public sector investment grew from nearly 13 percent in 1979 to about 35 percent in 1982 for a four year average of 23 percent. Kirton who has examined PRG policy in relation to private capital concluded that:

"despite the wide ranging attempts by the PRG to promote the 'confidence' of private capital and to improve the 'investment climate', the dominant response of private capital was an unwillingness to operate beyond the performance of minimum tasks. From its own statements the private sector remained 'uncertain' and 'apprehensive' about future PRG policies citing 'government's ideological posture' and related implications as major deterrents". 37/

While bearing some similarity to the situation which obtained in Jamaica during the later years of the Manley administration, the more influential elements in the private sector did not, and indeed could not, play the same wide ranging political role in Grenada as it did in Jamaica. To begin with the PRG did not act in any way to support the institutionalization of a multi-party political system, or a plurality in the sources of public communication. To play a political role therefore, private capital would have had to confront the government directly and in this confrontation, it would necessarily have had to act outside of PRG decreed legality. It is interesting to observe, that despite the weak political base of private capital at the time, it nevertheless maintained strong ideological and other social connections to international capital.

The failure of PRG efforts to either win or bribe capital in to supporting the process it directed, indicates clearly that in any future efforts to transform Caribbean societies this issue would recur as a crucial one. Ultimately, it is a question of confidence which stems from the consideration that development of the region in the past on the basis of a preponderant role for the motivation of private profit has helped to produce the very inequalities and poverty we have so frequently alluded to. To the poor and the powerless, motivating the economy primarily on the basis of private gain

would seem to imply the perpetuation of their inferior social status. The issue therefore then becomes one of determining how to move from private gain as the major motivating factor to social needs and benefits. What clearly emerges from the two cases examined so far is that this transition must be a long, slow and difficult task. It is in fact no less difficult a task than transforming the economic structures of these societies, for without transformed structures (and in order to transform structures also) the transition from private profit to social needs and benefits as the motor principle in economic production and reproduction, will not be sustainable.

In conclusion we should note the recurrence of a difficulty already identified in our examination of Jamaica; that is the shortage of skills which revealed itself during the process. In Grenada it was even more acute and while the PRG made strenuous efforts to secure overseas training for Grenadians, the gestation period required on average was longer than the period the regime itself lasted. As a consequence two developments followed. One was the acquisition of foreign skills, particularly from the Caribbean. Although a transitional phenomenon induced by a real shortage there is some evidence that a certain level of resentment to this developed among Grenadians. This suggests that in any similar situation in the future this is a matter that cannot be left to resolve itself on its own. The problem in Grenada

was compounded by the natural inclination of the PRG to place a premium on the "ideological credentials" of the personnel it recruited. The second development was that in the face of a shortage of skills, an inevitable dilution of tasks took place. Thus in the area of overall social and economic planning, lacking skills, the regime tended to focus on partial planning in such areas as investment, labour-force requirements, government revenue and expenditure policies, credit, the major crops etc. The failure, however, to reconcile these plans in an aggregative or macro framework of national planning meant a certain loss in the efficiency at all stages of the planning process from analysis to implementation, execution, monitoring, and post-implementation evaluation of performance.

III: **COOPERATIVE SOCIALISM: GUYANA**Policy

While social experimentation in Jamaica under Manley and Grenada under Bishop has attracted considerable international and regional attention, none of this has had the flavour of notoriety which surrounds the PNC regime in Guyana under Burnham, and subsequently under Hoyte since August 1985. The reason for this is that few accept as genuine the regime's claim to be motivated by the concerns of the poor and the powerless, particularly as the evidence has grown to support the widely accepted view that the regime is there only because of the combination of force and fraud which it has employed to rig national elections in 1973, 1980 and 1985, as well as the national referendum in 1978 which led to changes in the constitution and the postponement until 1980 of the elections due in that year.

At the time of its independence in 1966, the dominant structural relations of the Guyanese economy, and the social form through which they were systematically reproduced, portrayed many of the classic features of underdevelopment-dependency relations. The principal products produced were sugar, bauxite-alumina, and rice. Except for a small fraction of sugar cane cultivation (less than 10 percent), sugar was

grown and processed by two foreign-owned plantations. Sugar was the dominant crop, accounting for the largest share of value-added, employment, foreign exchange earnings, capital accumulation, crop land, and agricultural infrastructural resources. Rice, initially cultivated as a domestic staple, had grown into a significant export cash crop, with most of the sales to the Caribbean market. Bauxite-alumina production took place in two enclave mining areas under the control of two aluminum producing TNCs - Alcan based in Canada, and Reynolds, based in the USA. The bulk of the production was under the control of the Canadian company. Export specialization was complemented by extensive dependence on imported foodstuffs, manufactures, intermediate goods (particularly fuels and fertilizers), and capital equipment. Unemployment was estimated at nearly 20 percent of the labour force, while the largest source of employed labour (sugar) operated on a seasonal basis.

In 1970, four years after independence the ruling party declared Guyana a Cooperative (socialist) Republic. A number of factors promoted this particular development. To begin with, as in other territories in the region, while impressive rates of growth in per capita product were recorded in the 1960s, most of the acute problems of poverty and dispossession were still very much in evidence. Second, the broad mass of the population had had a particularly militant

anti-colonial tradition. This militancy is reflected in the early maturing of relatively highly developed trade union structures in the country. Third, the tradition of militant anti-colonialism and the trade unionism was both product and producer of a situation in which large sections of the work force were influenced by Marxist ideas and functioned within organizations that claimed a Marxist-Leninist leadership. This is seen in the history and development of the People's Progressive Party (the first Marxist party to win free and fair elections in the hemisphere) and of its associated trade union, the largest in the country and the one which has organised labour on the sugar plantations since the 1940s. Fourth, because effective opposition to the PNC state occupied the "left" of the political spectrum, in order to use the state to transform itself into a national bourgeois class, meant that it had to adopt a popular socialist rhetoric if this process was to be made acceptable to the masses.

In concrete terms, the declaration of a cooperative socialist republic supposedly enshrined four major policy initiatives of the state. The first of these was the nationalisation of foreign property in order to assert more national control over the economy. By the mid-1970s the main producing sectors (sugar, bauxite-alumina), the import trade; public transport; alcohol, drug manufacture, small scale foundries, and shipyards operated by TNCs; significant

sections of distribution and communications, were all brought under state ownership. After the completion of nationalization of sugar in 1976, the government boasted that it now "owned and controlled 80 percent of the economy of Guyana". These nationalizations followed the traditional patterns outlined earlier, i.e., emphasis on fair and adequate compensation, the government taking initiatives to nationalize when the companies were in distress and threatened closure and post-nationalization contracts to cover management, technology, licensing fees etc.

The second principal feature of co-operative socialism is its incorporation of a declaration by the government that henceforth the strategy of national development would be embraced in a programme of feeding, clothing and housing the nation. This, it was claimed, substituted the "private profit" motive with the social goal of making "the small man a real man". This programme was embodied in the 1972-76 development programme and was from the outset heavily propagandistic. Thus it was that the 1972-76 development programme, which was supposed to have incorporated this basic principle of economic planning, first appeared as a public document in draft form in July 1973, and has never been revised and presented as a document for public scrutiny. Moreover, as we shall see later, the actual course of production bore little relationship to the objective of "feeding, clothing and housing the nation by 1976" which the draft proclaimed.

The third feature of co-operative socialism is that given a tri-sectoral national economic structure (private, state and co-operative), the co-operative sector should be the dominant sector. It is through co-operative ownership and control that the socialist foundations of the society are to be laid. Historically the co-operative sector in Guyana has been and remains a very miniscule part of the national economy. But even among institutions designated as co-operative and founded by the state, e.g. the Guyana National Co-operative Bank, these do not function or operate on co-operative principles, whatever the formal co-operative ownership structure may appear to be. Many of the economically significant co-operatives formed through private initiative also operate on capitalist principles. Thus many co-operatives employ wage labour, as membership does not mean automatic enfranchisement and the owners of the co-operatives then proceed to accumulate on the basis of exploited wage labour. Because of tax concessions afforded to co-operatives many enterprises find the co-operative a convenient form for private accumulation. In addition, many co-operatives are organized with specific and limited objectives in mind, e.g. a land co-operative may be formed in order to acquire a piece of land, but after the land is acquired it is then sub-divided and exploited on an individual basis.

The fourth feature of co-operative socialism is its claim that, as part of "socialist doctrine", the ruling party the Peoples National Congress (PNC) is "paramount" over all other parties and over the state itself. As the government did not come to power either on the basis of free and fair elections, or as the result of a popular social revolution, this is in effect a thinly disguised proclamation of a "dictatorship". The policy of paramountcy was enshrined in the creation, in 1973/74, of a new government department, the Ministry of National Development and Office of the General Secretary of the PNC. As the name suggests, the PNC party office was merged into a department of the state and financed through public funds. The state thereafter rapidly proceeded to make it clear that there could be no legal or constitutional change of government. The rigged elections in 1973, the postponement of elections due in 1978 and the rigged elections in 1980, are an indication of how earnestly the process of fascistization of the state developed. A truly authoritarian state has since been entrenched in Guyana. However, before examining how this degeneration of the polity occurred, it is essential for us to make an important observation on these developments outlined here.

The features of co-operative, socialism outlined above were combined with certain publicly self-advertised "radical" foreign policy initiatives by the state: the recognition of Cuba, support for the MPLA in Angola,

militant anti-apartheid rhetoric, support for the "Arab cause", support for a New International Economic Order, visits to and contacts with Eastern Europe and China, and so on. When examined closely however, many of these pronouncements can be seen to have been merely propagandistic. Thus support for the MPLA came only during the final stages of the war, the Guyana government having all along given its support to the CIA-backed group: UNITA. Recognition of Cuba was also undertaken as part of a broad-based Caribbean initiative embracing regimes of differing outlooks united on the basis of the need to assert an independent and separate identity for the region.

However, despite such evidences of the real worth of government propagandizing in the area of foreign policy, the acts of nationalization plus socialist and other progressive rhetoric produced a number of theorists who argued about the "radicalization" of the regime. 39/ These were joined by the PPP; the same party which, after the 1973 elections, had launched a programme of "passive resistance and civil disobedience", began in 1975 to proclaim a policy of "critical support" for the government because of the "radical turn" the regime was taking.

The new position held by the PPP reflected its formal adoption of the line of argument contained in the Havana Declaration of 1975, which as I have pointed out,

was the acceptance by communist and workers' parties of the hemisphere of the application of the "non-capitalist thesis" of revolutionary democracy to the region. I have developed a critique of this line of argument elsewhere, and while space does not permit the repetition of these arguments here, it is important to note two major points at this stage. 40/ One is, that the alleged radicalization of the state in Guyana was accompanied by anti-democratic measures, some of which were indicated above, for example, rigged elections designed to deny the will of the electorate. At the broader democratic level, these developments included the suppression of human rights, trade-union rights, the rule of law, and the traditional "independence" of the judiciary, etc., in the society. It was clear, therefore, that theorists of the radicalization of the state did not see radicalization as being premised on the increased access of the working class and peasantry to the development of their own forms of democratic organization through which their power could be exercised. On the contrary, radicalization was interpreted here as consistent with the reduction of the limited access of the masses of the working people to these rights and in this view therefore, radicalization and democratic development were in real opposition. Second, the line of argument ignored the internal class struggle and the role the state must necessarily play in the consolidation of a hegemonic class in the capitalist

periphery. As indicated in Chapter 9 in the periphery, the state is not only an object of class conquest, thereby constellating in its structure a dominant class, but in the complex circumstances of an underdeveloped bourgeoisie and working class it is the principal instrument for the long-run consolidation of one or other class as the dominant class. In this sense, therefore, radicalization can be measured only in terms of the possibilities opened up for working-class advance in the new state structures and a broadening of the democratic base of the society. This is a necessary, if not sufficient, condition for the consolidation of the position of the emergent working class.

As events have shown, nationalization in Guyana has aided the expansion of the state in all three of the dimensions mentioned earlier (bureaucracy, ideology and military). In so doing it has increased the capacity of the ruling PNC to asset its forms of authoritarian control over "civil society".. This process, however, required other accompanying developments, and it is to these we turn.

Degeneration and Social Decay

Guyana has been in a state of continuous crisis since 1975 and the manifestations of this are numerous. Consider the following:

a) negative rate of growth of real product since 1975 with the result that per capita real income at the end of 1985 is less than that of 1970 and more than one-third below that of 1975;

b) dramatic increases of malnutrition, and deaths from deficient nutrition related illnesses, particularly evident in public institutions (hospitals, prisons, institutions for the aged, the disabled, etc);

c) widespread and endemic shortages of foods as well as other basic items of consumption;

d) shortages of raw materials, with the result that for the past decade industry, on average, has been utilizing only 30-40 percent of rated capacity. In addition electricity outages scheduled for March 1986 at the time of writing averaged 36 hours per week for all districts in the country. Unscheduled interruptions also occurred;

e) double digit inflation rates;

f) unemployment estimated at over one-half the labour force following on large scale public sector retrenchments;

g) a virtual collapse of all the public utilities to the point where this constitutes a major obstacle to production;

h) the dramatic deterioration of social services;

i) drastic increases in crime, corruption, clientilism, graft and nepotism in public and private life to the point where they constitute themselves as a major factor of production (the fifth!) or non-production;

j) on external account: massive external debt, a rapidly deteriorating balance of payments deficit, (in excess of one-quarter of GDP for the period 1976-1984), and a deteriorating exchange rate;

k) the emergence of a vast parallel market for all items; and

m) a migration rate which in the most conservative estimates exceeds three-quarters the rate of natural increase of the population. Many estimates refer to an absolute decline in the population since 1975.

An important feature of the crisis, is the way in which the economic dislocation has unfolded, and has generalised itself into other areas of social life. This development has centered on two aspects of the social system already referred to, that is the post-independence period has witnessed a rapid expansion of state property and state intervention into economic life, and at the same time the government, which has promoted this since independence, came to power through a well documented Anglo-American (CIA) manoeuvre in the 1960's and since then power has been held without free and fair elections. Consequently, the regime has always lacked legitimation. The way in which these aspects of the society has determined the generalisation of the crisis

will be elaborated on later. At this juncture it is important to recognise that the economic aspects of the crisis require a special understanding, since it does not reproduce the typical export-oriented Third World model. The assumption most people not familiar with the economy of Guyana would make is that the economic crisis has been caused by the larger economic crisis of the world economy in evidence since the mid-1970s. While it is a truism that no country has been able to escape unscathed from this world crisis, the particular feature of the Guyanese economy is that the crisis in its export sector has not been directly produced by shrinking export markets and falling prices. As the selected data in Tables 11.5-11.7 show, the levels of output in the agricultural sector have been substantially below that of either rated capacity levels in these industries or peak output levels achieved many years ago. Thus, while current annual output of sugar is under 250,000 tons, at the time of nationalization the government had claimed that capacity of the transnational was 450,000 tons. The peak output level of 369,000 tons, had been achieved as long as 1971. In the rice sector, annual output in 1985 was 156,000 tons, while the capacity of the industry has been estimated at 250,000 tons with a peak output of 212,000 tons being achieved in 1977. In both these industries preferential contractual export markets paying premium prices have not been satisfied. Sugar obtains a quota and a premium price under the EEC-ACP Protocol, as well as for sales to the

TABLE 11.5Real Growth of GDP (compound (%) per annum)

	<u>1970-1975</u>	<u>1975-1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Total GDP	3.9	-0.7	-0.3	-10.4	-9.6	5.5
Sugar	0.9	-1.3	10.9	- 3.8	-12.6	-3.6
Rice	2.4	0.9	-2.2	15.6	-19.2	23.8
Mining	-2.3	-5.3	-11.4	-31.5	-22.4	47.0
Government	10.5	1.9	1.0	-7.7	-1.9	zero

TABLE .11.6 GUYANA: Economic Indicators (Physical)

Year	Population	Output (In Thousands of Tons)				
	(In Thousands)	Sugar	Rice	Dried Bauxite	Calcined Bauxite	Alumina
1970	703	311	142	2,290	699	312
1971	716	369	120	2,108	700	305
1972	729	315	94	1,652	690	257
1973	740	266	110	1,665	637	234
1974	750	341	153	1,383	726	311
1975	757	300	175	1,350	778	294
1976	766	233	110	969	729	265
1977	775	242	212	1,001	709	273
1978	783	325	182	1,100	570	276
1979	786	298	142	1,117	568	171
1980	790	270	166	1,005	601	215
1981	793	301	163	637	513	170
1982	796	289	182	789	392	73
1983	799	252	149	770	315	n11
1984	801	246	180	813	516	n11
1985	803	247	156	1,023	485	n11

SOURCE: Government of Guyana, Ministry of Economic Development and Statistical Bureau.
Bank of Guyana Annual Reports.

TABLE 11.7

GUYANA: Economic Indicators (Monetary)

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Year	International Reserves (Net)	Balance of Payments a/c	National Debt	Money Supply	Price Indices			
	(end of Period) \$mUS	Current a/c \$mUS	External US\$m.(disbursed & undischursed)	Internal G\$m.	Total			
				% Change from Previous year	Consumer (Period Average 1970=100)			
					Commodity Terms of Trade			
1974	40	-18	348	269	318	16	157.4	-
1975	93	-18	399	399	449	41	168.7	129.1
1976	-21	-141	457	658	492	9	187.2	101.0
1977	-44	-99	483	839	603	23	201.6	100.0
1978	-52	-32	656	993	664	10	255.2	92.0
1979	-107	-79	714	1,271	713	8	291.2	95.5
1980	-189	-109	737	1,637	850	19	325.2	93.4
1981	-212	-169	776	1,779.2	997	17	408.7	78.3
1982	-310	-133	891	2,758	1,269	21	478.6	67.6
1983	-415	-128	856	3,180	1,533	21	561.0	62.5
1984	-642	-86	828	4,531	1,815	11		74.2

SOURCE: Government of Guyana: IMF International Finance Statistics (various issues); Bank of Guyana (Annual Reports).

USA. In the case of rice, export markets in the Caricom region are not serviced, although the industry receives a premium price currently in excess of two-thirds above the world level. In the bauxite industry, the key feature is the virtual monopoly of world sales of high grade calcined ore which Guyana enjoys. In the 1960s and early 1970s output accounted for 90% of the world market. Currently, the industry can only supply 40-50% of the world demand as the output of 1985 (485,000 tons) was about two-thirds of the peak level attained in 1975. The Chinese product which has replaced Guyana's in world markets is admittedly inferior, but the reliability of supply has been far superior to that of Guyana, leading to the displacement of the latter's sales. In the absence of any significant diversification of the production structure in Guyana, the decline in the basic industries has negatively influenced economic growth. For the period 1970-75 the real growth of GDP averaged 3.9 percent, between 1975 and 1980 it averaged -0.7 percent and in 1981-1983 growth rates were minus 0.3, -10.4; -9.6, and plus 5.5 respectively. The data on growth of GDP are shown in Table 11.5.

It is the specific decline in the operating levels of the export sectors with opportunities for the sale of their products existing (in the absence of any real diversification, and in itself hampering that process) which has been the main cause of the country's acute foreign exchange and balance of payments difficulties. While other factors such as reduced inflows of private investment capital as confidence in the economy has waned and compensation payments for enterprises nationalized are important, they are not decisive. Because of this I have labelled the economic aspects of the crisis as a production crisis, i.e., as one in which output and productivity declines are directly linked to basic deficiencies in the structure of production, and are not due to contracting opportunities for profitable external sales. Selected monetary and price data are shown in Table 11.7. These reveal an external debt in excess of \$1,000 US, per capita; a current account deficit on the balance of payments in excess of one-quarter of GDP in current prices for the past four years; large annual increases in money supply and a price level in 1984 nearly triple that of a decade ago and 70 percent above that of 1980. A similar rapid expansion of internal debt can be noted, while within the decade the cumulative current account deficit on the balance of payments of nearly \$1 billion US since 1974, has resulted in net international reserves which peaked in 1975, standing at

minus US\$663 million at the end of 1984.

The causes of the basic deficiencies referred to are many, and here only some of the major ones are listed:

- i) an unplanned, uncoordinated expansion of the state sector, principally by way of nationalization between 1970-1976;
- ii) the operation of political "diktats" in the state sector, in the narrow sense of state property being used to serve the interests of the ruling elites. This has not only reduced the spheres of operation of an economic calculus in resource management but has also led to the nepotism, corruption, and the alienation remarked upon earlier;
- iii) the rapid outward migration of skilled personnel at all levels, leading to exceptional turnover rates of managerial and skilled operations;
- iv) poor industrial relations as employer-employee, government-worker conflicts have grown apace;
- v) the acute foreign exchange shortages which have affected maintenance, delayed production etc;
- vi) inadequate monitoring of projects, (itself affected by lack of personnel), leading to huge cost overruns, and

widespread delays in the physical completion of projects.

An important point to observe in the tables cited in the text is that the deterioration of the production structures began with the expansion of the state sector in the early 1970s. It is, however, not being suggested here that it was state control of the economy per se, that is in the a priori sense that "state control is always inefficient" which is responsible for this deterioration. The relationship is important to the analyses because of the specific nature of the state and the political configuration in Guyana since independence. While space again precludes me from developing this point at length, its importance can nevertheless be gleaned from the following observations:

i) The present regime which holds state power did not originally acquire same as the result of a popular mandate either in the form of a system of "free and fair elections and elections free from fear", or because of a "popular revolutionary overthrow of the colonial power". To the contrary, as it was indicated earlier the independence settlement through which it came to power was based on the general exclusion of the then dominant political organisation - the PPP. This exclusion is important in view of the militant anti-colonial tradition of the Guyanese people and the fact that the PPP had a Marxist-Leninist leadership.

ii) In light of the above circumstances, and in view also of the left complexion of the political opposition, the regime has sought its own legitimacy through advertising itself as a radical, progressive, Third World socialist regime. This propaganda reached its high point in the formal declaration in 1970 that Guyana has henceforth going to be a "cooperative socialist republic".

iii) The deterioration of the production system and the severe decline in living standards which have accompanied nationalization, have negated the achievement of basic needs goals, leading to the erosion of the propaganda appeal of cooperative socialism. This has forced the regime to resort to the systematic use of force and fraud to maintain its rule. The former has been used to defeat all popular expressions, and the latter through the entrenchment of rigged elections to parliament, local authorities, trade unions, and so forth, has ensured that the principle of freely elected representatives does not become established political practice.

iv) There are two other important aspects of the processes indicated above. One is that political power is being used to serve the class project of converting the petty bourgeoisie who wield this power into a big indigenous bourgeoisie, and despite the deterioration of living standards,

this has continued apace, principally through the appropriation of the relatively large amounts of monopoly rent present in a situation of such widespread shortages and scarcities of virtually all commodities. A substantial proportion of this wealth has been converted into foreign assets as political uncertainty grows. The second aspect of this process is that the large state sector has expanded the potential for nepotism by the government, as well as the scope for the intimidatory use of economic processes. Thus not only can the "faithful" be rewarded but of equal importance, a host of administrative economic decisions can be used to control "dissenters".

The expansion of state property has been accompanied by an increasing bureaucratisation of economic and civil life. In keeping with the claim to party paramountcy this has also led to increasing ideologization with the nationalization of the public media being used to promote state ideology and administrative restraints (e.g. refusal of licences to import newsprint, printing equipment etc) to severely restrict publication of opposition as well as independent views. As these two developments have occurred another feature of special importance has been the rapid expansion of the country's security services, making it on a per capita basis the largest of the hemisphere. Linked with this development has been the expansion of armed groups

attached to members of the party leadership, the military training given to youth activists of the party, and the training and arming of religious cults associated with the ruling party.

In the face of the increasing political orientation of state administration, this rapid bureaucratisation, ideologisation, and militarization of state functions has led to a preoccupation with security at all levels of the state, as well as an increasingly partisan politicisation of economic functions. Thus when the economic crisis first manifested itself in a major balance of payments crisis in the mid-1970s and critics remarked on its serious implications the government lightly brushed aside this as opposition propaganda and proceeded to print money and expand state credit as if the phenomenon was essentially temporary. It also took many years after the event for the government's major propaganda plank of the cooperative republic "feeding, clothing and housing the nation by 1976" to be admitted as a failure. Yet the evidence of this abounded years earlier.

Arising out of these analytical observations I have argued in the work cited at the beginning of this section, for the existence within the society of a response/ reaction mechanism which can be described as a repressive

escalator. This derives from the observation that the production crisis and the mismanagement of this in terms of both its internal and international dimensions have been self-reinforcing. This in turn is based on two considerations, namely, repression or the rejection of political democracy which is seen as the ruling regime's solution to the crisis, and the increasingly popular resistance to the imposition of power as it is constellated in the present state. As a result the economic crisis, qua production crisis, has generalised itself into a social and political crisis, calling into question the very character of the state. Since there is no legal or constitutional means for changing the regime in power the society is confronted with a fundamental and inescapable dilemma.

The "repressive escalator" of the state has developed in three main phases, each phase serving to ripen the contradiction between oppression (seen as a ruling class solution to the present crisis), and popular resistance to this and deteriorating conditions of social life. In Stage 1, the government's efforts to enforce a reduction in the real wage in order to reduce import demand, to halt domestic inflation, and to overcome the country's foreign exchange and balance of payments difficulties as part of its efforts to solve the production crisis were resisted by the workforce and their organisations. This resistance centered in the state, which

had become the major employer of wage labour. Those in control of the state sought to repress the discontent and their main focus was on the containment of workers' rights inherited under the existing system of industrial relations. This option is chosen rather than a general election for the obvious reason that the government came to power without one, and did not want to risk one. In this stage the repressive interventions followed three major lines. First, the right to work was undermined as political dismissals and victimization of agitating workers proceed apace, then the right to strike was undermined under the invocation of the doctrine of the political strike. Under this doctrine any strike which the government does not approve as being industrial is deemed "political" and as such is treated as "subversive" activity. Finally, the corporatist solution pursued in Latin America was adopted, as the state, reinforced by its dominant employer status, manipulated the composition of the executive (and members also) of the trade unions in order to determine the final composition of the national Trades Union Congress and other central decision-making bodies. As the central trade union council fell under state direction, they were given more and more responsibility to represent the separate individual unions which may be less amenable to a corporatist solution.

Stage 2 followed because as the work force was repressed, but the economic crisis was not resolved, this spilled over into the repression of legality and human rights for all citizens. This progression has followed, simply because it is impossible to separate the rights of trade unions and trade unionists from the larger exercise of the rights of all or any citizen within a framework of justice. In this stage the struggle was heavily centered in the courts, and the church, human rights, and independent social organisations linked with the workers struggles. One important by-product of this stage is the blurring of the traditional racial boundaries within the workforce and a rise of worker-solidarity, as revealed in several major industrial actions in 1977, 1978, and 1983.

In the final Stage 3, attacks on trade unions, human rights, the courts, etc., become highly politicized as economic disintegration proceeded apace. Opposition formations, whether freely or not, rise in defence of democracy. The government is increasingly threatened as its unpopularity among citizens and the alienation of the workforce grows. At this juncture repression was extended to all opposition as well as independence social/political groups. To ensure its control a process of rapid consolidation of an authoritarian state form took place. In particular the state was constitutionally restructured in 1978 when instead of national

elections due in that year a Referendum was held to determine whether or not to adopt a new constitution. This was "approved" and the new constitution promulgated in 1980. This constitution gave legality to the dictatorial form of government. ^{41/} In this stage political assassination and direct repression of popular manifestations become routine. There is not only the continued rapid growth of the security apparatuses of the state in the face of economic decline, but a rapid rise in the influence of the political elements within these bodies - an important development in the consolidation of authoritarian control of the state.

At this juncture the crisis of production is totally political, and the political form and nature of the state becomes the primary constraint to regenerated production and the restructuring of national capital. Those who control the state in their own self-interest necessarily deny this and through control of the media seek to lay the cause of the crisis everywhere but on their own shoulders. It is out of this process, however, that widespread acceptance grows within the community to the notion that a political solution has to precede the implementation of an economic one.

Parallelling this repressive escalator are a number of vicious circles which operate both within and outside

the sphere of production, inhibiting the restructuring of the country's productive base. Principal among these are:

i) the need for the security apparatuses increases at the same point in time as the ability of the state to finance this from revenues is reduced. This is nevertheless essential and so the funds available for the productive and social sectors are reduced to finance it. Moreover the increasing orientation of the state to its own security operates as a drag on its productive potential. All these reinforce the dilemma of increasing output.

ii) The shortage of consumer goods which follows from the extreme restriction on imports increases inflationary pressure, which reduces real wages and adds to the central core of an unstable work and industrial relations system. Malnutrition, poor health care, inadequate public transport all effect the morale of the work force and directly their productivity as well.

iii) Restriction on public sector borrowing, necessary for obtaining IMF²-World Bank Group credit, has reinforced the development of relations between the government and the IMF-World Bank Group between 1978-1981. The inability of the government to meet the targets agreed on in its four IMF-World Bank arrangements since 1978 has forced the suspension of all these agreements. The failure to obtain

balance of payments support funds, presently operates as a serious constraint on the flexibility of the state.

iv) As external indebtedness has grown and arrears accumulate, the ability of the government to borrow abroad is further reduced. This worsens the crisis conditions at home, because government cannot call on foreign savings to cushion declining domestic incomes. In turn, this intensifies the external debt problems and reinforces the vicious nature of the circle.

v) Because sources of government's revenues dwindle when GDP falls, resort is made to tax increases in an effort to improve yields. This, however, further depresses economic activity and increases the tendency towards price inflation. The government is then forced to turn to reductions in its outlays, which in turn raises the cycle once more, since this affects the growth of output and incomes negatively.

Vicious circles like the ones outlined above serve to demonstrate the fact that at this point in time the production crisis is literally feeding on itself. This self-feeding reinforces the operations of the repressive escalator, a process that generalizes the crisis. At this point, also, the government, rather than being in a position to solve the crisis, has itself become a part, as well as

a major contributory factor to its continuation and worsening in the society.

The concept of the "repressive escalator" which I have introduced as being an integral feature of the crisis leading to the emergence of an authoritarian state form and the sequence of repression then popular reaction, more repression and so on, should not be construed in a mechanistic way - despite the use of the idea of stages (for simplicity) in presentation. The link between one stage and another reflects the unfolding of the underlying dynamic of repression - resistance - repression. This is a dialectical relationship and should not be construed as marking a process of automatic advances from one stage to another. Those who repress do not do so anticipating the result to be even more resistance, to the contrary. Similarly, those who resist do not do so in order to invite more repression. If these occur it is because the determinants are to be found in the social relations prevailing at the particular juncture and not because of the intentions of the various actors. The stages outlined are therefore not self-contained entities.

No automatic link is also presumed in the analysis presented here between continued immiserization of the population, and failure to overcome the economic crisis with the willingness of the masses to revolt. To make such an

assumption could easily be fatal for those who play a leading role in organising resistance. The social disintegration highlighted in this chapter has inevitably affected the social-psychology of the masses, and already there are many evidences of these negative features, e.g., a growing resignation and sense of helplessness among the population, a growing indifference, if not cynicism, towards "political struggle", and extraordinarily high levels of migration.

The final conclusion we can arrive at here is, that although wrapped in socialist/progressive rhetoric, the regime in Guyana by its systematic repression and denial of the rights of the broad mass of the population has created a state structure which is antithetical to the interests of the poor and the powerless. The social experiment which the ruling strata have set in motion, unlike those of Grenada and Jamaica, has not been motivated by the concerns of the dispossessed. The lessons which this offer for the mass of the West Indian peoples are those which reveal that despite the ideological appeal of "Westminster parliamentarianism". among the population, the potential for authoritarian and fascist-type degeneration of the body politic clearly exists. When we add this to the experiences of Grenada, it is clear that the masses of the region must lay singular emphasis on the deepening of the political democratic forms which they have fought for in the past, if in future social experimentation

is not to degenerate into dictatorship - whether of the right or the left. The development of this emphasis by the poor and the powerless in the expression of their self-interests is indeed a real possibility. For being in the main descendants of slavery and indentured servants they are, as a group, as well placed as any other people on earth to appreciate the importance of personal freedom. Their commitment to democracy can be second to none.

Notes to Chater 11.

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- 10 National Planning Agency, Five Year Development Plan, 1978-1982, Government of Jamaica, 1978, P.86.
- 11 ibid, P.86.
- 12 See M. Kaufman, "Jamaica Under Manley ...", P.169-172.
- 13 ibid, P.171.
- 14 ibid, P.171.
15. ibid, P.172.

- 16 For details see, E.H. Stephens and J.D. Stephens, "Democratic Socialism in Dependent Capitalism : An Analysis of the Manley Government in Jamaica", Politics and Society, Vol 12, No 3, 1973, P.373-411; "Democratic Socialism and the Capitalist Class: An Analysis of the Relation Between Jamaican Business and the PNP Government", CISCLA, Universidal Inter-americana de Puerto Rico, Documentos De Trabajo, No 8; "Jamaica's Democratic Socialist Path : An Evaluation", Latin American Program, The Wilson Center, Working Papers, 1984; F. Ambursley, "Jamaica from Manley to Seaga", in F. Ambursley & R. Cohen (eds.) Crisis in the Caribbean, Monthly Review Press, London & New York, 1983.
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- 24 A. Payne, "Jamaica: the 'democratic socialist', experiment of Michael Manley", cited in footnote 2, P.27.

- 25 E.H. Stephens & J.D. Stephens (1984) cited in footnote 16, P2.
- 26 C. Stone, Jamaica in Crisis : From Socialist to Capitalist Management, International Journal, No XL, Spring 1985, P.294.
- 27 These are discussed more fully in Part 5.
- 28 C. Stone, op cit, P.309.
- 29 ibid, P.295.
- 30 Cited in S. Clark, "Introduction" to Maurice Bishop Speaks : Grenada, (eds) B. Marcus and M. Taber, Pathfinder Press, New York, 1983, P.XI.
- 31 F. Ambursely and W. James, "Maurice Bishop and the New Jewel Revolution in Grenada", New Left Review, No. 142, Nov-Dec 1983, P.
- 32 Size holdings in the category 0.4 - 6 hectares comprised on average 2.38 fragments. The 1961 agricultural census suggested one-half of the land on farms in the size group 500 acres+ were idle in spite of the land shortage and land hunger which prevailed.
- 33 B. Marcus and M. Taber, (eds), Maurice Bishop Speaks : The Grenada Revolution 1979-1983, Pathfinder Press, New York, P.30 (my emphasis).
- 34 Deputy Prime Minister and Minister of Planning, Finance and Trade, People's Revolutionary Government, Report on the National Economy for 1981 and the Prospects for 1982, Grenada, 1981, P.64.
- 35 See in particular, Clive Y. Thomas, "The Grenadian Crisis and the Caribbean Left", IDS Bulletin, April 1985, P. . My other work cited in footnote 17 above, and "The Rise of the Authoritarian State", Monthly Review Press/Heinemann, New York and London, 1984, explores the theoretical issues more fully. In addition the interested reader should consult Tony Thorndike, Grenada : Politics, Economics and Society, Frances Pinter, London, 1985.

36. J.M. Mandle, "Economic Development in Grenada Under the Provisional Revolutionary Government", *Transition* 14, 1986, P.14. See also R. Thomson, *The Potential and Limits of Agricultural Self-Reliance in Grenada*, M.A. Thesis, Carleton University, Ottawa, 1983,
37. C.D. Kirton, "Public Policy and Private Capital in the Transition to Socialism : Grenada 1979-1983", (mimeo) 1985, P.32.
38. The presentation in this section is based on some of my recent works. Interested readers may consult these for a fuller elaboration of the main line of argument. Clive Y Thomas, "State Capitalism in Guyana : An Assessment of Burnham's Cooperative Socialist Republic" in F. Ambursley & R. Cohen (eds) *Crisis in the Caribbean*, Monthly Review Press, New York, 1983; "Guyana : The Rise and Fall of 'cooperative socialism', in A. Payne and P. Sutton (eds), *Dependency Under Challenge - The Political Economy of the Commonwealth Caribbean*", Plantations, Peasants and State : A Study of the Mode of Sugar Production, University of California and University of the West Indies, Los Angeles and Kingston, Jamaica, 1984; "Guyana : Crisis, Reaction and Response", Paper presented to the Conference, New Perspectives on Caribbean Studies - Toward the 21st Century, Hunter College.
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39. See, J. Mandle, "Continuity and Change in Guyanese Underdevelopment", *Monthly Review*, Vol 28, No 4, P37-50; and P. Mars "Cooperative Socialism and Marxist Scientific Theory", *Caribbean Issues*, Vol 4, No 2, P.71-106.

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CHAPTER 12: NATIONAL EXPERIMENTS: THE "CONSERVATIVE"
OPTION

I: Intensification of the Capital-Import Model : Barbados

In contrast of the national experiment which were examined in the previous chapter, none of the governments in Barbados and Trinidad-Tobago which had held power since their independence has professed a break with past policies or indeed advocated a radical approach to the problems of underdevelopment. The emphasis has been on an intensification of the capital-import strategy of development which had evolved during the colonial and early nationalist periods after World War II. Barbados has been widely proclaimed within the region as a "success story", in that the "economic crises" which have gripped the other West Indian territories over the past decade have not been very evident there. Despite the recession of 1981-1983 there has been little of the persistent and acute balance of payments, foreign exchange, external debt, and inflationary problems which have characterized the cases examined in the previous chapter. Since independence in 1966, Barbados has been able to avoid any significant dependence on the IMF for balance-of-payments support funds, and a consequence it has not resorted to any of the stringent deflationary and exchange rate adjustment policies characteristic of this dependence.

As we shall see, however, success in avoiding the acute manifestations of periodic and cyclical crises, has not been matched by a structural transformation of the economy and the problems of poverty and powerlessness remain very acute.

The oldest British colony in the region, Barbados has, unlike the others, developed with a significant white resident planter group. Although always a minority of the population, by the 1930s this group controlled the dominant sugar industry and much of the distribution and services trades. Instead of the classic imperial form of domination by international monopolies which characterized colonial investments in this period, local capitalist monopolies prevailed. ^{1/} The 1960s and early 1970s was a period of significant growth in the Barbadian economy. Between 1964 and 1971, Jainarain estimated an annual growth rate of 11.5 percent. Indeed for the long period 1956-1971, he has estimated the annual growth rate to be as high as 9.5 percent. Per capita national income in 1964 was about 60 percent above that in 1956; while for the long period 1953-1971 Barbados had the highest per capita national income growth rate in the West Indies; measured at current prices. By 1971 only Trinidad-Tobago with its oil based economy had a higher per capita income than Barbados, and even so it was less than ten percent higher. ^{2/}

Underlying this growth in incomes were certain important changes in its industrial structure. In 1956, sugar which accounted for just over 26 percent of the GDP was the main industrial sector, but declined rapidly, and by 1971 it was contributing less than 8 percent to G.D.P. At the same time the manufacturing sector had expanded rapidly, growing from just under 8 percent of G.D.P., to just over 12 percent in the same period. Tourism also expanded rapidly, with the result that the contribution of services to the GDP had grown from just over 8 percent in 1956 to just under 18 percent in 1971. Over the period for which data were available, Jainarain estimated a gross investment ratio of nearly 33 percent for the years 1956-1960, somewhat in excess of the 25 percent, for the years 1960-1964. Borrowing from abroad accounted for 47 percent of the gross investment in this period. ^{3/} Unemployment was the most serious manifestation that rapid growth had not brought about all round development as was anticipated by the authorities. The percentage of the labour force unemployed in 1960 and 1965 was just over 12 and 15 percent respectively. In 1970 the figure was somewhat reduced, but was still quite high at 9 percent. The dependence of the labour force on the performance of tourism and export agriculture for employment has produced considerable short-period fluctuations in its level, following on cyclical, crop failure, and other periodic factors which influence activity in these sectors.

Policy

There are five major elements to the economic policies pursued in Barbados since independence. First, economic policy has been portrayed as a technocratic pragmatic, rational, and therefore ipso facto a non-ideological matter. Indeed it has been a constant assertion by the ruling elites in that country that combining ideology with economics is a certain recipe for disaster, and the best examples of this are the very countries studied in the previous chapter. While it is clearly an ideological position to assert the non-ideological nature of received economic doctrine, one consequence of taking this view has been, that although strongly conservative in outlook and programmes, successive Barbadian governments have not attempted to propagandize the virtues of their economic approach in either regional or international debates. This low keyed approach stands in contrast to Seaga's conservatism and in many ways has blended better with the technocratic image which post-independence governments have sought to project. Second, the colonial-early nationalist strategies, with their outward orientation and heavy reliance on imported capital were accepted in the main by all the post-independence governments. Emphasis was laid, therefore, on how to make these received strategies more effective. In this regard three major foci have been developed since independence.

One has been to stress the crucial importance of management in successful economic development. This stress has led to a considerable expansion of training facilities in this field, and at all levels from supervisory to professional. In addition increased numbers of overseas scholarships and training awards have been made available to Barbadians. Another focus has been to provide for the systematic development of skills at all levels within the country at large. Thus a number of measures have been taken to improve the training of operatives in all the major sectors of the economy, and examples of these have already ^{been} discussed under separate heads when we considered such matters as tourist and manufacturing development in the region. The last of these foci has been the studied cultivation of an outlook which is constantly seeking to anticipate global economic changes which the country might exploit, particularly with reference to changes in North American and European markets. It was the cultivation of this outlook which it is claimed that has led Barbados to the "timely development" of such areas as off-shore banking, export-processing zones, and tourist diversification in the region (Venezuela) and in non-traditional areas in Europe (West Germany, the Scandinavian countries, etc.).

The third element of post-independence economic policies has been the promotion of political and social stability as a vital economic necessity. Although in fact the social climate is extremely hostile to radical ideas as a reading of the daily press would quickly indicate, there is still a strong appearance of "democratic tolerance".

Much propaganda is made of the virtues of Barbados' two-party system, its long parliamentary traditions (the claim is made that it is the third oldest parliamentary system of the former British empire), the absence of political violence, and a judiciary and police force that is respected, reflecting the fact that the "rule of law prevails". Barbados success in cultivating this image has been possible, largely, because the two political parties have accepted this framework and both project it. As would be expected, these parties are not significantly different in either professed ideology or social composition. The main line of competition which separates them is which group is best suited (educated!) to manage the on-going social and economic system. As the Governor of the Central Bank once aptly put it at a seminar in Jamaica during November 1985, commemorating the twenty-fifth anniversary of the Central Bank of Jamaica, "the two parties manage conflict between each other and one would never push the other to the wall, unlike the situation which obtains in many other Caribbean territories, and that is a key to Barbados' success". The formation of a Marxist party in 1985 marks the first overt departure from the middle ground the two major parties have traditionally occupied.

3

The fourth element of post-independence policy has been the introduction of measures which would facilitate the inflow of foreign capital. We have already examined

these in relation to tourism, manufacturing, and off-shore finance industries. It is important only to recall here that Barbados has placed much emphasis on the development of export processing zones, and in this sector, the sub-sector which it has especially encouraged has been electronics. The result of this policy is that by 1984 the EPZS contributed nearly 90 percent of export earnings (see Table 12.1). Since much of this is the fabrication of imports in enclave areas, as we have already noted the net effect on foreign exchange earnings and employment has not been nearly as significant. A good indication of this area of economic policy can be seen in the six basic ingredients which the Governor of the Central Bank referred to as being necessary for a successful off-shore financial center: a good record of political stability, a liberal and efficient public administration, a reliable judicial system, a well developed infrastructure of public utilities, the availability of a suitable work force, and a congenial social and cultural climate. ^{4/} These ingredients do not only sum up well the character of the model which was being pursued, but reveals the self-reinforcing character of the different lines of policy being indicated here.

The fifth element of policy has been the very careful attention which all the post-independence governments have exhibited to the continuous upgrading of infrastructure

TABLE 12.1

BARBADOS : SELECTED ECONOMIC DATA

	Sugar exports as a % of dom- estic exports	Manufacturing exports as a % of domestic exports <u>1/</u>	Imports of Food, beverages, feed, fats and other agricultural materials \$mUS	Wages Index	Unemploy- ment Rate	National Debt \$mUS	Inter- national Reserves \$mUS	Consumer Price Index (1980= 100)
1965	69	15	19 (1956)	-	15	-	-	21
1970	47	35	29	32	9	-	-	27
1975	53	36	55	54	22	22	40	63
1980	32	64	95	100	11	82	81	104
1981	17	79	105	110	11	130	75	119
1982	17	80	94	122	13	143	97	131
1983	7	91	92	128	16	174	119	138
1984	10	88	98	141	18	183	111	144
1985	10	88	92	-	18	222	137	150

Notes: 1/ includes rum.

SOURCE: Government of Barbados, various publications.

and basic services. The result is today, Barbados probably enjoys the best public utilities and most comprehensive level of social services in the region. As it has been put:

"The quality of the island's roads, air and sea ports, housing stock, tourism plant, communication, education and health facilities, industry and its electronic sub-sector, non-sugar agriculture, the media and forms of entertainment have all undergone such transformation as to have placed Barbados high among the better-off countries of the Third World". 5/

The fact that governments of a conservative outlook have done so much to improve the quality of life of the citizenry at large, even though motivated by the need to make Barbados an attractive investment location for foreigners, has contributed greatly to the de-fusing of social tensions in the post-independence period.

As part of the open-economy model successive Barbados governments since independence have encouraged an export orientation to industry, particularly within the regional market. The result is that over the period 1980-1984, as much as one-quarter of domestic exports were sent to the Caricom markets. Domestic exporters are encouraged through a credit insurance and guarantee scheme as well as an export promotion corporation which provides technical

and marketing assistance to them. As we shall see in the next chapter, serious difficulties in the operation of Caricom has caused a significant setback to Barbadian manufacturers.

The overall importance of the open-economy model which has been pursued in Barbados has been stressed by the Governor of the Central Bank in a recent interview:

"in the 1960s and 1970s when the conventional wisdom in the Caribbean was towards closure of the system Barbados did not go in that direction. It is now evident that as a result of serious difficulties in recent years those who had sought to close off their economies are now turning around. Barbados has no need to reverse direction. Whereas others in emotional terms had deemed linkages with the outside world to be a terrible thing, Barbados has found such linkages very useful in practical terms. I think that the open system approach has helped this country considerably". 6/

With the coming to power of the Bishop regime in Grenada, Seaga in Jamaica, and Reagan in the United States, the level of verbal and ideological confrontation in the region peaked in the early 1980s. Despite the practiced low key style of successive post-independence governments, the Adams administration found itself in heated verbal confrontation with Bishop in Grenada, and began more and more to raise its profile and doing so by overtly projecting

US foreign policy interests in the region. This culminated in the central role Barbados (along with Seaga's Jamaica) played in the US led invasion of Grenada in 1983, and as we shall see in the final chapter, subsequent efforts to militarize the region. The result is that from a studied low key profile Barbados has been catapulted into playing a leading role in the anti-Marxist, anti-radical political formations arising in the region, under US sponsorship. With the low keyed approach compromised and jeopardized, in recent months there has been increasing propaganda about the virtues of privatization, democracy, our "way of life" and Western, particularly American, virtues. Given the formation of its first Marxist political party referred to above, a certain polarization in politics seems very likely at this juncture, while the recent sweeping victory at the polls of the former opposition party also opens up new possibilities.

Evaluation

On the whole, the period since 1970 has been one of considerable growth in real output in Barbados. While its GDP at current market prices stood at BDS\$325 million in 1970, by 1975 this had increased to BDS\$813 million, and in 1984 the figure stood at BDS\$2.3 billion. (See Table 12.2) Per capita GDP in current prices stood at US\$4109 in 1984. As we have already observed, this

TABLE 12.2BARBADOS: GDP 1970-1984

	Per Capita GDP (Current market prices) US\$	Sugar Contri- bution to GDP (%)	Manu- facturing contribut- ion to GDP (%)	Construct- ion Contri- bution to GDP (%)
1970	678	14.5	...	9.9
1975	1,504	9.5	10.3	6.6
1984	4,109	2.8	12.7	6.3

growth has been accompanied with a significant expansion in the public utilities and basic social services, so that in general the quality of life for large sections of the population has considerably improved since independence. Underlying this development has been a certain degree of diversification of the economy's industrial structure. The diversification already observed in the period up to the 1970s has continued and today is reflected in the further decline of sugar, which presently contributes less than three percent to GDP and only ten percent of domestic exports, and the robust expansion of manufacturing and tourism. These changes are reflected in the external sector of the economy where manufactured exports as a percentage of domestic exports has averaged 85 percent between 1981-1984 (see Table 12.1). By the end of the 1960s and 1980 manufactured exports grew at 13 percent per annum. As we know, most of this expansion has been in the enclave industries set up under the various incentives schemes, with the fastest growing sectors being clothing and textiles, and electronics and electrical equipment. By 1985, there were 23 enclave industries operating under the aegis of the Barbados industrial development authority. Meanwhile the number of tourists/visitors visiting the island had also grown rapidly, rising from over 220 thousand in 1975 to nearly 370 thousand in 1984, an increase of over two-thirds.

The wages index of Barbados reveals a vigorous expansion in wages, as the index increased from 32 in 1970 to 100 in 1980, and 141 in 1984 (see Table 12.1). However, the retail price index rose by 42 percent between 1980 and 1984 which was about the same as the wages index, indicating no improvement in the real wage. Indeed going as far back as 1970 the wages index has just kept ahead of the retail price index. While the growth of the index therefore is a "money illusion" it nevertheless reflects an achievement not matched elsewhere except in Trinidad-Tobago, since the 1980s has generally witnessed a fall in real wages and the standard of living for the broad mass of the Caribbean peoples.

The positive record of a rapid overall growth of national income and a changing industrial structure has to be qualified in relation to four major considerations. The first of these is that the diversification of the economy which has been achieved, is more apparent than real, since there has been no significant development of a real capacity in the economy to generate growth autonomously and to provide for a structural transformation which permanently eradicates poverty. The reason for this is that much of the expansion has hinged on tourism and export processing zones two sectors that have shown particular vulnerability, not only in the region, but

world wide. Tourism has been vulnerable to changes in taste, variations in the level of economic activity in North America, and Europe, cross-currency rates, (particularly the US dollar against European and Japanese currencies), and adverse media reports in Europe and North America. Because of the last mentioned item, Barbados governments have been at pains to cultivate the image of open hospitality and political stability already remarked upon. The other sources of vulnerability, however, remain and these have affected the industry, leading to considerable annual swings in the number of visitors and their expenditures. In addition, we have already seen in Chapter 5 the enclave character, limited internal linkages generated, and the footloose nature of firms established in the EPZs. Given the capital restructuring now taking place among the transnational corporations there is no indication that the weaknesses mentioned there would lessen. Already the electronics industry has been hard hit by these changes. Moreover, in both tourism and the EPZ industries, low Barbadian wages are an important attraction to the firms, so that there is a built-in factor containing wage levels to those which would make them competitive with wages in other similar economies.

Given the vulnerable character of these new industries it is important to note that the expansion of these industries has not been accompanied by a phased

reduction of sugar as the data may suggest. To the contrary, all the evidence points to a situation in which the decline in the sugar industry has been due to structural weaknesses which persist (and which are Caribbean-wide in scope) rather than the result of deliberate choice. Indeed these structural weaknesses portray the broader weakness of agriculture in the region which we analyzed in Chapter 7. The increased dependence of the economy on imported food, beverages, feed, fats and other agricultural materials, can be seen in Table 12.1 where we find that the value of imports of these products has trebled since 1970, and currently average about US\$93 million annually.

Marked seasonal and cyclical variations characterize employment in these industries and this adds to the social burden created by the all too familiar West Indian social sickness - persistently high levels of open unemployment. In 1984, 18 percent of the labour force in Barbados was unemployed. In any context this would be a colossal social tragedy, but it is made worse by the absence of any significant unemployment relief. The position taken by successive governments is that unemployment is not a temporary, transitional phenomenon but a structural and endemic feature of the economic system, so that unemployment relief becomes "unaffordable". As with other West Indian territories the approach has been

one of letting employment/unemployment take care of itself, as a by-product of an emphasis on the growth of incomes and output. No systematic attack on unemployment as a social problem of first priority has ever been mounted.

Recognition of the limited nature of the diversification together with the structural nature of the large scale unemployment problem has led both government and opposition to question the successes behind the rapid expansion of GDP. This has come out indirectly in their widely publicized resistance to the re-classification of Barbados to "least needy" status by the World Bank which has come about because of its high level of per capita income. The government has tended to stress the small size of the economy, its open character, and the fragile nature of tourism and EPZ industries. They have argued for more time to build up the stock of social and human capital in the country as the platform of a qualitatively different kind of diversification. In particular they have been quick to indicate that the recent international recession (1981-1983) came close to bringing disaster to Barbados, for during this period tourism, agriculture, and EPZ activity all suffered significant declines. Indeed in real terms, per capita GDP fell by seven percent between 1980 and 1983 and it was not until 1984, on account of the revival of economic activity in Europe and North America,

that a real growth of over two percent was achieved.

The open strategy pursued in Barbados since World War II and intensified by successive governments since independence are the product of a particular set of social circumstances, many of them already hinted at. For 350 years until 1966, unlike all the other West Indian territories Barbados was ruled by the British alone. This together with a substantial resident planter class has created structures in which "white" capital, that is descendants of the original planter class, is economically dominant in the country, although the vast majority of the population is black. Thus whereas in the early 19th century the whites constituted 20 percent of the population, by 1970 the white elite was only four percent of the population (and the "mixed" group four percent also). Simultaneously therefore, class and racial inequality and domination has grown up within the economic structures of the society. This has led to a popular consciousness which prides itself in describing Barbados as "Little England" and in which imitation of British traditions, customs, and practices, have been particularly important to the dominant elites. Within the underclasses strong resistance to this cultural and ideological domination has not been articulated. This is so lamentable that in a country where 96 percent of the population are descendants of slaves, and four percent slave owners, the local press could have

a long series of debates in 1985 about whether Barbados should celebrate the 150th anniversary of the abolition of slavery along with other West Indian territories! Most of the letters opposed the celebration on grounds that there was "no point in looking back to the past, since all Barbadians are now equal". To talk of the slave past was seen by most writers as stirring up racial hatred! It is indeed this kind of logic, a logic which effectively denies Barbadians a sense of what happened, of their own history, which allows the peculiar Barbadian blend of seeming democratic tolerance and a virulent hostility to radical ideas to coexist. It is instructive therefore to note a statement cited by Gomes and circulated by the President of the Employers' Federation in Barbados in 1970, in response to the Black Power upsurges which were sweeping the region and which as we indicated was an important turning point in the region's political development:

"events have made us focus our attention on the serious state of affairs of unrest which exists in the area. While all eyes are on Trinidad & Tobago; there cannot be any doubt that many of the Caribbean territories harbour the same explosive elements. Nor can there be any doubt that many of those who are currently championing the cause of the underprivileged, who claim to represent the interest of Black dignity in their struggle against past oppression, imagined or real, are preaching a philosophy which is very akin both in content and in its terminology to that preached by communist revolutionaries as exemplified by the late Che Guevara.

If we do not know what motivates such a movement, we must find out how to counter it; because we do know that the result of it, if successful, is the end of democracy". 7/

The statement not only refers to "past oppression, imagined or real" but clearly takes the Cold War line of linking claims "to represent Black dignity" as communistic, and anti-democratic.

As with other Caribbean states one of the most notable consequences of post-independence policy has been the promotion of a local bourgeoisie linked to the growth of a domestic manufacturing sector. Although firm data are not available, this expansion seems to have favoured the already dominant elements of "white capital" which have diversified into these areas. Additionally, a group of mixed and black businessmen has already begun to arise around these new activities. Professionals (lawyers, accountants, engineers, economists, etc) have also as a group done quite well by this expansion. However, these elements of local capital remain as junior partners in the larger structure of international capital which continues to offer the main momentum of the economy. The political ruling class really manage this system. It is they who perform the "house-slave role" and in terms of the overall economic, political and cultural objectives of the model, they have done better than all the other Caribbean states.

The broad mass of the population appear to accept the view that progress is being made and to accept the cultural forms which go with it. Resistance is still isolated, despite the formation of a Marxist party. Increasingly, however, political debate will have to encompass a wider and wider polar range, and out of this the repressed consciousness of the mass of the population will yet, re-assert itself. It is my prediction that this development is likely to occur irrespective of the actual course of economic events. The chances are, however, that a model of expansion and accumulation which is so contingent on the course of accumulation elsewhere will inevitably expose the economy to severe shocks and disruptions.

II: Trinidad & Tobago: Oil "boom" and "bust"

Background

Since its independence in 1962 Trinidad-Tobago has been under the political rule of one party, the People's National Movement (PNM), and until his death in 1981, Eric Williams led the party and headed the government. Unlike Guyana, however, which since its independence has had the same uninterrupted rule by one party, in Trinidad-Tobago there has been free and fair national elections as required under the Constitution. Except for the near successful coup in 1970 when the Black Power protests in the region reached their apogee, and the subsequent boycott of the elections by the opposition parties in 1971, the two party parliamentary system of politics seems to have worked adequately. Trinidad-Tobago is the only West Indian country with a substantial petroleum sector, and not surprisingly the central feature of the model of development pursued after the 1970s has been the use and mis-use of the completely unanticipated windfall gains produced by the Arab oil embargo and subsequent events in the "good oil years". It has been estimated that between 1974 and 1983, Trinidad-Tobago received windfall oil revenues totalling US\$10 billion, and overall oil revenues were nearly US\$17 billion. Recent events in the world petroleum industry have, however, shaken the foundations of the economy and

revealed yet another instance of a Caribbean economy following the boom and bust of a product cycle. Caught up in the prosperity of a product cycle boom it is easy to forget its inherent transitoriness, and once again we have the example of those who control the windfall gains when they are occurring, assuming that this is a permanent state of affairs. As Eric St Cyr has observed:

"Caribbean countries have never failed to generate sizeable economic surpluses, as the fortunes of 'King Sugar' in the 18th century must attest, and more recently the post war bauxite boom in Jamaica and the massive oil booms in Trinidad & Tobago ... our problem is that institutional and structural factors have combined to see it expatriated or less than optimally deployed at home". 8/

Despite its petroleum base, in the years preceeding the dramatic rise in oil prices the economy of Trinidad-Tobago was not faring too well. While during the period 1955-1961, growth in real terms was of the order of ten percent per annum, thereafter positive growth in real terms did not continue. Between 1962 and 1965 the economy hardly grew, and while for the years 1966-1968 there was a slight increase in the rate of growth, by 1969-1970 the slide set in once again. Unemployment in 1970 stood at 12.5 percent of the labour force. As we have observed in Chapters 5 and 6, the PNM in Trinidad & Tobago strongly

supported the policy ^{of} "industrialization by invitation" from the middle 1950s onwards. However, the high capital intensity of the import-substituting industries which were actually established, together with the relatively small-scale nature of their operations, resulted in very little net labour absorption. The result was that this sector as a whole employed altogether only about three-quarters of the 25 thousand and more persons employed in the traditional sugar industry. During the period 1958-1973 the government published three national plans which served as the framework for economic policies over these years. The first of these which covered the period, 1958-1962, was called the "people's charter for economic and social development" and was prepared principally by Sir Arthur Lewis. As we observed in previous chapters, while Lewis advocated a combination of import substitution and export-promoting industrialization as the major thrust for the West Indian economies, the structure of incentives which was put in place and the manufacturing experience of the region was heavily focussed on the local market. During the second plan, (1964-1968), state intervention in economic life was advocated as a more prominent feature than ever before. The results we observed in Part 2 where we noted the wide range of institutions and laws which were introduced to support private capital formation (local and foreign) and to provide infra-structure for industrial and agricultural

development, as well as improved basic social services in such important areas as health and education. In addition, there was state acquisition of a number of commercial activities, including such basic areas as sugar, oil and selected concerns in the import-substitution manufacturing sector. By 1972, some twenty-one enterprises, were under state control, and it was often stressed at the time, that although the government was conservative and pro-capital in its outlook, it was sufficiently nationalist and pragmatic to have created in Trinidad-Tobago during the early 1970's the largest state property sector in the Caribbean, except for Cuba. The state then employed about 30 percent of the labour force. It is significant to note that all the interests acquired by the state at this time were done without any ideological recourse to such labels as "taking the commanding heights of the economy" or "expropriating the expropriators".

The similarities in this period between PNM policies towards the major sectors of the economy (manufacturing, agriculture, tourism and other services) and those of other Caribbean territories are too striking to bear repetition here. What should be noted, is that by the third five year plan, (1969-1973), the import-substitution model was showing signs of rapid exhaustion and regional integration was strongly promoted in this plan as a way out of the

impasse created by past industrialization experience. With real incomes falling and deep social unrest manifest in the early 1970's the oil boom came as a completely unanticipated blessing to the established political and economic interests in the territory. As Farrell has noted:

"The economic policies of its government, centering initially on attracting investment and subsequently on import substitution, failed either to generate genuine industrialization and transformation, or to deal with the problem of growing unemployment. The result was the 1970 Black Power rebellion which shook the nation to its foundations and threatened at one time to topple the government. Eric Williams' administration managed to weather that storm, but between 1970 and 1973 the economy continued to decline ... and Eric Williams announced his imminent retirement from the Prime Ministership and political life. Then came the Arab oil embargo and the quadrupling of oil prices. These events, with generous assistance from expanded oil and gas production based on new reserves ushered in a decade of the long oil boom". 9/

Policy

When considered at the aggregative, macro, political economy level of formulation, the development strategies and policies pursued by the PNM government in Trinidad-Tobago after the 1970s have differed little in their main essentials from those pursued in many other

parts of the region. The effective differences where they do exist, derive principally from the huge economic wind-fall which oil generated in this period and which was of course specific to Trinidad-Tobago. This observation should not be surprising for as we have argued before, in the countries of the region the period since independence, (and indeed in some cases before, i.e., during the periods of internal self-government), control over the machinery of state has resided in the hands of one or other favoured sections of the petty bourgeoisie and other intermediate strata. This group has generally sought to use this control to pursue the larger class-project of creating an indigeneous big-bourgeoisie in these countries. Without exception, this process has been facilitated by historical circumstances already considered in this book, particularly those which have permitted the post-colonial state to play what may be classed as "exceptional roles" in almost all areas of West Indian social life. The marked expansion in the state property sector of Trinidad and Tobago which, as we observed above, preceeded the oil boom, is but one indicator of this. In Trinidad and Tobago the period after the 1970s witnessed the use of state power by these elements to reinforce capitalist relations within the national economy and to promote the continued integration of the country into the international system of capitalist accumulation and reproduction.

The windfall gains were used to promote this project. Such an overall policy thrust, however, could only have been predicated on the continued capacity of the ruling strata to demobilize and de-politicize the masses and so contain the development of alternative foci. Their demonstrated capacity in this direction has been striking, particularly since its chief architect, Erci Williams, as both historian and anti-colonial politician, had done much to stir the consciousness of the poor and the powerless not only in Trinidad and Tobago, but further afield in the wider Caribbean area.

It is from this background that the policies developed to utilize the windfall oil gains are best understood. As it emerged five major thrusts were developed by successive PNM administrations in the wake of the oil boom. First, the vigorous role which the state had been playing in economic affairs since independence was considerably intensified. This time, however, the principal orientation was not towards import-substituting industrialization (although policies in this area were continued) but instead emphasis was laid on the utilization of oil revenues by the state to create large-scale resource intensive export industries. Because the oil boom coincided with the discovery of huge natural gas reserves, the export industries favoured were those which can broadly

be classified as energy intensive. Second the mechanisms used to bring this new sector into existence were centered on collaborative arrangements between the state and transnational corporations. Thus in this period a wide array of such devices were to be found ranging from traditional joint ventures at all levels from exploration, production, technology and marketing, to using TNCs as project managers, contractors, consultants, and suppliers of technical services. There were also the usual marketing and management contract arrangements in the new enterprises and of particular importance joint arrangements for approach to bank consortia to raise loan finance. The booming oil revenues of the country gave Trinidad and Tobago an edge over other countries in this regard, and the TNCs were not slow to exploit this factor. The result was a loan finance/equity ratio of 3:1 on average in the new enterprises.

The new complex of activities which were developed centered on fertilizers, chemicals, and iron and steel. In order to achieve this a huge industrial complex was developed in the South of the country at an area called Point Lisas. It is important to note that the idea for this development did not originate with the government, but instead first surfaced as a proposal by businessmen active in the South Trinidad Chamber of Commerce. Their intention was to stimulate port development and heavy industry in the South.

The government's first involvement was indirect and in a sense unintentional. At the peak of the disaffection manifested in the Black Power protests, the government acquired in 1970 majority shares in the largest agricultural enterprise and largest employer of labour in the country, the Caroni sugar estates. The remainder of the shares were acquired in 1975. As it turned out Caroni in turn held shares in the Point Lisas development company formed by the southern businessmen, which it had acquired in exchange for land which it had ceded to the company for the port development and the proposed industrial complex. With the sudden windfall oil revenues, and the near simultaneous discovery of huge natural gas reserves, the government turned to this proposal as the best means of monetizing the natural gas reserves. The Point Lisas project became its major developmental thrust and the largest outlet for state capital expenditures in the period.

The complex of Point Lisas involves three major activities. One is the construction of a huge industrial estate with not only excellent transport, power, telecommunications, and infra-structural facilities, but the creation of a new port (Point Lisas) which could handle trade in huge volumes. The second activity centres on the development of a chemical fertilizer industry based on the natural gas reserves of the country. This fertilizer

industry in turn has four major components. One is Federation Chemicals (a subsidiary of Grace). This firm first came to Trinidad in the late 1950's when Grace set up a wholly owned subsidiary to manufacture nitrogenous fertilizers. The original intention was to exploit the regional market created by the short-lived West Indian Federation, but when this collapsed in 1962, its focus was shifted to exports in the world market. With the discovery of natural gas large scale fertilizer production operations commenced in its plant in the 1970s. The second component consists of two joint venture operations between the state and TNCs. These are Tringen a joint state/Grace operation set up adjacent to Grace's original plant, and Fertrin a joint state/Amoco operation, with Amoco itself a subsidiary of Standard Oil. By 1981 Trinidad-Tobago was already one of the world's largest producers of fertilizers with a capacity then in excess of 1.2 million tons per annum. The third component is the government's decision to set up in 1984 its own operations to produce fertilizers and methanol. It uses some of the ammonia produced from Fertrin as a feedstock for producing urea. Fertrin operates the urea enterprises under a management contract and the product is marketed by Agrico Chemicals, the large US chemical TNC. Between 1980 and 1984 the capacity of this sector had grown by a factor of 2.6, with export earnings at nearly TT\$440 million being more than 7 times larger

than earnings from sugar, although only^a fraction (one-tenth) of the value of oil exports. The third and final major activity at Point Lisas centers on the government's iron and steel making enterprise (ISCOTT) which produces sponge iron, billets, and rods from imported lump ores and pellets. This company was originally intended to have foreign partners, but for a multitude of reasons these backed off as economic problems with the venture loomed large. Reportedly it is currently making a daily loss of half-a-million dollars, and the government is still assiduously searching for a suitable TNC to manage the enterprise, and hopefully to acquire equity in it as well. It has been estimated that about US\$1.6 billion has been invested by the state in the Point Lisas complex. While the above constitutes the preponderant activities of the complex, a number of minor industries have developed around it.

While these state activities have overshadowed both the traditional import substituting manufacturing favoured before the oil boom, and the EPZ type investments now in fashion in the region, the third thrust of policy has been in fact efforts to develop these two sub-sectors, as an ancillary as it were to the major thrust in large-scale, export-oriented resource intensive investments. It is therefore important to note that between 1959 and

1980 over 700 establishments were created in the traditional import-substituting areas, and these employ approximately 20,000 persons. Some of these establishments produce cement, household appliances, radios, televisions, and motor vehicles. The result of this has been the emergence of a significant indigenous bourgeoisie centered in these operations and located in four large economic groupings:

- Neal and Massay Group (motor vehicles, building materials, machinery distribution, real estate and finance. It also has a number of subsidiaries in the rest of the region and the group is reputed to be the largest indigenous economic grouping in the West Indies).
- Mc Eneaney Alstons Group (motor vehicles, building materials, engineering services, publishing, finance, supermarkets and other retail and wholesale outlets. It also has Caribbean subsidiaries).
- Geddes Grant Group (principally trading. This group is the most international of the four, as it operates in 6 West Indian countries as well as the Britain. About one-half of the trading which accounts for nearly 90 percent of its turnover, takes place outside of Trinidad-Tobago).
- Kirpalanis Group (a private company owned by one family, unlike the others which are public concerns. Its main activity is department stores,

light manufacturing, principally footwear and textiles, and some finance).

It has been estimated by Sandoval that for the period 1979-1981, the combined sales of these groups averaged about one-sixth of the non-oil GDP. The economic importance of the group is listed above in descending order. 10/

The fourth thrust of PNM policy followed from the consideration that one of the immediate consequences of increased petroleum prices was a rapid expansion of central government revenues from this source. This peaked at over two-thirds of all government revenues collected. Apart from financing the capital budget, a significant proportion of this was diverted towards providing transfers and subsidies. Together these exceeded 40 percent of government current expenditures (and one-tenth of GDP at current market prices) in the 1980's, as compared with 16 percent in 1953, 17 percent in 1963, and 27 percent in 1973. A levy which was introduced to finance unemployment relief works as a result of local protests in the 1970s raised over TT\$400 million in 1980, with over three-fourths of this coming from the oil sector alone.

The fifth and final major thrust in the policy of utilizing the surpluses generated by oil was the

improvement of basic services provided by the state owned and operated utilities and an upgrading of the delivery of social services to the population. Thus the telephone/telecommunications system was completely refurbished, considerable (but still insufficient) road construction took place to cope with the traffic congestion, the water supply, electric power and related facilities were improved, along with public transport, postal services, public warehousing, docks, and airport facilities. Despite the considerable investments of public funds along this broad range of public facilities the pace of physical expansion did not keep pace with the pressures created by the growth in incomes and the perceived requirements of the population, given their new levels of affluence. The result is that many who have visited Trinidad in this period have reported the impression of considerable physical congestion and, the overloading of public facilities. Much of this may be due to the omnipresent traffic jams which characterize almost the entire country. In social areas there were also many major investments, particularly in education, health, recreation and housing. In physical terms some of the more spectacular of these are the Mount Hope medical complex which is advertized as one of the best of its kind in the hemisphere, a modern stadium for sport and recreation which has attracted several world class events and many housing complexes, even though a housing shortage continues

and land/property prices have been rising rapidly. The emphasis in all of this seems to have been on big building projects with the result that landscape of many neighbourhoods in the country have undergone major physical transformations.

Evaluation

As a result of the oil boom and the construction activity associated with the new enterprises considered above, between 1974 and 1982, total GDP in Trinidad-Tobago measured at factor cost in current prices grew by a factor of nearly 5, that is, from \$TT4 billion to over \$TT19 billion. Over the same period, per capita incomes in current prices grew at a slightly lower rate, that is, from \$TT3,937 to \$TT19,682. Almost all of the expansion centered on the performance of the oil sector. Excluding some smaller companies each of which produces less than one percent of total output, there are four major oil companies in Trinidad-Tobago. Until 1985 two were subsidiaries of TNCs, that is, Texaco Trinidad and Amoco whose parent is Standard Oil. In 1985 the government purchased a significant share of Texaco's operations. The third company is a joint venture between the state and Tesoro of Texas which was formed in 1969 after BP

pulled out of Trinidad. Significantly, as with Caroni the government intervened at the time to protect the employment of BP's fifteen hundred workers and when all else failed it resorted to state acquisition of BP's assets. The fourth major company came into existence after the government takeover of Shell and the creation of its first wholly owned oil company, Trintoc in 1974. In addition to the above, Texaco, Tesoro, and Trintoc are equal partners in an off-shore oil venture, TRINMAR. Texaco's share in this continue since the change indicated in 1985. The distribution of production of domestic crude is as follows: Texaco 8 percent; Amoco 51 percent; Tesoro 13 percent; Trintoc 5 percent; and Trinmar 22 percent. By 1977 Amoco was the largest producer of local crude. Unlike the other TNCs it entered Trinidad-Tobago in 1968 in search of crude, a product in which it was short in its world-wide operations. Texaco which produces less than one-tenth of the local crude is there mainly for the refining of imported crude. At the moment most of the domestic crude is produced in off-shore fields (approximately three-quarters).

While domestic crude is produced, as we have already noted in Chapter 7, the traditional focus of the oil industry in Trinidad-Tobago has been its role as an off-shore refining centre. Originally the transnationals which undertook these investments were attracted by lower

processing costs, the political stability of the country (which was presumed to stem from the fact that it was still a colony), its geographical proximity to the American east coast where most of the oil (residual fuel) was consumed. Initially, most of the imported crude came from Venezuela (this was typical of other off-shore type operations in the region), however, with the increase in tanker sizes and the consequent decline in freight rates crude has been brought in from the Middle East, Africa and Asia for refining. Crude imports peaked in the early 1970s at over 290,000 barrels per day, but currently there is very little importation less than 12 percent of 1980's imports. Domestic crude peaked at 230,000 barrels per day in 1978, but in the wave of recent difficulties it has declined to a current average of 160-170 thousand barrels per day. In 1984 there was a small increase in output over 1983 (6 percent) the first time an increase was recorded since 1978. Domestic production of crude is less than three-tenths of one percent of world output.

The structure of the industry which has emerged is one in which the country both produces and exports crude, while at the same time importing crude for processing. This has developed because of specific company interests as a whole. Most of the oil refined and exported is residual fuel, while most of local production comes from off-shore fields.

The contribution of oil to GDP peaked at 48 percent, averaging 44 percent for the period 1974-1977. Thereafter there was a decline and it was not until 1980 that the figure once again exceeded 40 percent. Petroleum has also dominated the export trade accounting for over 90 percent of its export earnings. Since 1982, however, the oil economy has been in the doldrums with the prospects at the time of writing particularly depressing. Since that year the economy has had negative rates of growth of GDP in real terms, with the decline in 1983-1985 being minus 3.8, 6.3, and 10.8 percent respectively.

Foreign exchange reserves peaked in 1981 at over US\$3.2 billion, i.e., about four times the value at the end of 1975, but by the end of 1985 this total was down to US\$1 billion. The external debt although not as economically significant as in other West Indian territories stood at US\$1 billion at the end of 1985, about double

the debt at the end of 1982. Foreign debt servicing which cost only 2.5 percent of exports of goods and services between 1970 and 1983, has since trebled. Government fiscal operations which showed huge surpluses on current account (averaging 50 percent of current revenue in the years 1980-1981) declined substantially after that period, resulting in an overall deficit on current and capital account for the first time since the oil boom. For the years 1982-1983 this overall deficit averaged 13 percent of GDP at current

market prices. By 1984, this was reduced to under 7 percent GDP as government tightened its fiscal operations. Oil's contribution to government revenues has decline rapidly since 1980-1981 when it averaged about two-thirds of total revenue. Over the period 1983-1985 this averaged 40 percent of total revenues. Total exports which peaked at nearly TT\$10 billion in 1980 had declined to \$TT5.3 billion by 1985. Oil exports at over TT\$9 billion in 1980 was less than half that amount in 1985 (\$TT4.2 billion) and as a percentage of total exports had fallen from 93 percent in 1980 to 80 percent in 1984. Selected data for the years 1980-1985, are shown in Tables 12.3 and 12.4

Data on crude and refining throughput in Trinidad-Tobago which are shown in Table 12.4 indicate the drastic falls in refining throughput levels as well as the decline in domestic crude, as the petroleum/market has weakened. Currently the refining capacity of the local industry is several times larger than the local crude available, and with a dramatically softened oil market, the effects on the local industry have been disastrous. In evaluating the experience of Trinidad & Tobago it is important to recognize that declining output in the oil industry reflects a number of basic changes taking place within the structure of the industry at both the international and local level. First, there is the obviously important recent softening

TABLE 12.3

TRINIDAD & TOBAGO : SELECTED ECONOMIC DATA

Year	Exports	Trade \$TT Billion				Central Government Current Revenues \$TT billion	Government Finances	
		Total Imports	Mineral/fuel lubricants Exports	Fertilizer Exports	Food Imports		Oil Revenues \$TT billion	Total Expenditure \$TT billion
1980	9.8	7.6	9.2	0.16	0.6	6.4	4.1	5.5
1981	9.0	7.5	8.1	0.13	0.7	6.8	4.2	6.7
1982	7.4	8.9	6.5	0.28	0.8	6.8	3.3	9.5
1983	5.6	6.2	4.7	0.41	0.8	6.4	2.5	8.8
1984	5.2	4.6	4.2	0.44	0.8	6.5	2.8	8.3
1985	5.3	3.7	4.2	-	0.7	6.3	2.5	7.5

SOURCE: Central Bank of Trinidad & Tobago, Annual Reports and Statistical Bulletin (various issues) Review of the Economy 1985, Government of Trinidad & Tobago.

G.D.P.Prices

External Debt \$US million	Net Foreign Reserves \$US million	Changes in Real GDP on Previous Year (%)	Oil as a % of GDP (current prices)	Retail Prices 1982 = 100
437	2640	3.5	42.0	78.5
448	3203	2.4	36.0	89.8
558	2983	0.5	26.9	100
644	2083	-3.8	23.4	115.2
829	1181	-10.8	24.9	130.5
1,000	1001	-6.3	23.5	140.5

TABLE 12.4

OUTPUT OF SELECTED PRODUCTS

Year	Domestic Manufacturing (units)						Petroleum '000 Cubic Meters				Refinery Throughput as a % of capacity
	TV's	Radios	Gas Cookers	Fridges	Cars	Cement ('000) kg.	Crude Output	Crude Exports	Crude Imports	Refinery Throughput	
1980	12,779	8,387	23,386	27,550	11,852	186	12,341	7024	8345	13,455	47
1981	13,266	8,521	15,265	14,865	13,436	139	10,989	5978	6139	9,913	38
1982	18,222	8,331	22,779	28,387	15,026	189	10,274	5275	3719	8,761	47
1983	21,217	6,948	18,313	19,952	20,677	390	9,275	4769	-	4,321	23
1984	19,150	2,194	20,320	21,803	22,753	405	9,841	5170	-	4,475	23
1985	20,200	2,300	19,300	6,400	11,900	329	10,232	5912	-	4,460	23

SOURCE: Central Bank of Trinidad & Tobago : Annual Reports and
Bulletins (various issues).

Table 12.4 cont'd

	Agriculture			Heavy Industry						
	Sugar '000 tonnes	Coffee '000 kg	Cocoa '000 kg	Fertilizers '000 tonnes		Natural gas million cubic metres	Methanol '000 tonnes	Iron & Steel '000 tonnes		
				Output	Exports			Direct reduced Iron	Billets	Wire Rods
1980	112.7	2,239	2,381	687	614	5501	-	21.5	3.2	-
1981	92.6	2,433	3,145	555	494	5604	-	179.5	53.1	29.1
1982	78.7	1,794	2,246	940	851	6916	-	217.9	179.2	115.1
1983	77.2	1,388	1,717	1,274	1,214	6318	-	302.3	209.6	164.1
1984	64.7	853	1,560	1,458	1,282	7229	180.9	239.0	198.6	134.1
1985	81.0	2,135	1,307	1,664	1,460	7573	358.2	243.2	166.9	102.1

of petroleum market which has created the "bust" in the oil prices. Second, the high price structure created by OPEC in the 1970s and again in 1980-1981 resulted in concerted efforts by the US to reduce its dependence on imported residual fuels for its public utilities by encouraging a switch to coal. As its demand was reduced this led to the emergence of significant over capacity in the region's refining sector which was oriented towards serving this market. Third, the traditional specialization of the region on residual fuel is a specialization on the cheap end of the oil barrel and not the more expensive end of the distillates and lighter fuels such as gasoline. As a result this sub-sector of the region's operations has been ^{less} resilient to the adverse effects of collapsing oil prices. Finally, as we have observed the whole development of the oil sector in the country has been made subservient to the logic of global profit maximization and balancing strategic interests of the TNCs. At the moment this is undergoing a major re-structuring in which the original attractions of the region do not command the same premia.

The fortunes of large natural gas/fertilizers enterprises have on the whole been mixed in recent years. When in 1981 the country had an output capacity of over 1.2 million tons per year of ammonia, it was the world's

largest exporter of the product. With cheap natural gas and a world hungry for food this appeared to be a strategic cornering of a major market and encouraged the more than doubling of capacity since then. However, the industry has encountered some protectionism in the metropolitan markets which has aggravated recessionary declines in fertilizer imports. In addition major competition has emerged from new sources, mainly Mexico, the USSR and the Middle East. At the moment the country continues to be a major supplier of fertilizers and methanol to the US. Finally, we must also bear in mind the long run threat to synthetically derived fertilizers, posed by scientific discoveries in the field of direct nitrogen fixation. These threaten to have the same disruptive effect oil based fertilizers had on guano production in South America. Because the industry is highly capital intensive, (about \$2.5 - \$3.0 million per job) highly protected/subsidized, and of an enclave export nature, domestic returns in the form of employment, tax yields and internal linkages are low. It has been estimated that domestic value added in this sector is as low as 13 percent and direct employment less than 0.30 percent. 11/

The rapid development of the new energy intensive export sector, is not only inherently limited by the marketing and other technological threats referred to here,

but in general has been insufficient to compensate for declining oil production and prices, the neglect of domestic agriculture, and the limitations of the manufacturing sector highly dependent as it is on external sources for raw materials, intermediate and capital inputs, licences, patents and know-how as well as privileged access to protected local (and regional) markets. Moreover the new energy intensive sector has significant income as well as foreign exchange leakages because in the first instance it was constricted mainly with foreign contractors, skilled personnel, hardware and soft ware, and extensive resort to loan financing in the international market which has helped to increase the country's external indebtedness. The TNCs naturally have encouraged this development since in part it provides a hedge against risk, experience showing that Third World countries have found it harder to default on loans than to nationalize foreign equity represented in local facilities.

In the wake of recent negative developments, government policies have followed the classic pattern of other Third World oil producers, i.e., cuts in public expenditure, restrictions on imports, lay-offs and retrenchment of employees in the state sector, removal of subsidies, tightening of bank credit, and a more active system of foreign exchange management. Thus as the data in Tables 12.3 and 12.4 reveal oil revenues declined by nearly

one-third between 1980 and 1985 and total revenue which averaged TT\$6.6 billion in 1981-1982 was down to \$TT6.4 billion 1984-1985.

State expenditures declined from the peak of \$TT9.5 billion in 1982 to \$TT7.5 billion in 1985.

Most of the cuts were in capital expenditure, which had increased at an annual rate in excess of 40 percent between 1974 and 1981 and declined by over 50 percent for the two years 1983-1984. In addition subsidies fell in 1984 after increasing at an annual rate of over 50 percent between 1979 and 1982.

Oil exports fell by over one-half between 1980 and 1985 and this resulted in policies aimed at a contraction in imports which resulted in a decline of about 40 percent in the period. Foreign exchange control mechanisms were put in place and towards the end of 1985, the exchange rate was put on a dual rate system and devalued by 50 percent for most imported commodities. Many of these policies, particularly attempts to tighten on non-essential imports, capital flight, and luxury consumption at home came too late, since most of the losses had already been incurred in the height of the oil boom, when as the calypso boasted Trinidad & Tobago was a place where "capitalism gone mad".

Despite the massive windfall gains unemployment in 1985 stood at 15 percent of the labour force, with the huge investments at Point Lisas yielding less than one percent of total employment. In this way, the situation in Trinidad & Tobago was no different from that of the rest of the Caribbean in that unemployment was still one of the major social illnesses and was not being treated directly as a problem in itself, but was left to solve itself as a by product of growth in exports and incomes. The neglect of domestic agriculture and the traditional export staples are reflected in the output figures in Table 12.4. Between 1980 and 1984 the output of sugar fell by over 40 percent to an all time low of 65,000 tons. The output in 1984 was just over one-quarter of output levels achieved since World War II. As with other sugar producing territories in the region, this decline did not reflect a phased withdrawal from sugar but the mismanagement and mal-organisations of the industry at all levels. Cocoa production at 1307 metric tonnes in 1985 was also less than one-third of 1975 output, while coffee output in the same year was about one-half of 1975 output. Citrus production also shows a decline.

The overall result is that by 1985, per capita consumption of imported foods was estimated to be as high as \$US800 per annum - a reverse of the situation 20 years ago when the country was a net exporter

of food! Domestic food supply is currently estimated at less than one-third of domestic consumption. While this situation has developed, at the same time the TNCs have secured strategic control of the country's food processing sector and have generally prospered, particularly in such areas as dairy milk (Borden and Nestle), feeds and grain (Central Soya, Pillsbury, and International Multifoods), juices, biscuits, preserves, and concentrates (Unilever and Nabisco), beer (Guinness and Heineken), pepsi-cola, coca-cola, and fast foods outlets (Pizza Hut, Kentucky Fried etc).

In the case of the domestic assembly/manufacturing sector, despite operating under the aegis of state protection output performance since 1980 has been mixed. This is in part due to the recession which has come about, and in part it has also been due to the failure of these products to capture significant shares of the regional market. Thus as the data in Table 12.4 show the production of radios in 1985 was substantially below the level of 1980, while television production was up by over one-half. Gas cookers was about one-seventh below 1980 output. In contrast motor vehicles output grew substantially from under 12,000 in 1980 to nearly 23,000 in 1984, to fall by nearly one-half in 1985. Domestic cement output has expanded significantly since 1980 to the point where importation of this product had been completely replaced by 1984. It has been frequently claimed that one

of the major factors which has affected the regional export capability of the manufacturing assembly sector in Trinidad & Tobago has been the high wage/high cost inflationary economy which has materialized with the oil boom. This factor is also blamed for the weak performances of the traditional export crops, although the evidence abounds that other circumstances may be of at least equal importance. The 50 percent devaluation introduced in 1985 in the wake of recent difficulties was designed mainly to rectify the situation produced by inflationary wage increases and an overvalued exchange rate.

In addition to an overall economic evaluation of the pros and cons of the huge Point Lisas type investments, one factor of tremendous importance which has arisen and must be taken into account in an overall evaluation of PNM strategy is the nature of the relationship which has developed among the political leadership, top state employees, and the TNCs corporate leadership. Considerable evidence of bribery, corruption, nepotism and criminal negligence in the disbursement of public funds have been unearthed over the years. A reading of the press over the years reveals a number of scandals involving the purchase of aircraft for the national airline, the proposed construction of a horseracing complex, ISCOTT, the handling of import licences, foreign exchange remittances,

customs administration at ports of entry, to name a few. One estimate provided to the author is that as much as one-quarter of the windfall oil revenues has been wasted on account of these considerations. If to this we add the gross inefficiencies in project preparation and feasibility analysis which have been disclosed and are revealed in the remarkable cost overruns of these projects, the social cost of the investments has been unbelievably high. As an example the final cost of ISCOTT's installation was nearly two-thirds higher than the original estimate.

By way of conclusion would seem that four major lessons have emerged from the experiences of Trinidad & Tobago. The first of these is that even with windfall gains of the magnitude obtained by Trinidad & Tobago, economic transformation in the region is not an easy task. The intractable nature of elements of the economic and social system should not be underestimated. The historical tendency to systemically reproduce a divergence between resource use and production as well as consumption and the basic needs of the broad mass of the region's population has been formed by centuries of slave and colonial domination. Difficulties of this magnitude do not simply yield to abundant foreign exchange; or indeed to any other abundant resource. It is for this reason that the observation made earlier is relevant, that is the system which has

developed in the region has had similar product-cycle gains in the past with no basic resolution of this contradiction. As a result we have to conclude that pro-capital conservative policies during the oil boom masked the basic structural weakness of the economic rather than removed them.

The second lesson is that ultimately the responsibility for the use (or mis-use) of resources in a period of windfall gain lies with the classes, strata and groups who control the state and those who own, and control the means of production. It is the link between these various social elements which keeps the momentum of the system going - particularly in this instance its historical tendency to marginalize the interests of the poor and the powerless in the framing of economic and social strategy. It was this class leadership which pioneered the drive for energy intensive industries, and it is important to recognize that although this drive was framed as a strategy to transform the economy and the society as a whole, it was in fact a strategy to transform the country's petty bourgeoisie into a big industrial bourgeoisie. It is therefore no coincidence that the Point Lisas proposals originated as an ambitious businessmen venture and only with the oil boom the initiative was taken over by the state. As it has turned out the massive investments in this sector did not

only lead to a substantial siphoning off of public funds into the private hands of the corrupt leadership, but it brought prosperity mainly to a range of increasingly important local petty-bourgeoisie interests: sub-contractors, engineers, architects, financiers, accountants, real estate operators, property developers, and so on. These developed their service operations into lucrative business ventures, multiplied local financial interests, and promoted consumer financing, the securities exchange, real estate dealerships, and other associated land and housing development schemes. It is not surprising also that scandals and rip-offs were not only associated with the Point Lisas project, but many of these financiers were heavily involved in dubious deposit raising and loan schemes. The dominant local classes, however, were prepared to accept their junior status in the system of international capitalism. Throughout the period they vigorously pursued links with the transnationals and welcomed state initiatives in this direction. Since these groups had many links with North America and Europe (more often than not holding resident status in these parts as well as in Trinidad and Tobago) they were the major propagandists of the virtues of an "open system".. This, however, was very restrictively interpreted and trivialized to mean little more than (their!) unrestricted access to foreign exchange^{to} finance personal travel and conspicuous consumption at home, as well as to hold their assets.

The result of all this was a colossal social waste of resources.

A third lesson is that despite the disappointments an energy-intensive industrialization drive would seem inevitably to have a role to play in any foreseeable economic transformation of Trinidad & Tobago. The reason for this is that with its abundant natural gas resources (among the ten leading countries in the world) a drive to develop this sector must play a role in any long term transformation strategy. Some opponents of the waste of resources which this sector has already entailed, have rejected any idea of an energy-intensive industrial thrust on the grounds that what a resource is, is what is needed, and not what one possesses, and from this viewpoint it should be noted that in the world economy energy intensive industries of the sort being promoted in Trinidad & Tobago (especially iron and steel) are in structural decline so that it is a mistake to pursue their development. The emphasis which they recommend is the need to find out what the world wants and then seek to provide that, but not to develop merely on the basis of what you have and think is abundant:

"The essential conception behind Point Lisas was not only seductive but intuitively seems both logical and and correct. The basic idea was that Trinidad and Tobago was rich in natural gas and that it should make maximum use of this abundant and cheap resource. More specifically, it should go into industries which were energy intensive and gas intensive. Trinidad and Tobago would have a natural comparative advantage in such industries ... this notion which seems intuitively correct is exactly of a piece with several other famous examples of notions which seem intuitively correct, but are in fact false ... the truth about industrialization and what industries a country should get into is .. counterintuitive. The truth is that for a small country which has to export, the first criterion in the list needed for deciding on what to get into has to be what is in demand, In what areas is demand on a secular upswing. Those are the commodities to try to get into. Your cheap and abundant resource may or may not be relevant to such areas. If it is, great, if it is not, then that cheap and abundant resource is not as valuable as you might intuitively think it is. It is important not to confuse the usefulness of something with its value". 12/

I have quoted Farrell above at length because the reasoning is typical of a type of "progressive" outlook which instinctively recoils against the great abuses of the Point Lisas project and rejects it. The reasoning however, particularly as expressed in the above quote cannot sustain the position taken by such persons. The fallacy of it is that the world economy is replete with examples of countries discovering just such an abundant resource and

"creating" a world demand for it through skillful development, promotion, and marketing. World demand is not a static conception. The Caribbean can influence the formation of this, as indeed any other country. The mistake of throwing the baby out with the bath water must therefore be avoided at all costs. What seems to be required is a line of development that does not make the energy-intensive sector the central thrust or an end in itself, but sees the development of this sector exclusively as a means of extending the net foreign exchange earning potential of Trinidad-Tobago's resources. From this vantage point, strict criteria developed around this requirement should determine what form of development the natural gas should take. This should then be combined with plans for the effective use of the foreign exchange so acquired before one can determine the suitability or otherwise of exploiting or monetizing this resource. From the data available to me this does not seem to have been the rationale in the feasibility studies for the project. Net foreign exchange earnings did not weigh as heavily in the investment decisions as projected industrial diversification brought about by this type of development. This type of industrial development, however, is similar to the processing of sugar, or the production of alumina, since it is not geared to the needs of local and regional people and as an extension of this the world market, but seems to be directed

abroad as another typical Third World export industry project based on an abundant natural resources.

The final lesson to be drawn is that the perpetuation of economies vulnerable to adverse shifts in world demand of this magnitude is to the particular disadvantage of the poor and the powerless, since in the downward adjustments of economic activity and decline in real incomes, which are then deemed "necessary", they will be forced to carry the disproportionate burden. Retrenchment, cuts in social expenditures by the state, removal of subsidies and increases in domestic prices, devaluation and its impact on the price level, all have placed their burdens first on foremost on the underclasses of the society. The effect of this is all the more significant when it is taken into account that in the boom years despite the focus on the social sector and public utilities, it is estimated that the distribution of income showed little improvement. In their text Barry et al cite a figure of the top ten percent of households receiving one-third of the income, while the bottom 40 percent get only 10 percent in the period 1975-1976. Using his own calculations on the basis of the 1980 census, Ramsaran concluded that "there is no reason to believe that the situation has improved significantly since". ^{13/} The decline in incomes is likely, given other circumstances to bring with it an increase in social tensions,

particularly as many hold the view that the past ability of the ruling classes to maintain their rule has depended on the rapid growth in wealth of the ruling classes in the country to the point where enough crumbs have fallen to the poor, thus relieving them of the need to implement major measures in this area. As Sandoval points out:

"the triumvirate formed by the state, the local and foreign bourgeoisie has evolved without major friction up to 1981. Each part has found room to manoeuvre at the economic level. This has been possible because of the availability of economic surplus which has so far remained buoyant in terms of volume and value".

He then goes on to warn that:

"the prospects for continued buoyancy are, however, not clear". 14/

Notes to Chapter 12

1. For fuller details consult the following:
P.I. Gomes, "Barbados: The Post-Independence Period, 1966-1976 Working Papers Series A, No. 3, Department of Sociology, University of the West Indies, Trinidad, 1980; C. Karch, "Changes in the Barbadian Social Strcuture, 1860-1937", Seminar Paper, ISER, University of the West Indies, Barbados, 1977; and R.G. Parris, Race, Inequality and Underdevelopment in Barbados, (Ph.D. Thesis), Yale University, 1974.
2. For details see, I. Jainarain, Trade and Under-Development : A Study of the Small Caribbean Countries and Large Multinational Corporations, I.D.S., University of Guyana, 1976, 205-229.
3. ibid, P209-210.
4. C. Blackman, The Practice of Persuasion, Cedar Press, Barbados, 1982, P60.
5. Caribbean Development Bank News, April-June 1985, P4.
6. ibid, P7-8.
7. P.I. Gomes, as cited in footnote 1, Page 42. The statement is attributed to the President of the Employers' Confederation, in his Monthly Newsletter, April 1970.
8. Eric St Cyr, "Towards a Long Term Strategy for Trinidad and Tobago : Some Alternative Perspectives", (mimeo), University of the West Indies, Trinidad, 1983, P11. For the estimate on the windfall gains see, Trevor Farrell, "Why a Trinidad and Tobago Crisis?", Caribbean Contact, Feb, 1986, P.8.
9. Trevor Farrell, op.cit, P.8. It should be noted that despite overtures to the country, Trinidad and Tobago was not a member of OPEC.
10. See Jose M. Sandoval, "State Capitalism in a Petroleum-Based Economy : The Case of Trinidad and Tobago", in F. Ambursley, and R. Cohen (eds.) Crisis in the Caribbean ... Monthly Review Press, New York, 1983, P247-268. As Sandoval indicates there is the likelihood of some double counting

given the way the statistics are made available, so that the figures as given in the text overstate the actual importance of these groups in relation to value added in the G.D.P.

- 11 Estimate on value added provided in E. Parsan, An Evaluation of the Organization and Development of the Fertilizer Industry in Trinidad and Tobago M.Sc. Thesis, University of the West Indies, St. Augustine, Trinidad, 1981, and on direct employment in F. Long, Employment Effects of Multi-national Enterprises in Export Processing Zones, mimeo, 1985.
- 12 T. Farrell as cited in footnote (8),
- 13 See T. Barry et al, "The Other Side of Paradise ... New York, 1984, P364. The quote is from R. Ramsaran, "The Growth and Pattern of Government Expenditure in Trinidad and Tobago, 1963-1983", Paper presented to the Sixteenth Annual Conference of the Regional Monetary Studies Programme", Jamaica, 1984, P5.
- 14 J.M. Sandoval op.cit, P266.

CHAPTER 13: SMALL COUNTRIES IN A BIG WORLD : METRO-
POLITAN VS CARIBBEAN INTEGRATION

I Introduction

The Caribbean sea embraces the world's largest concentration of small and mini-states. This balkanization of the region is a direct outgrowth of the pattern of penetration, conquest, and settlement of the area which was outlined in Part I of this study. If we exclude minor European possessions such as those of Denmark, four major European-empire systems have historically operated in the region, each promoting its own exclusive monopoly zones by means of tight control over metropole-colonial relations. With frequent changes in possessions following in the wake of continuous European wars of rivalry, what eventually emerged was a bewildering array of small island possessions speaking different languages, practicing different religions, and developing different customs in the wake of the overarching influences of the particular metropolitan power whose influence prevailed over the others. With European settlers, African slaves, and Asian indentured workers being the principal ways of settling the region up to the end of the 19th century, what emerged in the 20th century was a region comprised of a number of ethnic groups: Hispanics, Africans, Indians, Europeans, and indigenous

Amerindian peoples. Also, with considerable racial intermingling taking place, a strong "creole" group also emerged. The movement for independence in the 19th and 20th centuries resulted in a number of independent states being formed, and although this considerably weakened the separateness and exclusivity of the influence of the European imperial powers in the region, it was substituted by the 20th century expansion of US imperialism. With its colonial possessions and Cold War dealings in the region (Puerto Rico, the US Virgin Islands, Cuba and Grenada under Bishop) the United States has strengthened the barriers historically dividing the region.

Although imperial policy, ethnicity, religion, class and culture have fostered the growth of obsessive individualism and encouraged deep divisions within the region, paradoxically, long before neo-classical customs union theory was developed in the 1950's and began to promote the welfare improving effects of freer trade

among groupings of countries as a "second-best" option to free trade in the world as a whole, there was recognition that there could be benefits from economic cooperation in the region. As Gordon Lewis pointed out:

"the recognition of the seminal truth that only a unified Caribbean, economically and politically, can save the region from its fatal particularism is at least a century old". 1/

The premise of this view is that there was a history and culture of unity within the region, even though it was manifestly true that the legacy of divisions and diversity prevailed. From this starting point, it was claimed that operating as a group each unit's capacity to survive, and perhaps even protect or promote its interests in a "big world" where war and violence are endemic, would be enhanced. This view was even more strongly expressed in relation to the very small countries, or mini-states, as they are now termed. Historically, these views on the potential of economic cooperation were expressed by a wide variety of interests, ranging from colonial officials (and even to ^{the} Colonial Office itself from time to time) to individual planters, writers, and even early labour leaders in the region; a good example of the last being Cipriani's resolution in support of economic union at the 1926 regional labour conference which was passed with only the delegates from Guyana (British Guiana) expressing reservations.

To observe this "seminal truth" as Gordon Lewis terms it, however, should not mask the fact that the notion of integration which was promoted by these various sectors was more often than not inconsistent in both form and content. Thus it was that the 1897 Royal Commission proposed a federation of Barbados and the Windward Islands, while the

Closer Union Committee of 1932 proposed a "loose grouping" of the Leeward and Windward Islands. Again, while the 1882 Royal Commission had proposed an "ultimate federation" of the region, that established in 1897 opposed such "strong unity", and indeed even objected to the earlier proposal of a unified civil service. The Caribbean Labour Congress of 1938 which supported integration included Bahamas, Belize and Guyana in their proposals, but the Moyne Commission of the same period saw integration as a far off "ideal" and made it a point to stress the difficulty of providing adequate transportation and cheap effective communication to service such a wide area if economic union was to be meaningful. Of striking significance also, is the fact that all the views of this period confined themselves to the British possessions in the area. 2/

II: West Indian Federation: The Colonial Initiative

The end result of all this was that after 1958 under British government urgings, guidance, and tutelage, a Federation of ten West Indian islands was formed. This lasted for four years, it being formally dissolved in 1962. The birth and demise of this short-lived experiment in integration is instructive and although we cannot obviously

go into any detail in this text, for our purposes there are two major lessons to be learnt from this experience. The first and foremost of these is that plans to integrate the region from above, particularly if they take the form of, and are largely confined to, creating a new administrative agreement among existing governmental structures, are bound to end up in failure. Historical divisions within the region, combined with ruling class interests which are not organically linked to those of the broad mass of the region's working people and peasants, are a certain recipe for disaster. The Federation of 1958 was promoted as administratively convenient, particularly to the imperial power which found dealing with a multiplicity of small states as independence approached a real burden. It was this motivation which led the British government to promote the idea of the appropriateness of federation in the region and to link it with the implicit recognition that it was a route to constitutional development and possibly independence of the region. As Gordon Lewis has again observed in his study of this period:

"British opinion ... throughout viewed federation, not as a vehicle for West Indian self-government, but, overwhelmingly, as a problem of colonial administrative convenience. Examination of the voluminous documentation of that opinion in Westminster debates, royal commission reports, Colonial Office memoranda and the published correspondence between the Colonial Secretary and

individual West Indian governors shows that the most persistently recurring reason evoked in support of federation was the greater economy and the improved administrative efficiency it was supposed federation would bring about". 3/

Important as administrative economies may be in a unified as distinct from fragmented region of small states, in retrospect it is clear that this could hardly sustain a social project of this magnitude.

The second major lesson to be drawn from the ill-fated federal experiment is that although integration arrangements may be expressed in legal instruments (treaties, agreements, institutions, laws, etc) the real capacity to sustain the process of integration depends upon the extent of development of internal social forces in favour of it. Again I would argue that in the West Indies the best measure of this development is the nature and extent of the involvement of the poor and the traditionally powerlessness in the region in the process. The thrust of this observation is that integration cannot be measured largely by institutional mechanisms, important as the perfection of these are to the eventual success of the process of integration. The observation made here is reinforced if we were to consider two examples of particular significance to the region. The

first is that the British Empire itself, in so far as it brought together the territories under one Crown into one framework of legal, commercial, and financial ties with common preferential margins, regimes of exchange rates, capital movement arrangements, investment laws and so on, could only be considered a form of integration if this were measured solely by the extent of the institutional bringing together of the countries. Yet the historical experience has been that in the period of struggle for independence, both the ruling classes in the region, as well as the "forward" sections of the British ruling classes saw the dismemberment of its empire as a necessary prelude to progress in the direction of genuine unity and integration. By similar parity of reasoning it may be argued that in today's neo-colonial world, the TNCs which spread across the region have a de facto control and integration of resources that is quite considerable. A major thrust of this work has been, however, that if the development of the region is made primarily subject to the logic of the corporate interests of the TNCs in the region, then in fact its further disintegration and disunity would prevail.

The root of the argument therefore is that the best approach to evaluating the process of regional integration is through an analysis of the social (class) content of the process. In other words we must proceed

by asking such questions as: whose class interests does the integration movement advance? Does it alleviate unemployment, redress social inequities in income and wealth, or does its benefits mainly swell the profits of the TNCs? Does it struggle against dependency, distorted production structures, and the region's peripheralization in the global process of accumulation, or does it reinforce the absence of autonomous and internally articulated sources of expansion? Does it bring an end to uneven capitalist development and polarized growth? Whose interests are best served in the expansion of intra regional trade and investment? Such questions go to the heart of the social issues and the lesson to be drawn from considering the failure of the federal experiment is that our assessment of Caricom which follows, must proceed on the basis of this method.

The Federal experiment foundered in 1961 when Norman Manley then Premier of Jamaica decided to hold a Referendum to determine whether Jamaica should continue to participate. Among the many reasons for this development two stood out. One was the alienation of the Jamaican people, as indeed the rest of the West Indian masses from the process of negotiation which were taking place at the "top". This permitted the Opposition to painting a picture which portrayed Jamaica as being forced to carry the

"burden" of the smaller poorer states, as Britain gave up its responsibilities to the area and off-loaded it to Jamaica. If this occurred, then it was argued that the benefits of Jamaica's new found wealth, bauxite-alumina and tourism, would be diverted from the masses of Jamaican people and used to subsidize the poorer islands. The second reason for this development was that the policy of industrialization by invitation was gaining considerable momentum in Jamaica and it was argued in business and political circles at the time that although a strong federal government would provide the framework for an enlargement of the market, its policies might negate the advantages the government of Jamaica had already secured in dealing with foreign capital. Not surprisingly, similar views also prevailed in Trinidad at the time. As the then Secretary of the Caribbean Labour Congress observed.

"The reason for this change of policy was that Mr. Manley's whole conception of how to industrialize had changed. He now saw industrialization not as a process to take place under local ownership and against the interests of imperialism, but as a process actually to be performed by foreign investors ... He therefore no longer wanted a strong federal government with power to control investment in the entire area. Instead he wanted a weak central government, so that he would have the right to pursue an independent policy of attracting foreign capital by tax and other incentives to Jamaica". 4/

When Jamaica withdrew after the Referendum, Eric Williams made his famous pronouncement on behalf of Trinidad: one from ten leaves nought.

The ability of the local political elites to change positions derived from the fact that by 1959 both Jamaica and Trinidad had received internal self-government from Britain and it was no longer their belief that federation was a necessary route to independence. Britain was clearly exhausted by war and a rapidly disintegrating empire. Independence for the West Indies, except possibly Guyana where a strong Marxist-led party had emerged was more or less there for the taking. Previously I had summed up the argument as follows:

"when these lessons are put together what we find emerging as a fundamental conclusion is that the West Indian Federation collapsed because it was conceived essentially as a colonial arrangement to protect colonial interests. This, however, was introduced at a time when the masses were on a strong offensive against colonialism and the petty-bourgeois leadership of the period had already been committed to the struggle for constitutional independence. This ... did not imply by any means a fundamental breach between the interests of imperialism and the nationalist interests of the ruling political elites. On the contrary ... to the extent that the petty bourgeois leadership represented the interests of national capital, they were against colonialism and colonial arrangements". 5/

As ironic post-script to the analysis of this section is that Demas a former Secretary-General of Caricom and present head of the Caribbean Development Bank in expressing his strong pro-integration views tried to revive as late as 1974 the view that integration was a route to independence, only by then for the smaller states:

"the best way for the non-independent countries to sever their constitutional links with the United Kingdom would seem to be either through the creation of an independent state taking the form of political union among the Leeward & Windward Islands, or, preferably, a political union embracing all the English-speaking countries in the Eastern Caribbean". 6/

It was, however, too late for imperial wishes and bureaucratic goadings to have their way.

III: From Carifta to Caricom

After the collapse of the West Indian Federation, annual meetings of the heads of governments were held to try and preserve areas of cooperation, some of which had in fact preceeded the Federation (e.g. University of the West Indies), as well as to explore other areas of cooperation, outside a formal federal structure. By December 1965, a situation was reached whereby the governments of Antigua, Barbados and Guyana agreed to form a modest three-country Caribbean Free Trade Association. Three years later on May 1, 1968, the Treaty came into

force and within three months this was expanded to permit the participation of the original ten of the Federation, plus Guyana. Later Belize (1974) and the Bahamas (1983) joined. Two factors favoured this development. One was that the government in Guyana had come to power through electoral manipulation undertaken in connivance with British and ~~American~~ authorities and Burnham no doubt saw in the Caribbean a "population counterweight" to the ethnic advantage which he presumed Cheddit Jagan and his party held in Guyana. Integration was therefore, something of an alternative to the rigged elections which were to follow. The second factor favouring this development was that Britain was about to join the EEC, and when that came about the preferential status which the region enjoyed in the UK market as well as any moral claims to her resources would have been in severe jeopardy. This therefore prompted a collective effort to put political pressure on Britain to settle with the region as a condition of entry to the EEC.

The Carifta arrangement which came in force in 1968, represented a minimum degree of integration in that its principal integrative mechanism was the phased freeing of intra regional trade. No requirement was there for the region to have uniform external trade arrangements, nor to promote a common market for the other productive factors,

labour and capital. Carifta was, in other words, neither a customs union, nor a common market, but instead a mere free trade zone. The arrangement also did not have included in it any compensatory mechanisms to cater for the likely mal-distributional effects on the smaller and/or poorer territories of a regime of freer trade within the region. Although the Caribbean Development Bank was established in this period (1970) it was not formally part of the integration structure and was seen solely as a device for raising cheap capital outside the region. In so far as the region's production structure is oriented to export sales in metropolitan markets and it is here therefore, that "competition" among the territories would confine itself if free trade market principles were to be the sole guide for the integration movement, it was correctly anticipated that the gains from such trade were likely to be at best, very minimal. In order, therefore, to artificially promote a competitive structure within the region a long list of commodities was deemed to have been produced in the region and so eligible for free trade, whether they were or not, and this list was appended to the agreement. As we shall see later this provision was carried over to its successor arrangement, Caricom, and was not abandoned until 1981.

It did not take much astuteness for the architects of Carifta to realize that the agreement could not have survived for long in the form it was. Shortly thereafter, it was replaced by a new arrangement when in 1973 signatories to the Treaty of Chaguaramas established the Caribbean Common Market and Community (CARICOM). This new arrangement heralded as a "deepening of the integration process" was unlike its predecessor based on three pillars, namely:

- (i) A Common Market which provides for trade and economic cooperation based not only on free trade as in the earlier agreement, but with a common external tariff, the commitment to the progressive removal of non-tariff barriers to trade, harmonized fiscal incentives, and free intra-regional capital movements. No explicit provisions were made for the free movement of labour. In practice the customs tariffs of Belize and Montserrat continue to exist as anomalies in relation to this general rule, while Article 28 of the Annex of the treaty contains a provision which allows countries to reverse these mechanisms and impose restrictions on trade and capital movements if there are serious balance-of-payments difficulties. Furthermore, the uniform external tariff of CARICOM co-exists with a common external tariff arrangement among the sub-grouping of the smaller countries (Leewards and Windwards)

which operate in the larger body through a joint initiative in the form of the Eastern Caribbean Common Market.

ii) Functional areas of cooperation based on a number of inter-Ministerial Committees in areas such as health, education, labour, finance, agriculture, industry, transport, energy, mining and natural resources, science and technology, as well as agreed programmes to develop production and distribution structures for food and industry, along with cooperation in the development of a communications and transport infra-structure to service the region. In addition to these, there is provision for ad hoc cooperation in such areas as legal affairs, information, and women's affairs.

iii) The coordination of foreign policies. This provision is boasted as being unique in integration arrangements, although the EEC treaties do contain provisions for political cooperation, subsuming in these cooperation in foreign policy. There is no other integration treaty **with the formal incorporation of the specific** requirement to coordinate foreign policies. 7/

The Caricom agreement operates through two principal organs and a number of institutions, associated

institutions, and subsidiary committees and agencies. The two principal organs are the Heads of Government Conferences which are supposed to be held annually, but only seven annual meetings have been held between 1973 and 1986, and the Common Market Council of Ministers. The former has overall responsibility for the development of the integration movement and is the highest decision making authority; the latter has general responsibility for supervising the operations and development of the common market areas of the agreement. The main institutions of the community comprise a number of Permanent Standing Committees of Ministers, each of which is charged with the responsibility of formulating policies and performs all the necessary functions required to achieve the objectives of the Community in its respective sphere of competence. In addition to these institutions, a number of regional bodies are deemed to be associate institutions, these include the Caribbean Development Bank, the Caribbean Examinations Council, the Council of Legal Education, the University of Guyana, the University of the West Indies, the Caribbean Meteorological Organization, and the West Indies Shipping Corporation. There are also a number of permanent subsidiary committees which have been created in areas such as customs administration, statistical services, air transportation, airfares and rates, tax administration, national planning; agricultural marketing,

and oils and fats production and sales. Finally, in this review of the institutional arrangements note should be taken of the sub-regional grouping of the smaller states which form the Organization of Eastern Caribbean States. This was established in 1981 and was predated by the ECCM referred to above which was formed in 1968. In both the Caricom arrangement and the OECS there are secretariats. Caricom's is located in Guyana, while the OECS' has its main common market offices in Antigua.

IV: Performance

Trade

Despite the apparently complex and far ranging associations implicit to the description of Caricom in the preceeding section, the common market arrangements still form the central core of the agreement. While these arrangements were supposed to represent a deepening of the integration process, moving from a free trade zone to a common market for productive factors based on a harmonization of external tariffs, tax and incentives regimes, etc, the fact of the matter is that intra-Caricom trade during the period 1973-1985 has never moved beyond the 9-10 percent of total trade established

during the Carifta years. In absolute terms, however, this trade has grown from US\$47 million in imports in 1967, the year before Carifta came into force, to approximately US\$330 million by 1984. As the data in Table 13.1 show, there were annual fluctuations in the ratio of intra-regional imports to total imports, the figures ranging from 7.5 percent to 9.8 percent between 1973 and 1984. For domestic exports the range for the same period was larger 8.1 to 13.1 percent. As it would be expected, the trading pattern which has emerged in Caricom reflects the patterns of the regional economy already revealed. First, exports of oil from Trinidad-Tobago is the major traded commodity accounting for about 40 percent of regional trade and 75 percent of its exports to the region. In turn the prosperity of Trinidad-Tobago has resulted in its import market growing from about one-seventh of total regional imports in 1973 to about one-third in the 1980's. Indeed if petroleum is excluded, it accounted for about one-half of regional imports in the 1980's. Second, rice has continued to be the significant traded agricultural item in the region, although declining production in Guyana has seen dramatic falls in this in recent years. Between 1981 and 1982 rice sales fell by one half from about US\$27 million (or 8% of total imports) to \$US15 million. A third significant feature is the growth of intra-regional trade which has

TABLE 13.1CARICOM TRADE AS A % OF TOTAL TRADE (Selected Years)

<u>IMPORTS</u>		<u>DOMESTIC IMPORTS</u>	
<u>Year</u>	<u>%</u>	<u>Year</u>	<u>&</u>
1967	5.0	1967	6.3
1973	7.5	1973	10.3
1974	7.1	1974	7.3
1975	8.6	1975	8.3
1976	7.6	1976	8.8
1977	7.8	1977	8.1
1978	8.0	1978	8.6
1979	9.3	1979	9.2
1980	9.8	1980	8.7
1981	9.6	1981	9.9
1982	8.9	1982	12.0
1983	9.2	1983	13.1
1984	9.8	1984	11.7

SOURCES: Caricom Bulletin and Caricom Perspectives
(Various Issues).

occurred in the output of the new import-substitution sectors. This has had two aspects to it. One is the significant growth of trade among the larger and more industrially developed territories (Jamaica, Trinidad-Tobago and Barbados) and the other is the import-substitution activities based on the regional market which have been located by some TNCs in the smaller OECS states. The result has been that while the larger states accounted for about 80 percent of intra-regional trade, the regional market for the exports of the OECS countries had increased from eleven percent of its total exports in 1973 to over 40 percent in the 1980's and most of this was "manufactures" and non-traditional agricultural crops.

Although Trinidad-Tobago's market is the largest in the region, there is a marked asymmetry in that its domestic exports to the region only ranged from 7-11 percent of its total exports, between 1973-1984. For Barbados, the regional market was more significant, representing 24-28 percent of its total domestic exports between 1973-1980 (except for one unusual year, 1975, when it was only 18 percent). Over the years 1981-1982 the figure averaged 31 percent, but in 1983 there was a drastic decline to 21 percent. Before we examine this drastic decline in intra-regional trade in recent years, it should be observed that between 1973 and 1981, Jamaica's exports

to the region averaged only 4-7 percent of its domestic exports, but had risen to 11 percent over the years 1981-1982. Guyana's protracted economic distress distorts the significance of this figure, however, for the period 1973-1982 the ratio of regional exports to total exports ranged from 13-18 percent.

In recent years, one of the most striking occurrences has been a marked decline in intra-regional trade. Between 1981 and 1984 the value of intra-regional imports fell from US\$456 million to US\$335 million, a decline of over one-quarter. Several factors important to an understanding of the integration process are responsible for this result and we shall refer to these briefly here. First as economic difficulties have multiplied in Jamaica and Guyana their exchange rates have depreciated. As we observed previously Jamaica moved to a multiple rate system as well as devaluing the currency. Between 1977 and 1984 the exchange rate of Jamaica fell from J\$1:US\$1.1 to J\$1=US\$0.20. In 1985 the exchange rate of the Jamaican dollar at one of the weekly auctions fell as low as 15 cents US. At the same time the Guyana dollar fell in value from 39 cents US in 1980, to 24 cents US. The effect of these developments was to considerably dislocate intra-regional trade. Secondly, as we have

also previously discussed, in the wake of the economic crisis, these two countries in particular have imposed serious restrictions on both global imports and those from sister Caricom states. Thus between 1981 and 1984, Jamaica was able to halve its imports from Caricom. This led to retaliation in the form of restrictions on Caricom imports into the more successful Barbados and Trinidad and Tobago markets. Thus in Trinidad & Tobago a system of import/licensing was introduced, which required exchange approval for all foreign transactions, including those within Caricom. In Barbados the government let its currency float against the Jamaican dollar as a response to what it termed Jamaica's 'discriminatory treatment' of its exports to that country. As economic difficulties also emerged in Trinidad & Tobago and Barbados (although to a far lesser extent than Guyana and Jamaica) protectionist sentiment grew. The consequence of this resort to protection of the national market as the first line of defence, was to intensify the process of contracting intra-regional trade. To make the disaster worse, the community's sole trade facilitating mechanism, the Community Multilateral Clearing Facility (CMCF) collapsed in 1983, as it reached the limit of its credit granting powers: US\$100 million. At that point Guyana alone was indebted to over US\$96 million, with Barbados being owed US\$60 million by Guyana. As this debt has not since been repaid, the community now

functions on the basis of a regime of more or less strictly balanced trade, particularly in relation to trade with Guyana. However, since that country's difficulties are reflected in an inability to produce, this has operated as a strong downward drag on intra-regional trade.

While each of the above mentioned factors had a significant negative impact on intra-regional trade, the overriding circumstance which has predisposed the Community to these developments is in fact the continued weakness and vulnerability of the region's economy. As we have already seen in some detail, national policies in the region have produced a considerable duplication of protected high-cost import substitution enterprises, and now each of these enterprises seeks to exploit the regional market where possible in order to benefit from possible scale economies. When difficulties occur, the resort to protection by individual governments seems to them the only logical recourse if these inefficient local producers are to survive. Moreover, in so far as this type of structure of production is generally very import intensive, it is in fact very vulnerable to external shocks. The result of this is that there are severe limits to the benefits to be derived from trade and market oriented cooperation in the region, given its inherited production structures.

The system of rules by which the trade arrangements of Caricom operate, were from the very inception in favour of protecting the positions of the newly created manufacturing sectors in each of the national economies. The principal device for doing this was the creation of an origin system based on the "value-added criterion". This stated that if 50 percent of the value of a product was created in the region, then it qualified to be treated as a local product. This was then followed by a long list of basic materials which existed in the Carifta agreement and which made exceptions to this criterion. Thus I made the observation earlier:

"Both in its implementation and conception (and here a close study of the Treaty is relevant), recent integration efforts have sought consistently to underwrite, protect, and advance the positions of the MNCs in the region. Thus Schedule II (Appendix of the Treaty) gives a list of products which are always to be treated as having been produced in the region, irrespective of where in fact they have been actually produced:

'These materials may always be regarded as originating wholly within the Common Market when used in the state described in this list in a process of production within the Common Market'.

This is then followed by twelve foolscap pages listing products ranging through apples, grapes, rye, barley, oats, semolina, linseed, wheat, paper, silk, wool, iron, steel in all forms, copper, nickel, tungsten, zinc, printing and writing paper etc. Some of the items are so general as to include hundreds of sub-categories, one example being the item: "all other non-ferrous base metals, whether wrought or unwrought". 8/

After much criticism, in 1981 this system was modified . First, ^{the} basic materials list of exceptions was reduced and permitted to be used only by the smaller territories of the OECS sub-grouping. Secondly, specific consideration was given to the natural produce of the region, which was declared eligible for preferential treatment, as well as the products exclusively produced from these, e.g., minerals, agricultural products, livestock and marine products. Third, the criterion was introduced whereby a product had to be "substantially transformed", if it was to qualify for Caricom benefits. Measures of this are either specified in certain processes, or require the product to move from one level of classification in the Customs' Cooperation Council Nomenclature to another. This fact, however, that these regulations have not threatened a single significant producer which was trading under the old rules is proof enough that there has been no actual substantial transformation of requirements under the rules of origin. Once again there is a further talk in business and government circles about the need for further improvement in this area.

Functional Cooperation

The areas of functional cooperation listed above cover many fields and some of these have resulted in important new regional institutions or initiatives. These include the formation of a regional secondary schools examinations systems, a regional news network (CANA), the establishment of a technical assistance program to help the smaller states, cooperation in health training, and the institutionalization of a regional festival of the creative arts. Without doubt, however, the major target area for regional cooperation has been production, and here the focus has been on the development of a coordinated regional programme for food and industrial production. In the area of food production, however, although there have been limited joint efforts in training and human resource development, research, and intra-regional marketing, the main hope of building up a regional capacity to replace imported food is far from realization. As the Secretary-General of Caricom himself has observed very recently:

"Several reviews of various sub-sector needs have been undertaken and efforts made to build up institutional arrangements, essentially in the form of the Caribbean Food Corporation, to intervene directly in the food production situation. Much of this had its impetus in the resolve, during the first half of the 1970's,

to make the Region more self-sufficient in food and thus reduce the regional food import bill. Regrettably, however, the first twelve years of Caricom have not produced any serious dent in the over-all food import bill, and if anything ... it has been increasing". 9/

A similar frank observation was made by him about cooperation in the area of industrial programming:

"In the area of industrial programming, the first twelve years of Caricom have come and gone without seeing the first formally recognized regional industries going into production". 10/

This position echoes that of the Group of Experts appointed by Caricom to deliberate on the future of Caricom:

"Efforts to programme industrial production on a regional basis have been slow and disappointing". 11/

The real significance of the two observations cited above stems from the consideration that efforts in these directions are seen by its proponents in the integration movement as fundamental corrections to the inherited patterns of regional production and consumption, as well as the limitations of post-war industrial experience and the neglect of agriculture. In this view regional

industrial programming is intended to promote the development of basic industries, foster the growth of a capital goods sector, generate technological development and the spread of skills, and in so doing provide the basis for an integrated, autonomous system of regional production. Such a regional approach is expected not only to draw upon the benefits of a wider regional market, but also provide a larger catchment area for natural resources and skills, through regional planning. In other words the proponents of this view have seen in this effort an attempt to approach the earlier position advocated by Brewster and Thomas, that integration "should not be limited to those conditions which govern the exchange of goods, but should also include in its perspective the integrated production of goods". ^{12/} In the Brewster and Thomas formulation, integration could not be judged (nor should it be), primarily by the extent to which previously imported manufactures were produced in the region, but instead by the extent to which it harnessed basic resource inputs and developed the requisite skills and technology to meet the needs of the Caribbean people and so reduce the wide disparity between the inherited structures of domestic demand and domestic resource use which was systematically reproducing itself through time, on an extended scale.

Significant for our purposes, is the fact that the Group of Experts who deliberated on the future of Caricom had come to the conclusion that industrial production (and employment) was key to the success of Caricom.

"It is our view that to a very considerable extent the success of Caricom hinges on the extent to which the operation of the Caricom arrangements leads to increased industrial production and employment in the countries of the region". 13/

In similar vein, proponents of agricultural programming within the integration movement have seen this as a transformation device, that is a means of implementing a regional food and nutrition plan targeted at achieving a regional production of a minimum of 80 percent of the energy and 60 percent of the protein consumed in the region, and making available along with imports on a daily basis the minimum recommended per capita dietary allowances of protein and energy for the region's population as a whole. This is to be achieved through a restructuring of regional output and demand and through collective efforts at greater regional self-sufficiency. In turn these required increased output of food and other agricultural products for the local and export market, a marked reduction of post harvest losses, adequate marketing, and improved food processing. The supports for all of these were to be

put in place through a massive collective effort of self-reliance: research, training, storage, transportation, land reform, credit, availability of vital inputs, etc.

The failure of Caricom to achieve any of the major objectives of the food, and nutrition plan, when combined with an equal failure to achieve anything significant in the area of industrial programming has meant that Caricom has been unable to function so far as a medium for transforming the regional economy, even from the standpoint of its own principal architects.

Coordination of Foreign Policy

It has been claimed that the idea of including the coordination of foreign policies as a specific feature of the Caricom treaty grew out of earlier regional experiences in negotiations with the EEC, (which led to the formation of the African-Caribbean-Pacific Group), the region's negotiations with Canada for a successor arrangement to the Canada-West Indies Agreement of 1925, and the Law of the Sea negotiations which were of particular importance to the island territories of the region. These experiences

certainly showed that a collective voice carried more weight than that of the territories separately. As a result it was possible for the four independent territories to take joint action in 1972 and break the US isolation of Cuba in the region, by recognizing that country as a specific assertion of the region's "independence" and its right to pursue a "Caribbean identity" through fraternal relations with all Caribbean states. Since the formation of Caricom in 1973 the major areas of coordination of foreign policies have been as follows:

- i) joint work in the promotion of the interests, and protection of small island states in the international community, especially protection from the threat of "private mercenary invasion";
- ii) a joint call for the declaration of the Caribbean as a Zone of Peace;
- iii) regional support for the view that ideological pluralism is an irreversible fact of international relations and should not therefore constitute a barrier to the strengthening of the mechanisms of Caricom (Declaration of the Fifth Meeting of the Standing Committee of Foreign Ministers, St. Lucia).

- iv) regional support for Guyana and Belize in their territorial disputes;
- v) a joint statement condemning 'destabilization' which it was alleged was being directed at Manley in Jamaica and Burnham in Guyana; and
- vi) a unified reaction of a somewhat critical nature to the limited perspective of Reagan's Caribbean Basin Initiative.

As we shall see in the next chapter, the combined circumstances of a heightened 'cold-war' between the USA and the USSR following Reagan's presidency, confrontation in the region as reflected in the differences which emerged at the time of the invasion of Grenada, US supported attacks on Nicaragua, the near simultaneous rise to power of Reagan and Seaga, have undermined any progressive orientation or regional consensus on foreign policy issues. The result has been that at the Heads of Government meetings held since the invasion of Grenada, there has been studied efforts to avoid controversial foreign policy issues.

Before leaving this topic it should be noted that the Standing Committee of Foreign Ministers which is responsible for the coordination of foreign policy is, unlike other functional inter-ministerial committees, not given any decision-making authority. In part this is attributable to fears about giving a supra-national status to Caricom, and the fact that as with most other Third World countries independent relations with other states in the world system is seen as the highest expression of sovereignty. This position is further reinforced by a provision of the Treaty which requires that the changing of any of its provisions must be on the basis of a unanimous decision of all the participating countries.

V: Evaluation

The process of economic integration among a group of countries is never a neutral one, since that process represents more than the simple coming together of a group of countries. All actions in the pursuit of integration are directly or indirectly linked to one or other set of social (class) interests. It was from this perspective that we arrived at the position in an earlier section of this chapter that the West Indies Federation

did not, and could not have survived, because it sought to advance the social (class) interests of the old colonial order, at a time when this was already defeated by the rise of the anti-colonial and nationalist movements. In similar vein it might be argued that the present integration arrangements are ultimately an expression of the social (class) interests of the present political leadership in the region, the emerging national bourgeoisie which it has helped to found with its manufacturing policies, and the TNCs which have dominated the economic structure of the area. It is because of this social (class) content that the movement from Carifta to Caricom, which is represented as a deepening of the integration process in fact has done little more than pursue two economic objectives, both of which essentially consolidate at the regional level, the capitalist framework and market relations developed at the individual territory level. Put in a nutshell, these objectives are:

- i) liberalizing trade, harmonizing incentives, financing intra-regional transport and communications, with the aim^{of} providing a uniform market at the regional level for the emerging local bourgeoisies and their TNC counterparts to exploit; and

ii) harmonizing the interests of the various national bourgeoisies with the hope that they would support a regional programme of providing incentives so that the larger market would induce government and TNC participation, not only in the final touch assembly industries, where these may become necessary, but more focused in the intermediate and capital goods sector.

The pursuit of these twin objectives has not been easy, and indeed Caricom itself has emerged as an arena of struggle for sectional economic interests within it. The contradiction of both harmonizing and contending interests, in the arrangement, however, is not unusual, since this pattern of development characterizes all capitalist endeavours. Going by that experience what we can say is most likely to eventuate is that the indigeneous capitalists in those territories where capitalism is already most highly developed, will emerge as the dominant section in the integration movement, even though itself holding a subordinate status in relation to transnational capital. This means that the integration process will yield conflicts between local, regional, and transnational capital; uneven development, polarized growth, and an inequitable distribution of the costs and benefits of such growth. Something of this sort was no doubt anticipated and that is why the

agreement incorporates compensatory mechanisms as a means of encouraging the OECS states to participate. Among these mechanisms are: priority access to soft loans provided by the CDB, a technical assistance programme specifically focussed on their needs, and generally they have been provided with longer time frames for implementing all the harmonizing arrangements of the Treaty, e.g. the common external tariff.

The sectional economic interests which exist in Caricom are themselves an important element in the present difficulties facing the integration movement. This has been manifest in two developments, namely, disagreements among various national capitals, and disagreements between regional capital and the region's political establishments. Examples of the former are to be found in the many protectionist, beggar-thy-neighbour and retaliatory measures which were introduced as the economic crisis worsened. These peaked when the Trinidad & Tobago's Manufacturers' Association (TTMA), the dominant economic group in Caricom, called for the suspension of Caricom trading arrangements and its replacement with a system of bilateral arrangements:

"The TTMA has been advocating for two and a half years the temporary suspension of the trading arrangements of the Caricom Treaty in order to enable a review of these arrangements to take place, since current economic conditions in the region are significantly different from those obtaining in 1973 at the formation of Caricom. The instruments of trade liberalization in the Caricom Treaty are totally inadequate to meet current conditions. The TTMA's position is certainly not one of panic but derives from a thorough examination of the trading situation ... The multilateral nature of the treaty prohibits effective measures ... action is therefore being taken on a bilateral basis". 14/

The article then goes on to cite examples. There is little doubt, however, that given the weight of the Trinidad & Tobago's market in Caricom, bilateral arrangements could hardly do less than enhance that country's position in the region, and those of the dominant economic groups,

An example of the disagreements between regional capital and the political establishment surfaced in the strong rebuke given by the President of the Caribbean Association of Industry and Commerce (CAIC) in his address to the Jamaica Exporters Association in June 1985:

"At every Heads of Government and Caricom Ministerial meeting several decisions are taken re the improvement of intra-Caricom trade and trading relationships. Yet very few, if any, of these decisions are implemented at the national level".

After citing examples from the Nassau Summit in 1985, he concludes:

"this is a serious indictment on our political leaders and suggests very strongly that at the political level, Caricom faces serious problems which necessarily impact on intra-Caricom trade. These problems include: lack of communication, lack of unity, lack of commitment on the part of some leaders, too much self-interest, and the power of national sovereignty over regional decisions". 15/

The factional economic interests which have hampered the development of Caricom are paralleled by similar factionalism in the political sphere. In a period of consolidation of nation states, the region's ruling classes have operated on the basis of two sets of rules. One is to foster economic integration in so far as it serves their wider class project, and to do so whilst minimizing the threat of the emergence of any supra-national authorities. The other is to cooperate as far as possible, in both political and security terms so as to protect the political status quo including in this conception the traditional positions of opposition parties. 16/

With such rules in operation the Caricom treaty could hardly

represent more than a minimal form of agreement, certainly when judged from the historical imperatives which lie behind the need to integrate. The result is that the legal provisions of the Treaty have been designed to be compatible with a wide range of external economic and political relations. Thus several countries unabashedly advertize the fact that they have client-state relations with US imperialism, even as they represent Caricom as a serious effort at regional collective self-reliance, economic independence, diversification, and structural transformation of the region's economy and wider society. As the Cold War has intensified and Reaganism has moved aggressively in the area, we find today that the earlier positions on pluralism, the Caribbean as a zone of peace, and so on, have been more or less silently abandoned. In the wake of the Grenada invasion, and Reagan's Caribbean Basin positions a rapid ideologisation and militarization of the region are now in train. This issue, however, will be taken up in the concluding chapter which follows this.

In any evaluation of the Caricom experience, one should recognize that the economic crisis facing the region has had marked political fall-out, particularly in one area already referred to, namely, the growth of beggar-thy-neighbour policies of protectionism and retaliation. Underlying this development are the economic disparities

within the region, particularly the skewed population distribution in favour of Jamaica, the skewed current resource availability situation (oil) in favour of Trinidad and Tobago, and the long-run resource advantages possessed by Guyana. These disparities will always create a predisposition to conflict within the integration process, unless the region's ruling classes and strata are capable of acting in consonance with, at the very least the long term "nationalist" interests of the area.

Thus Jamaica with about half the region's population has ever since the days of the West Indies federation been sceptical about the real benefits to be derived from regional integration. Thus under Manley they focussed their efforts on the wider plane of South-South cooperation, and now under Seaga North-South cooperation is the strategic economic imperative. Trinidad & Tobago with its new found oil wealth had also felt that it should call the tune, certainly it paid the piper; the result was that the failure of the Caricom Heads of Government to meet for seven years between 1976 and 1982. This had a lot to do with Eric Williams' pique over the fact that despite Trinidad & Tobago's generosity to the region, other states were pursuing policies detrimental to its interests. Thus he publicly

referred to the region's failure to support BWIA as the regional airline, his inability to get a joint aluminum project going with Guyana and Jamaica, using these two countries bauxite resources and his own country's natural gas. Indeed, the final rift occurred when in the midst of protracted discussions on the regional aluminum project, Jamaica announced it was in the process of negotiating a similar arrangement with Mexico.

An evaluation of Caricom to date must place particular emphasis on the fact that it came into existence at about the same time that the global crisis of capitalism, and particularly the shock of high oil prices were being most acutely felt. Such a timing was indeed inopportune. However, it cannot be overlooked that the provision of the Treaty made the process itself unduly susceptible to these external shocks. The arrangements do not include any provisions to deal with recessionary conditions in world trade. Ultimately, however, the limitations in the arrangements reflects the limitations of the countries which comprised the grouping, and their unwillingness to commit to the integration process what was required to make it an agent of economic transformation. Thus an earlier observation I have made still stands, that is:

"ultimately the weaknesses of Caricom are the weaknesses of the nation states which have created it. If at a national level the TNCs dominate at a regional level they cannot but do otherwise ... the fact of operating regionally cannot by itself resolve the basic national issues of ownership and control by the people over the means of production, of the struggle to develop a just, humane, and socialist society, or the need to effectively secure the development of social and political life. In other words, regionalism does not do away with classes and the historical-materialist base of social development". 17/

A similarly severe judgement has been made by one of the key architects of the system, Dr Eric Williams:

"it is now clear beyond any possibility of doubt that Caribbean integration will not be achieved in the foreseeable future and that the reality is continued Caribbean disunity and even perhaps the reaffirmation of colonialism". 18/

This was expressed in evident frustration over efforts to promote unity as Williams' saw it, and was a major factor in his government consistent avoidance of any effort to convene the highest organ of the Community for seven years.

Essential, therefore, as regional integration is to the permanent eradication of the systemic reproduction

of poverty and powerlessness among the broad mass of the region's people, efforts in this direction as expressed in the Caricom agreement, do not live up to this expectations. To be successful, the process has to be linked to another economic strategy, model, and path of development, than that which has been pursued. For without far-reaching and effective policy coordination in such critical areas as, currency rates and foreign reserve management, monetary and fiscal policies, the movement of labour, the creation of regimes of coordinated production, exchange and consumption, the benefits of integration will be, if positive, quite minimal, and then the flow would be directed primarily towards the ruling minorities of the region. Experience would also seem to suggest that at the present historical conjuncture the emergence of certain limited forms of supra-nationalism is essential for progress. Among these I would stress, a regional court system, a regional parliament with some minimal authority, a human rights commission, common codes of labour and employment practices, and progressive freedom of movement within the area. There is of course no immediate prospect of any of this, and so an advance in the process of integration, that is its qualitative deepening, would seem in the long run to depend very much on agents of change, outside the established power structures; these are, the Caribbean Conference of Churches,

of intellectual workers, the contacts and relationships being developed among such popular organs as trade unions, cooperatives, voluntary professional and trade associations, political parties (of the right and the left). These, combined with the practice of legal and illegal inter-island migration for work, education, and pleasure, the family ties which already exist and develop with each new wave of contact, the shared elements of culture in such areas as calypso, theatre, and literature, are key to the cultivation of a consciousness not only about the essentiality of unity to the region, but also to its nature and the role it must play in transforming the regional economy and society. At the moment the penetration of North American ideology, particularly through the electronic media, the press, and the school system is the leading edge of cultural "development" in the region. Just as the penetration of its transnationals and its economic dogmas about the efficiency of the market place and the private pursuit of private gain are the leading edge of economic "development" and economic policy prescription. A balkanized region is unfortunately, very easy prey to these new forms of dependency. Caricom offers no alternative to this; it is an institution of the past, not of a new Caribbean society.

Notes to Chapter 13

1. Gordon Lewis, *The Growth of the Modern West Indies*, McGibbon & Kee London, 1968, P343. The seminal neo-classical work is J. Viner, *The Customs Union Issue*, New York: Carnegie Endowment for International Peace, 1950 and J. Meade, *Problems of Economic Union*, University of Chicago Press, Chicago, 1953; *The Theory of Customs Unions*, North Holland Publishing Company, Amsterdam, 1955.
2. G. Lewis, op.cit, see pages 343-367.
3. ibid, P345. Some of the analysis in this section draws an earlier work of mine, Clive Y Thomas "Neo-Colonialism and Caribbean Integration", in B. Ince (ed) *Contemporary International Relations in the Caribbean* Institute of International Relations, Trinidad, 1979, P284-299; and *On Formulating a Marxist Theory of Economic Integration, Transition*, Vol.1 No.1, 1978, P 59-71. and Clive Y Thomas and H. Brewster, *Dynamics of West Indian Economic Integration*, ISER, University of the West Indies, Jamaica 1967.
4. R. Hart, "Trade Unionism in the English-speaking Caribbean : the Formative Years and the Caribbean Labour Congress" In Susan Craig (ed), *Contemporary Caribbean. A Sociological Reader*, Vol 11, Trinidad, 1982, P89.
5. Clive Y. Thomas, "Neo-Colonialism and Caribbean Integration" (footnote 3) P285.
6. W. Demas, *West Indian Nationhood and Caribbean Integration*, Caribbean Conference of Churches, Barbados, 1974, P37.
7. See L. Searwar "Joint Conduct of External Political Relations and its Effect on the Integration Process" Paper presented to the Seminar sponsored by the Inter-American Bank and held in Barbados, 1983, on the theme Ten Years of Caricom, published by the I.D.B. Washington, D.C. 1984.
8. Clive Y. Thomas, "Neo-Colonialism and Caribbean Integration", P289-290.
9. R. Rainford, "The Caribbean Community and Common Market. The Next Twelve Years", *Regional Cooperation Recent Developments*, Report No 9, Jan-Sept, 1985. (Economic Affairs Division: Commonwealth Secretariat) London, P5.

- 10 ibid, P5.
- 11 "The Caribbean Community in the 1980s", Report
by a Group of Experts, Caricom Secretariat,
Guyana, 1981, P50.
- 12 H. Brewster and Clive Y. Thomas, Dynamics of
West Indian Economic Integration, P19.
- 13 Group of Experts Report cited in footnote (10)
P50.
- 14 Sunday Express, Trinidad & Tobago, March 3,
1985, P19.
- 15 W. Kelseck, President of CAIC, as reported in
CAIC Calling the Caribbean, 5(3 , July/Sept
1985, P12.
16. Note the emphasis. Where as in Guyana, rigged
elections traditionally have excluded the
opposition from this process, the situation is
tolerated. Bishop's disruptive rise to power
in Grenada posed severe problems, and it was
no surprise that some Caricom states were US
allies in the military invasion of that country.
- 17 Clive Y. Thomas as cited in footnote (5)
P298-299.
- 18 Speech by Eric Williams to the 15th Annual
Convention of his party (PNM) and cited in
Clive Y. Thomas, as in above footnote (16)
P298.

CHAPTER 14: **CRISIS, REACTION, RESPONSE :**
 THE CARIBBEAN CIRCA 1986

1. Crisis

Throughout the Caribbean, the term most widely used to describe prevailing conditions is "crisis"; this in itself being an indication of the widespread manifestations of economic disorder. The recognition of crisis conditions by all social layers, however, masks major disagreements over the interpretation of the nature of the crisis, its root causes, and proposed solutions and remedies. At one level of social reality the crisis has been portrayed as reflecting internal and external monetary imbalances, and here stress is placed on such variables as the rate of inflation, government budgetary imbalances, balance-of-payments difficulties, lack of foreign reserves, currency overvaluation, and external indebtedness. Evidence to support this interpretation is seen in the fact that for the Caricom region, the combined balance-of-payments deficit on current account (including unrequited transfers) was nearly US\$1.5 billion at the end of 1985, with the foreign debt being over US\$9 billion, that is, over US\$1,800 per capita. The growth in debt has been accompanied by huge losses in foreign reserves, particularly in Trinidad-Tobago the region's largest holder, while the chronically ill economies of Jamaica and Guyana have been in recent years effectively

bankrupt due to the mammoth size of accumulated arrears. In several countries double digit inflation rates have occurred over the past five years, and overvaluation of the local currencies has forced several devaluations, produced a variety of experiments in multiple exchange rate systems, and have also led to stringent controls on foreign exchange movement. With declining incomes, government budgetary deficits have also climbed rapidly and these have fuelled inflationary pressures while inflation in turn has discouraged local savings, encouraged capital flight, and set in train pressures for higher wage settlements which have encouraged the wage-price inflationary spiral.

While there is a great deal of truth in the above description, it clearly does not go far enough. To begin with, it does not recognize the extent to which internal and external monetary imbalances in the regional economies reflect a deeper crisis of growth and development, which in turn means that effective analysis of the crisis has to be situated in a wider socio-political framework. Consider that the picture portrayed by these imbalances acquire a deeper significance when we take into account that for most of the region real rates of growth since the 1970s have been negative or very modest; for the region as a whole per capita real income in 1986 is certainly not higher than it was in

1970, and for some economies (e.g. Guyana) it is estimated to be as much as 60 percent lower. Furthermore, as we have already seen, over this period the regional economies have become no less vulnerable than they were before, this failure to diversify being only in part due to rising protectionism in the North, for it also reflects the continued internal misdirection of savings and resources. The narrow productive base of the region's economy, the internal dis-articulation of its production structures, its small size, openness, and dependence on foreign capital, technology, and skills, ensure that monetary imbalances will always have a special significance that is unlikely to be captured in the standard North American or European textbook-type discussions which confine the analysis to these monetary phenomena.

In any effort to seek a broader/deeper interpretation of the crisis in the region, it is important to distinguish between the condition which we may describe as permanent or on-going crisis, and periodic crisis. The former represents the basic elements of socio-economic structure, and their historical form and motion which we have already elaborated at some length in this study. This permanent or on-going crisis can be accentuated at certain historical conjunctures, frequently in the form of periodic interruptions to the process of capital accumulation when profit rates in the region

decline, overseas markets contract, disproportions endemic to the consumption/production structure become more acute, internal demand and confidence in the economy decline, and so on. These points of accentuation produce the periodic crisis with one of its surface manifestations being the emergence of acute monetary imbalances. At the same time, however, it should be recognized that from time to time the conflation of internal and external social processes provoke the "possibility" (stress possibility) of either a qualitatively deeper entrenchment of the old order, or a radical (revolutionary!) rupture with the past. These conjunctures constitute periods of general crisis, the best known examples being the collapse of the slave system in the region, the collapse of indenture in Guyana and Trinidad-Tobago, and the widespread crisis of the 1930s. It is my belief that the current crisis has this general character to it, but whether or not it would yield important socio-economic transformations or a re-confirmation of the existing neo-colonial order, is far from predictable. 1/

The basis for my judgement about the general character of the crisis derives from its profound all-round character, the feature which has led to the widespread acceptance of the notion. Many of these features have been

referred to from time to time in the text, and to recapitulate very briefly among the most important are:

- the "scissors squeeze" pressure on land resources occasioned by the disintegration of domestic foods-systems and difficulties with the traditional export crops on the one hand, and on the other, the rapid rise of TNC agro-processing industries based on imported inputs;
- a worsening distribution of income, wealth, and access to productive resources intensified by the structural adjustment policies pursued in some countries;
- a massive, persistent and growing unemployment rate, variously estimated in the region's economies to be between 15-50 percent of the labour force, accompanied by increasing underemployment;
- woefully inadequate social security provisions for the unemployed, the aged, and the infirm;
- high rates of outward migration of the labour force, particularly those with skills, as economic conditions worsen;
- the growth of huge underground/parallel/informal sectors which divert entrepreneurial talent, allocate much

of the available foreign exchange to its own priorities, and encourage the corruption of public officials and disregard for law;

- the deepening process of corruption, nepotism, and clientilism, marked by the heavy penetration of drug dealers/traffickers into the highest political circles in countries like the Bahamas, Jamaica, Turks & Caicos, Cayman Islands, Barbados, and Trinidad-Tobago;

- the massive capital flight and high turnover of assets in the region;

- a weakened trade union movement in the face of increasing unemployment, declining living standards, and widespread poverty;

- the recent rapid penetration of foreign values, culture, media, etc, in the region, symbolized in the "satellite dish" culture to be found in every island, no matter how small;

- the systematization of repression and political murder as techniques of social control;

- the institutionalization of the practices of fraudulent elections, and electoral rigging in some countries;

- the heightened impact of class and non-class factors in social life as living standards decline for the broad mass of the region's people;
- accelerated foreign control of domestic resources, despite programmes of localization and nationalization pursued by several governments;
- the impact of the war in Nicaragua and the invasion of Grenada, particularly as we shall see in the increasing militarization of the region;
- the historical record of the failure of the Caribbean "right" and the private sector to solve the problems of poverty and powerlessness; and
- to the above can be added the context of global crisis.

It should be made clear, that no automatic link is intended between the deepening of the crisis identified here and the willingness or not of the population to revolt against their worsening circumstances. To make such a link, could easily be fatal for those who play a leading role in organizing resistance to declining living standards, and in the struggles for a new Caribbean society. The reason for this is that

social disintegration in the region has also negatively affected the social psychology of the masses. Some evidence of this is seen in the post-Grenada trauma which has immobilized some sections of the population who traditionally have supported the left, the turn to migration as a solution to poverty at home, and a growing indifference, if not cynicism, towards political efforts to challenge the status quo. As we shall see the United States' perception of the crisis, and the solutions it has offered, has played a particularly pernicious role in the present context.

II Reaction/Responses

There have been five major classes of responses to the crisis and each of these will be examined in turn. These have been: the pursuit of structural adjustment; a "new" emphasis on private capital and initiative; the search for a new external context of trade and aid to replace the loss of earlier colonial connections and also to reinforce the thrust towards privatization; the militarization of the region; and the acceptance of an ideology which presents the solution in terms of a de facto re-colonization of the region by the United States.

A. IMF/World Bank-type "structural adjustment"

We have already considered in some detail the stabilization measures and structural policies of the IMF-World Bank, and their roles in the crisis in Jamaica under Manley and Seaga, and in Guyana. Here it is necessary only to stress that these policies are based on an interpretation of the crisis which confines it to the level of internal and external monetary imbalances, with at best, token recognition of the growth and development sources of these difficulties. It is for this reason that the standard package of policies is always prescribed: wage restraint; devaluation; tight money supply and restrictive credit; reduced government deficits; removal of subsidies and reduction of social expenditure by the state; deregulation of the economy and primary emphasis on the role of market prices ; privatization of economic activity and wooing of foreign capital. It is also for this reason that these policies have been successful nowhere in the region, even in the highly favoured situation of Jamaica which has been touted as a Third World model of successful Reaganomics.

The impact of these institutions and other regional ones on the development of stabilization policies as a solution should not be underestimated. The World Bank has up to mid-1985 loaned the region over US\$1.1 billion,

while the IMF has had several stand-by and extended fund facilities arrangements in the region, although some of these were cancelled because of failure to meet targets. The wide ranging impact of the IMF on regional policy formation stems from its wide ranging responsibilities for the promotion of exchange rate stability, international trade and monetary cooperation, along with its short-term support programmes for balance-of-payments correction. The World Bank's influence is also considerable, since it presently chairs the important Caribbean Group for Cooperation in Economic Development (CGED). In this capacity it coordinates assistance among aid donors, the multilateral institutions, and 20 Caribbean countries. In addition to this the Caribbean Development Bank (CDB) and the Inter-American Development Bank (IDB) have also provided resources for the region. The CDB has loaned about US\$600 million, more than three-quarters of which has been raised from outside the region, while the IDB has, in the four year period 1981-1984 loaned the five Caricom states which are members, nearly US\$350 million. It has also provided US\$30 million to the CDB for further on-lending.

The impact of all these institutions on solutions to the crisis cannot be measured merely in terms of the large sums they have disbursed. Their additional roles, combined with their perspectives of development, reinforce the

capital-import dependency strategy of development. As far as can be discerned the differences between their approach and that of most regional governments is largely one of emphasis and tactics. The latter, in so far as they may have to face the electorate, are usually the ones most eager to temporise on the harsher prescriptions of the stabilization solutions - even if they are convinced of the logic behind it. In this symbiotic relationship, increasingly the politicians try to use these multilateral institutions as the "whipping-boy", that is, present themselves to the public as "hapless victims of IMF-World Bank pressure". The record of failure of the stabilization measures already detailed in Part 3, has led to the search for means to promote growth rather than restrict economic activity in the effort to correct internal and external monetary balances, and out of this the privatization thrust and the growth of EPZs have been spawned.

B. Privatization

As we have already noted in some detail Chapter 9, there have been strong social pressures leading to an expanded role of the state in the economy of the region. This is reflected in the growth of the state property sector, the proliferation of institutions, laws, and regulations governing

economic activity, and the elaboration of strategies and models of development which lay primary responsibility on the state. The view of the Reagan administration in the US is that underdevelopment in the region is largely attributable to the limited development, role, and responsibilities exercised by the private sector in the region's economic activities. It has therefore undertaken to exercise its considerable influence to ensure the organization of the region's bourgeoisie under US leadership. For this purpose it has used the carrot of large inflows of capital, skills, and technology from the US private sector, and its tremendous influence to encourage the flow of resources from international institutions and friendly governments into the region's private sector. Organizationally, this effort has been focussed on the development of two major institutions, the Caribbean-Central American Action group (CCAA) and the Caribbean Association of Industry and Commerce (CAIC).

The CCAA was originally established in April 1980 as part of President Carter's initiatives to deal with the crisis conditions in the Caribbean-Central America region and their impact on the region's relations with the U.S. Privately funded from corporate and individual sources it grew out of the earlier Committee for the Caribbean headed

by Robert West Jnr., Chairman of the Board of Tesoro Petroleum and Mervyn Dymally, originally from Trinidad-Tobago and at the time Lieutenant-Governor of California. In 1983 it entered into an affiliation with the Americas Society, a New York based group made up of several private sector organisations concerned with US relations in the hemisphere. David Rockefeller, Chairman of the Americas Society was elected chairman of the CCAA in 1983. The main objective of the group is to organize the US private sector to help in the promotion of a vibrant private sector in the area. In this regard it pursues a wide range of promotional activities:

- it organizes conferences, trade and investment missions from the US into the region;

- it fosters links between private sector organisations in the region (chambers of commerce, manufacturing associations, trade groups, etc), and similar institutions in the US. Thus it has a twinning programme for regional chambers of commerce and those in the US and in the first year of operation (1981), twenty-five of these were put into effect;

- it sponsors the famous Miami Conferences in the Caribbean, considered to be "by any yardstick the most important regular gathering of businessmen, bureaucrats,

government leaders, and academics from the Caribbean Basin, the US and beyond". 2/ Several heads of governments in the region attend these annual gatherings;

- to facilitate its work programme, it has created the Caribbean Basin Information Network (CBIN) a data base on exporters, importers, investment opportunities, joint venture schemes, etc. The CBIN has access to Control Data Corporation's data sources;

- the group is a sponsor of the Caribbean Basin Initiative (CBI);

- and finally, the group has played a major role in revitalizing the CAIC.

The CAIC which was founded in 1963 had become by 1980 a moribund institution:

"founded with high hopes in 1963, [it] has had a chequered history. Always hamstrung by chronic underfunding, and its effectiveness impaired by the lack of a Secretariat, it struggled as best as it could; depending upon who was President, and how much time could be spared from personal interests". 3/

Under the auspices of CCAA the CAIC was revitalized in 1981 and a secretariat created in Barbados. The CAIC's main

functions are to:

- promote institution building in the region;
- sponsor training of private sector executives mainly through USAID and in cooperation with the US Chamber of Commerce Institute;
- promote privatization in various fora, sponsor seminars, and become an effective lobby;
- undertake selective research on regional economic matters.

In addition to the above the CAIC has promoted the formation of the Caribbean Financial Services Corporation, a private financial institution geared to promote the private sector. Its equity (US\$2.3 million) is held by leading Caribbean industries (one-third) and commercial banks which provide the remainder. In addition USAID has provided long term funds (US\$12 million) for loans and technical assistance (US\$0.4 million). The CAIC has promoted close links with the CDB, and the Caribbean Project Development Facility (CPDF). The latter was established in 1981 under the auspices of UNDP. It is managed by the International Finance Corporation with a mandate to assist businessmen in the region to raise money for new productive investments

in the range of US\$0.5 million to US\$5 million. This came out of a recommendation of a Task Force on Private Sector Activities sponsored by IDB, USAID, CDB, the Netherlands Government and Canadian CIDA.

In a short space of time these institutions have become powerful arbiters of the course of Caribbean development. For our purposes two central observations are relevant at this point. The first is that the ultimate ambitions of these institutions seem to require the creation of forms of neocolonial relations more in keeping with the global capital restructuring which is currently taking place among US TNCs and various US government's conception of the strategic significance of the area at the present phase of the development of imperialism. These ambitions were very thinly disguised when Peter Johnson of CCAA asserted:

"Those places can't get along without outside investment, outside technology. Alone they are not viable; they will in the end have to become something like offshore states of the United States". 4/

The second observation is that whatever the limitations of public sector development, historically the private sector has no better record in relation to the concerns of the poor and the powerless. This hold true for both the United States itself and the West Indian territories. Without

any direct reference to the historical role of the US in the development and continued colonisation of the region, Dymally, one of the co-originators of the CCAA could himself observe that:

"I consider what is happening in the US under the present administration to be diabolical. I cannot think of a stronger word to express my feelings ... and this is the cup of milk that the US would offer you. In the past five years the Reagan administration has come very close to pulling down upon the heads of the American people the social systems so painstakingly erected over the previous fifty years". 5/

He then goes on to cite an earlier speech in which he pointed out that "an administration that has shown no compassion for its own poor and dispossessed cannot fool the Caribbean people that it intends to help the poor and disinherited of another region". 6/ Having given the context of US governmental actions in the region he argues that:

"what the White House believes is most threatened - and what must be protected at all costs - are US business investments ... and this private sector, this monied, elite group of people who oppose humanitarian concerns in favour of the military, in order to resist the Communists and thereby safeguard their economic interests, - this same private sector, you say, is going to help 'stabilise democracy'. Now, I ask you: Is a pervasive military presence conducive to stability? Is that the hallmark of democracy?

Do you think US soldiers are playing war games in the Eastern Caribbean because of a commitment to domestic tranquility? ... I would suggest to you that the private sector is suspect as a partner. It is suspect because the private sector, by-and-large, is the problem. It has been the problem throughout our turbulent history in these islands. Three hundred years of racism and greed have now brought the world to the brink of fiscal and nuclear disaster. Still, some of us are willing to look to these same sources for our salvation". 7/

I have quoted Dymally at some length not only because he is a congressman and has played a role in the development of CCAA, but for two other reasons as well. One is to indicate that not a single regional private sector representative in the region has come anywhere close to matching this frankness or forthright self-criticism in any public fora. The other is the open admission of the link between the private sector thrust and the military-security interests of the US in the region.

C. Trade and Aid : CBI, CARIBCAN, and Lome'

Caribbean Basin Initiative

Because the US government views the economies of the region as too small to achieve self-sustaining growth it has all along recognized that exports would be the key to their long term viability and in the Spring of 1982 President Reagan proposed a package of aid, trade, and investment incentives, which after a turbulent passage through Congress finally became law in July 1983, the Caribbean Basin Economic Recovery Act of 1983, popularly known as CBI. The original package had three components to it:

- one-way duty free entry to the US market for Caribbean-made products for a period of 12 years with certain key exceptions, e.g., textiles and clothing, footwear and leather goods, canned tuna, petroleum and petroleum derived products. There are stipulations which define whether the products are Caribbean-made or not ;

- tax credits to encourage US businesses to invest in the Caribbean, and also to encourage tourism to the region by giving credits for the use of CBI designated convention sites, and

- supplemental aid provisions which for the first fiscal year was put at US\$350 million.

In addition to the above the CBI was to be aimed at ensuring cooperation between beneficiaries and the US government in control of narcotics trafficking, fair compensation for expropriated US property, the putting in place of extradition provisions between the US and CBI designated countries, and the negotiation of bilateral investment treaties with the US. As events turned out the tax credit provision for new investment in the region was not included in the Act. The Act as it was finally passed increased the duty-free access of the region about 8-15 percent on the coverage of the existing US Generalised Scheme of Preferences. Significantly, trade in sugar was excluded and as a result of the US governments reduction of sugar quotas it is estimated that the loss from this already exceeds so far the gains from new access under the CBI. The aid provision of US\$350 million is also small in relation to the Caricom region's current balance of payments deficit of US\$1.5 billion, and its estimated need for external financing of nearly US\$5 billion for the period 1982-1986. ^{8/} Y... this provision is expected to provide aid for 2/ Caribbean and Central American countries, with more than half (US\$190 million) going to four Central American countries, and about one-third of the remainder to Jamaica alone.

Because the CBI is the central economic mechanism in the US government's approach to a solution of the region's crisis, certain aspects of this strategy should be recognized. First, in contrast to the obvious need to promote cooperation in the region, the CBI operates on a bilateral basis and creates the opportunity for playing off one Caribbean country against another. It by-passes all the established regional institutions (CARICOM, CDB, IDB, OECS) and unlike other sister arrangements (e.g. Lome) makes no provision for the creation of an institutional framework for its administration. In this regard the CBI also fails to give even "token acknowledgement" to the idea of equality among partners. Second, its divisiveness is reinforced by the exclusion of countries on political grounds: Cuba and Nicaragua. This test of ideological acceptability is exclusively determined by the US. Third, it makes no concessions to the differing levels of development which exist in the region, and consequently offers no special mechanisms for attending to the problem of the "least developed" states unlike practice in other trade and aid arrangements. Fourth, the CBI has to be seen in the context of the special emphasis on privatization of economic activity which the Reagan administration propagates. The thrust is to widen the scope for the penetration of US private capital into the region. The example of growing EPZ-type activity and the Puerto Rican

proposals on production-sharing and twinning arrangements which have previously been considered indicate the sort of development US capital envisages. The stress on privatization may also account for the fact that the CBI effectively disregards the issue of social infrastructure and societal support structures in the region, presumably on the premise that these fall primarily in the portfolio of government.

The aspect of the CBI, however, which is perhaps the most critical is its link to the military-security conceptions of the US. As many critics have observed, the CBI, (like the Alliance for Progress in Latin America in the 1960s) has been prompted by Cold War considerations. This was largely confirmed by Schultz in 1984:

"When President Reagan first proposed the CBI three years ago, he had in mind more than a partnership between the US and the Caribbean basin to promote trade and investment. His was a broader vision of a peaceful and prosperous Caribbean in which people could realize their aspirations and build better societies for themselves and their children". 9/

After expressing these lofty sentiments he then goes on to state:

"From the US point of view, the CBI's underlying premise is that the Caribbean Basin is vital to our security and to our social and economic well-being. It is

indeed, our third border. Economic, social, and political events in the Basin have a direct and significant impact in the United States". 10/

Schultz was indeed echoing President Reagan who had earlier declared in a speech to the Organization of American States (February 1982) that the Caribbean Basin "is a vital strategic and commercial artery for the US". He cited the fact that nearly half of US trade, two-thirds of its imported oil, and over half of its imported strategic minerals pass through the region, encompassing the Panama Canal and the Gulf of Mexico. Statements such as these, coming from the highest level of decision-makers in the US strongly indicate that the CBI is likely to remain more as an extension of the US' Monroe Doctrine - Manifest Destiny style imperialism of the past, than the search for a new order or a new way forward. Such an agenda, therefore, as with previous ones, places US interests at the top most priority. In so far as this is the case, propaganda notwithstanding, the CBI will contribute little, if at all, the transformation of the status of the poor and the powerless. What is more likely to occur, is the deepening entrenchment of the interests of the minority as the region becomes even more integrated into the orbit of US capitalism.

CARIBCAN

Disappointment over CBI has been widespread in the region, even though there has been much publicity on such proposals as the export of winter vegetables, and sugar-cane based ethanol. This has led government officials to turn to Canada for improved access to its market, and out of this has come the proposal to establish Caribcan sometime in 1986. Basically this proposal envisages two things:

- preferential one-way duty-free trade for products defined as Caribbean-made with a limited number of exceptions. It is proposed to cover nearly 100% of current Canadian imports from the English-speaking Caribbean. (This will in addition to the Caricom countries, include Anguilla, Bermuda, the British Virgin Islands, Cayman Islands and the Turks and Caicos);

- a doubling of Canadian aid between 1982 and 1987 (i.e. from approximately US\$28.5 million to US\$57 million).

Trade in textiles, clothing, footwear, luggage, handbags, leather garments, lubricating oils, and methanol is considered to be "sensitive" and subject to certain

escape clauses. By the middle of 1986 a series of seminars was held in the region by the Canadian government, in order to brief businessmen on the potentialities of the proposed scheme. Judging on comments so far there is every likelihood that Caribbean will receive a better reception than the CBI. This reflects the lower profile of Canada in the region, lesser fears in government circles about its big-power ambitions, and the fact that the scheme is tailor made for the English-speaking Caribbean. When Prime Minister Trudeau met West Indian leaders at a summit in 1983 he had promised an initiative and had also proclaimed that: "Canada has consistently chosen to address hemispheric tensions from their economic and social causes, being equipped neither by ambition nor by capacity to pursue military solutions or grand strategic designs". 11/ He might have added that over a century ago, local legislatures had taken steps to unify their territories with Canada, as was the case with Barbados, Jamaica and the Leeward Islands grouping in 1884. Later on the Bahamas proposed itself as part of the Canadian Confederation, and as recently as 1974, the State Council of the Turks & Caicos Islands "asked" that their territory be annexed by Canada. There is little doubt that Canadian political liberalism, combined with its middle power status, make it appear to be less threatening to the region. There is, however,

on the part of the Canadian ruling class, as indeed among its population at large much ambiguity in its attitude to the region. Should it be a junior partner of the US in the region? Is it Britain's "surrogate", following on the collapse of empire? Should the relations be primarily economic, in that an opportunity exists for easier Canadian access to the region's markets and resources than either the US or the UK? Or is there in any meaningful sense a special historical relation? Whatever, primary considerations eventuate, the Canadian economic presence in the region has been quite substantial: mining, tourism, forestry, transport, manufacturing, finance, and consultancy services. Even here, however, the underlying ambiguity expresses itself, in that some of the important Canadian companies in the region are themselves subsidiaries of US companies (e.g. Alcan, Commonwealth Holiday Inns), reflecting the branch-plant character of the Canadian economy, and its junior role in the circuit of US capital.

These considerations apart, and even assuming the best of intentions, it is difficult to see how Caribbean will be able in the foreseeable future to contribute significantly to the transformation of the region's economy. Indeed, it would have achieved much, if in light of the growing protectionism in the North, it does not

become like the CBI or the Lome convention, riddled with exceptions which significantly retard the export possibilities of the region.

The Lomé Convention

The idea that incentive packages of trade, aid, and investment are capable of resolving the crisis of poverty and underdevelopment in the Caribbean is as old as the European empires founded in the region, and nowhere is this idea more clearly expressed than in the Lome Convention, which is a direct descendant of the mercantilist arrangement of empire. The Convention, first entered into effect in 1975, unites the EEC and its ex-colonial territories in Africa, the Caribbean, and the Pacific (ACP) in an agreement which includes trade preferences and aid. It developed from the EEC's decision in 1957 to set up a European Development Fund to be used to encourage development in its then predominantly African colonial territories. After independence, the arrangements were formalized in 1963 in the Yaounde Convention. By 1973, however, Britain had become a member of the EEC and its ex-empire territories expressed an intention to join the Convention. In the

course of negotiations it came to be realized that the ex-colonies could improve their bargaining positions if they operated as a unit, and so the ACP grouping was formed. A new five-year Convention was signed at Lome, Togo in 1975, and this has been renewed twice, in 1980 and 1985, while the ACP countries participating has grown from 46 in 1975 to 66 today.

The Lome Convention has been ambitiously promoted by the EEC as an effort at "historical redress" for its colonial exploitation of these territories, and the boast has been made that it is the only agreement which brings together the industrialized countries of the North and the poor countries of the South as "equal partners" in the search for a new international economic order. The main provisions of the Conventions center on two features:

- one-way duty free access to the EEC countries for ACP made products, subject to certain exceptions where special regulations apply (e.g. sugar, rum, bananas, rice, beef). As with the CBI in Lome I primary emphasis was placed on this arrangement for expanded trade to solve the problems of the region;

- aid which has increased from ECU 3.5 billion in 1975 to ECU 8.5 billion for the period 1985-89. This

aid package includes two innovative mechanisms STABEX and SYSMIN which together dispense about one-sixth of the resources,

The former provides compensation under certain criteria for a loss of earnings from exports to the Community and, in certain cases to the rest of its world. The criteria include the general requirement that the product(s) involved must represent at least 6 percent of the claiming country's exports, and earnings must also fall by at least 6 percent, both occurring during the claim year. The figure is reduced to 1.5 percent for land locked, island, and least developed countries, and some of the Caribbean countries benefit from this. SYSMIN provides aid where there is a fall in the capacity of ACP states to export copper, cobalt, phosphates, manganese, bauxite-alumina, tin, or iron ore. The criteria for applicability include the requirement that 15 percent of total export earnings should be derived from the mineral concerned, with a special arrangement of 10 percent for landlocked, island, and least developed countries. About half the total aid is in the form of grants to individual ACP states and there has been much disputation over the terms and conditions under which it has been granted as both the ACP states and the Community struggle to influence the uses to which these funds should be put.

Despite the innovatory mechanisms, the Lome Conventions have failed so far to deal effectively, either with the periodic crisis of the region manifest since Lome I, or to make any noticeable dent in the underlying crisis conditions of poverty and underdevelopment. As one commentator has graphically put it:

"Ten years after Lome, it is now patently clear that the Lome process is a falling curve with the break-even point out at the end of each successor agreement coming to represent a new status-quo that is considered satisfactory mainly from the standpoint of declining development commitment and a world economic situation not supportive of development". 12/

This view has been echoed by the regional trade union movement in its recent policy proposals:

"In spite of some ambitious features, the record of the Convention in several areas has been a disappointment. Unfortunately, the implementation of Lome coincided with the start of the world economic recession and has not proved to be the hoped for engines of development". 13/

There is little doubt that the record reveals a disheartening picture. To begin with EEC assistance has fallen in real per capita terms. Trade between the EEC and the ACP show a decline from 6.3 to 4.5 percent between

1976 and 1983 for EEC imports from these states as a percentage of its total imports. Moreover, despite the preferences, EEC imports has over the years remained stable at 19 percent of its total imports from all developing countries. At the same time, the EEC's balance of trade surplus with the ACP states has grown from ECU 3.5 billion to ECU 4.4 billion, between 1976 and 1983. STABEX has also suffered from insufficient funds, a situation worsened by declining prices in recent years. These have been further compounded by the failure to establish effective international commodity arrangements. Concern has also been expressed about the restrictive product coverage of STABEX, the EEC's huge agricultural surpluses, the disincentives which exist in its special arrangements for products such as sugar and bananas (which are crucial to the Caribbean), its restrictive use of the rules-of-origin yardstick to determine ACP made products, and the existence of safeguard clauses in which the EEC can suspend the Convention and protect a threatened activities.

• Successive Lomé Conventions have generally been unable to counteract the deepseated, and growing protectionism in the North, and the promise of easy access to the Community's market has remained illusory. The claims made that Lomé would usher in a new era of partnership in development can hardly be sustained. Anyone who has followed

the regular rounds of negotiations between the EEC and ACP countries, and has also studied the dispensing mechanisms of the various funds, would know that the usual donor-recipient relationship which characterizes other aid institutions prevails. The ACP countries, and for our particular purpose the Caribbean states among them, can expect from these arrangements no quick fix or easy solution to their problems. Even in the most propitious circumstances, external arrangements can only support a programme of economic and social transformation. By themselves they cannot generate the social momentum needed to remove internal constraints and liberate the poor and the powerless. In a world system structured as ours is, historical redress begins at home when the priorities of the historically dispossessed take precedence over all others.

D. Militarization

If the trade preferences, aid, and special facilities of CBI, CARIBCAN and ACP are the "carrot" to draw the region into particular North-South axes, Western geo-strategic interests and those of the US in particular require that the military "stick" should be used. Although from the time of the Cuban revolution in 1959 US security concerns about the region were prominent in its external

policies, in the closing years of the Carter administration a US military offensive in the region began to take shape. This was prompted by the advances of popular forces in Nicaragua and Grenada. Thus in 1979 the Caribbean Contingency Joint Task Force was formed and headquartered at Key West. In 1980 there were 129 US naval visits to 29 Caribbean ports. In 1981, the Department of Defence re-organized and upgraded its regional defense system into one US Forces Caribbean Command which unified the Caribbean Contingency Joint Task Force and the Antilles Defense Command in Puerto Rico. This was then put on the same footing as one of three full scale NATO Atlantic Commands. Routine training of the Atlantic Fleet was also located in the Caribbean. In 1982 an exercise called Ocean Venture was held, which was then reputed to be the largest peace time naval manoeuvres since World War II. This was, repeated several times, and this year's (1986) exercise was based in part on Grenada! By 1984 the Caribbean Basin had 21 US military installations and a troop strength close to 30,000 persons, with an additional 9-10,000 shipborne troops in the region.

While this new military assertiveness has been linked to developments in Grenada and Nicaragua it is important to bear in mind that it is essentially a continuation of a long established tradition of US force in the region, in pursuit of its geo-strategic interests. Prior to the

Cuban revolution the US government had already made at least 47 military interventions against Central America and the Caribbean, with 38 of these pre-dating the Russian revolution. The expansionist designs of the Monroe Doctrine - Manifest Destiny conceptions of US foreign policy which we have already considered, were not born out of the anti-communism of today's rhetoric. That the US' main concern is geo-strategic is revealed in the very concept of the Basin, a notion whose significance is best appreciated from the standpoint of a global assessment of the US' ability to play its role as a world power. Earlier we had indicated the importance of the Basin in the movement of strategic materials into the US and its vital link role in the US North and South Atlantic fleets. This consideration, along with the existence of Cuba whose military capability is rapidly growing as well as its links to the Soviet Union, has required the creation of sufficient US force in the Caribbean theatre to neutralize it. The goal is no doubt to encircle Cuba with a string of military bases, which is what more-or-less exists today. Additionally there is the expectation that a strong military presence, combined with demonstrations of its capability, would serve, to contain the left and deter social upheavals which may lead to new governments which may seek to challenge US interests. Given its global role all these objectives are best served with an "economy of power".

In order to facilitate its objectives the US has encouraged the militarization of the region. The US invasion of Grenada in which all but three OECS states participated along with Jamaica and Barbados, was a critical turning point in its pursuit of this goal. ^{14/} Prior to 1980 only Jamaica was a significant recipient of US military aid. After the Grenada revolution aid was stepped up and in Barbados for example 98 percent of all the military aid it had ever received from the US up to 1983, had come during the years 1980-1983. In several islands no military aid was in fact ever received before 1981. Thus in fiscal year 1981 only US\$0.2 million in military sales, assistance and training programmes were recorded, but by fiscal year 1986 this had grown to nearly US\$19 million with about US\$8 million going to Jamaica. Much of the aid has gone into the training of special services units among the various islands police forces, (80 permanent members in each island) and commando groups in the standing armies of Barbados and Jamaica to cope with insurgencies. This arrangement has been formalized in the formation of an Eastern Caribbean Security System. In September 1985 military exercises were held to test the "readiness" of the system to stave off threats from "externally backed forces". US, British, Jamaican, and Barbadian forces participated in these exercises alongside

the OECS states which were operating in the framework of the Defense and Security Committee of their treaty.

Although these developments have emanated from US global strategic concerns, the ambitions of the regional leaders to use these forces against internal enemies has been barely disguised. Thus Bird, Premier of Antigua, on the occasion of signing a Memorandum of Understanding in 1982 with Barbados, St Vincent, St Lucia and Dominica to form a Regional Defense Force, stated:

"the whole idea behind the defense force is that if you get through today on your own island, don't forget there will be forces in all the other islands and you will have to answer them".

A month later he added:

"in this region we cannot afford to have another Cuba or another Grenada". 15/

After the invasion of Grenada in 1983, St Kitts-Nevis and Grenada itself subsequently joined, facilitating the incorporation of these arrangements with the Eastern Caribbean Security System.

This concern with internal insurrection was echoed by Adams in Barbados, and further strengthened in his call for a standing army of 1,500 persons so as to reinforce existing arrangements. As he stated the aim was to protect ^{the} region from "external aggression and domestic revolution". 16/

Coming from Adams this was indeed a dangerous call. Not only has he led Barbados into playing the principal proxy role for US military interests in the Eastern Caribbean but he had already set the precedent of sending his country's troops to St Vincent to aid the government in a domestic dispute, to Dominica to prevent a coup, and had stationel force off the island of St Lucia during its troublesome elections. Fortunately his proposals raised so many hornets nests that it was ignored by his benefactor.

If the ideology of privatization calls for a restriction of the state in the economy, militarization is a drive for the enlargement of its military-security arms in social life. The result is as Tiryakian observes:

"The various US security related actions in the Caribbean during the 1980s indicate a clear pattern of militarization. Washington's conduct reveals that in the economic sphere its words have spoken louder than its actions while militarily its actions have undoubtedly spoken louder than words. Thus the US seems to be offering baby carrots and wielding a big stick". 17/

However, one development which the regional leaders have not yet fully appreciated, is that in seeking to convert US security ambitions into the protection of their interests against internal revolts, particularly those inspired by the left, they are elevating the role and status of the military in the society. In this new role it would be naive to assume that the military will simply be content to pride themselves as defenders of the system. As experience elsewhere has shown, increasingly they will become impatient at the "politician's incompetence" to resolve social and economic problems "peacefully", as these multiply. Soon, thereafter, the appeal of "discipline" as the solution to prevailing difficulties becomes very attractive. With fragile party systems, short-lived popular institutions, and a long tradition of colonial authoritarianism and commandism, it is easy for this appeal to lead to direct intervention. The solution therefore, which militarization seems to offer,

i.e., the containment of social conflict, may well generate an entirely new range of problems. That this scenario is not too far fetched may well be gleaned from its role in Guyana as supporter of corrupt authoritarianism.

One final observation at this stage. If the CBI's approach has seem to play one country off against another (the "bilateral" carrot), then militarization has used a regional approach (the "multilateral" stick), recognizing implicitly the limitations of going it alone.

Ideologization

Historically, the role of ideology has been to win people to certain positions or world views of social reality. In this way it helps to define in periods of crisis not only the range of permissible solutions, but the preferred solution. In this regard the Caribbean has been no different. It has always been a battleground of world views. Thus the struggles of the slaves for their personal freedom was not only a struggle in the social, political, and economic spheres, but also enjoined strong contestation about the very definition of "man" as a political and social being. From this analogy we can see

the link between the military and economic solutions offered by the US clearly in its ideological initiatives in the region. We have already acknowledged this in part when we considered the relationship between privatization as a model, strategy, and ideology of development and the CBI proposals of the US. Similarly, in the military-security sphere, anti-communism; covert actions, and destabilization of unacceptable regimes show the close association of ideology to this solution. Thus ideology has played a critical role in mobilizing regimes to arm themselves with US support to counter the "totalitarian alien threat of communism". It has also been used to rationalize destabilization and covert actions against "unfriendly" governments. Thus a chorus of negative publicity about Grenada and Manley's Jamaica were pivotal in disrupting these countries' tourist economies and bringing pressure to bear on their governments. The naval manoeuvres and bellicose statements about Soviet-Cuban bases have also been similarly shrouded in Cold War ideological rhetoric.

It would be a mistake, however, to confine our discussion of ideology only to its overt propagandistic form. It is also conveyed through cultural, educational, and other socializing mechanisms and it is through these

indeed that the considerable influence of the US is most strongly felt in the region. Two areas where this is very evident is labour and the media. Thus AIFLD has been involved in the training of over 25,000 West Indian trade unionists in various seminars, courses etc held in these territories. Additionally twenty are trained in the US annually. AIFLD which was formed in 1961, receives 95 percent of its funding from USAID, and is conceived as a tri-partite venture between government, labour, and big business. By this very fact it defines a certain range of societal options acceptable by "free" trade unionism. This replaced the Caribbean Labour Congress which disintegrated following the split in the WFTU and the formation of the explicitly anti-communist ICFTU, which for much of its history has been Western labour's standard bearer in "labour's struggle against communism".

The impact of this organizational structure, which has come about largely through US influence, has been in the direction of narrowing the range of exposure, actions, and interests of regional trade unionists. The approach has been to define "Communist ideas" as the enemy of "free" trade unionism and democracy. Thereafter, all radical, progressive tendencies in the labour movement which cannot find full expression in the existing framework are deemed "communist" and by extension enemies of "free", "democratic" regional trade unionism. Fortunately, the influence of

this line of reasoning on regional trade unionism has not been as monolithic as was expected, for considerable evidence exists of much surviving concern both among the rank and file and the leadership of the region's trade union movement for the poor and the powerless. This has encouraged a constructively critical approach to the experiences of other social systems. In this regard the social successes of Cuba has had a considerable influence, despite the continuous propaganda battles.

In the media the penetration of US ideas is more complete. Thus Cable News Network is regularly available on many local television stations. There are also numerous satellite dish owners and private companies pirating US channels for local re-distribution. 18/ It is claimed that in several islands as many as 13 channels receive programmes from the US. Indeed the belief in the region is that there could hardly be any other part of the globe where penetration by foreign media into local communities can be so complete. To strengthen this already strong grip, the Voice of America Caribbean Basin Project plans to spend US\$50 million on eleven additional transmitters in the Caribbean Basin; and adding medium wave to their existing short-wave broadcasts. In addition to this penetration of the regional media, there exists a very centralized ownership in all the

territories. Thus the national daily in Guyana is a government and party organ, the Gleaner of Jamaica belongs to a member of the famous '21' families who dominate the economy, and the two dailies, the Guardian and Express of Trinidad-Tobago are separately owned by the two leading local conglomerates in the island. These locally owned media tend to be very conservative and very anti-socialist. Frequently they paint hostile pictures of socialism as shortages (Manley's Jamaica, Guyana), corrupt authoritarianism (Guyana) domination (Cuba). In this regard they help to contain the range of expression of social discontent in terms of alternative systems. If to these we add the fare provided by local cinemas and the weekly news magazines (Newsweek, Time, etc) there is a continuous and overwhelming exposure to the US' world view of events around us.

This ideologization has helped sustain the retreat from the more liberal and tolerant views of the region as a zone of peace and the acceptance of ideological pluarlism. By straight-jacking regional perception into a Cold War context it has hampered the growth of a Caribbean perception of the region's identity and the social tasks which await to be undertaken. It has tempted some of the region's leaders to be spokespersons on the global confrontation of ideas and systems. It has therefore raised

the profile of the region in the arena of world politics. At this stage therefore, it reinforces the solution of an incorporation of the region into a new empire system of the US based on an off-shore status of manufacturing activities to replace the Far East, as many argue the CBI is intended.

The most recent indicator of the extent of ideological penetration has been the formation of the Caribbean Democratic Union in 1986, the regional arm of the Caribbean Democratic Union. The original signatories were leaders of ruling parties in Jamaica, Dominica, Grenada, Montserrat, Belize, St Kitts, St Lucia and St Vincent.

This new grouping is seen as a political defence against communism and advocate for "democracy" in the region. The significant feature of the new grouping is its Cold War origins and ties to the two main political parties of the United States. No secret is made of the fact that the conservative ideology of the grouping finds the international organisation of the social-democratic parties (Socialist International) "too soft on communism". Given that a few of the region's parties, some of which have formed governments belong to the Socialist International, the conservatism of the new grouping threatens

to be very strident indeed. One provision which is worth noting is that the signatories have introduced the concept of mutual assistance for members facing elections. Precedent in this regard was already set in Grenada (1984) and Dominica (1985) when the conservative parties threw their weight behind Blaize and Charles. The prospect of open interference in the internal affairs of member states seems to be lurking behind this new development. Here again the thrust is to use ideology to create a level of consciousness which defines the crisis in such narrow terms as to rule out the development among the masses of a conception of social change that reaches far beyond the status quo.

Notes to Chapter 14

1. Some of **these** ideas draw on an earlier paper: Clive Y Thomas, "Guyana: Crisis, Reaction and Response, Caribbean Conference on New Perspectives in Caribbean Studies, Hunter College and Research Institute For the Study of Man, New York, 1984.
2. Caribbean Business News Special Report, Caribbean Central American Action, P.1.
3. Caribbean Business News, Vol XII, No 1, 1981-82, P.10.
4. Cited in G. Black, Laboratory Conditions, in NACLA. Report on the Americas, July/August 1985 P.35 (emphasis added).
5. Speech given by Mr. Dymally to a public - private sector cooperation conference on sustaining stable democracies, sponsored by National Democratic Institute and the Centre for International Private Enterprises, Barbados 1985. Text reproduced in Caribbean Contact, December 1985, centre-fold P.8-9.
6. ibid, P.8-9.
7. ibid, P.8-9.
8. Estimates cited in C.A. Sunshine, The Caribbean : Survival, Struggle and Sovereignty, EPICA Publication, Washington D.C., 1985, P.120.
9. Report of speech by G.P. Schultz to the 8th Annual Conference on Trade, Investment and Development in the Caribbean Basin, Miami, Florida, December 6, 1984, in CAIC : Calling the Caribbean, January-March, 1985, P.6.
10. ibid, P.6.
11. Cited in Caribbean West Indies Chronicle, August/September 1984, P.8.
12. A.P. Gonzales, The End of ACP/EEC Negotiations : Lome Cooperation Rides Again, Caricom Perspective, January-February, 1985, P.16.

- 13 ICFTU/CCL, An Economic Policy for the Caribbean, Barbados, 1986, P.24.
- 14 The three states which did not participated are Monserrat (still a colony), St Kitts-Nevis and Grenada itself.
- 15 Quoted in 'Reagan's Mediterranean' in NACLA Report and the Americas, 19(4), July/August 1985, P.33.
- 16 Quoted in Caribbean Contact, April and July 1983.

The Nation, Barbados, January 23, 1984, P.1.
- 17 J.C. Tiryakian, "Military and Security Dimensions of US-Caribbean Policy", in M. Erisman (ed), The Caribbean Challenge : US Policy in a Volatile Region, Boulder : Westview Press, 1984, P.48.
- 18 Significantly, the US restriction on TV privacy which is encapsulated in the CBI proposals apply only to government owned stations and not private ones.

CHAPTER 15: CONCLUSION: ANOTHER DEVELOPMENT?

In this final chapter I shall not attempt to summarize what has already been said. Indeed much of what has been presented here is a very terse summary of many complex issues and areas of analysis covering a region of considerable variety. Instead I shall conclude this work by offering a few general observations on the conception of development as this seems to me to be a necessary prerequisite for the framing of policies aimed at the successful transformation of the region. It would be impossible, and in any case unwise to attempt to write recipes for the future. One of the ideas which has motivated much of the critical analysis of this work has been that development is about people - in the concrete context of their existence, which itself is largely influenced by inherited social conditions and the motion and rhythms which underlie these. Even though therefore, people make history with their daily lives, they do not, and indeed cannot expect to start with a "clean slate" as it were. If however, development is about people then it is they who ultimately should choose the path to be pursued. Ideas and suggestions may be offered by individuals and groups, but the test of their efficiency ultimately lies in the willingness of people to adopt them as part of their daily existence.

One thing which this study should have made clear is the large extent to which the depressing circumstances of poverty and powerlessness characterize the daily lives of the broad mass of Caribbean people and stand in contrast to the privileged life styles of the small minority who make up the rich and powerful. The existence of this is a clear reminder of how easy it has been for social forces of underdevelopment and dependency to reproduce themselves. Two and a half decades after Jamaica first became independent economic policy in the region is still largely guided by the view that development equals a "satisfactory" rate of increase of per capita product. While different actors have indicated different measures of what rate is to be deemed "satisfactory", it is only recently that the popular forces have sought to challenge this view, and even here the attack on it has not been frontal. Instead the attack has taken two lines. One is to advance the view that accepting a given definition of what is a satisfactory rate of growth of per capita product, that we still need to know whether the chosen rate can be sustained before we can be in a position to pass judgement as to whether development is occurring or not. In posing the issue this way some ancillary questions are also raised: 1/

Is the rate of increase of per capita national product due to the fortunate existence in the national territory of some non-renewable resource currently in great demand on a world scale, e.g., oil? If so, what are the reserves of these resources and their current and projected rate of exploitation? How far into the future can favourable demand conditions be projected? Is the "satisfactory" rate of increase dependent on the transfer of resources from abroad to the country concerned? And, if so, what is the prospect of its continuation? Is per capita national product increasing because of the mass migration of persons out of the national territory? And, if so, what are the prospects for the continuation of the political and social conditions which make this possible? The second line of attack has been to indicate that this formulation of development ignores the problems of growing unemployment, a worsening distribution of income and wealth, and the persistence of poverty in the region, despite historically unprecedented rates of increase of per capita national product in the 1950's and 1960's generally, and in Trinidad-Tobago in the 1970's and early 1980's. The response of the centre and liberal tendencies among the ruling strata has been to introduce social and political considerations to the analysis of development. But here the dominant tendency is to introduce these as adjuncts to the interpretation of development and to confine the level of treatment to at best the institutional level.

Unlike our approach, class and social relations are not treated as integral to the interpretation of what is meant by development, so that in this formulation the issue, development for whom, is never directly confronted.

Raising the issue in this way however: development for whom, leads one on to recognize immediately that how in fact development is interpreted and defined goes a far way towards determining the development path which is to be pursued, as well as determining the criteria which must inform strategies and policies for future development.

As we have repeatedly argued in this text the reality is that in the circumstances of the Caribbean, development cannot be satisfactorily studied in isolation of the region's concrete historical context. The question of alternative paths of development has to be raised in the context of the concrete manifestation on a world scale of a group of countries which has been aptly described as underdeveloped, as distinct from undeveloped which might have been the condition of Europe before the development of capitalism. Underdevelopment, when used as a description of the condition of the region then refers to the consequences of the long historical period (16th - 18th century) during which capitalism, as a mode of social production, had internationalized itself and created a world market. In the Caribbean, we have pointed

out that the internationalization of the capitalist mode of production has resulted in the development of two important sets of divergencies in the system of reproduction of the material conditions of social life. The first of these is the divergence between the pattern of resource use and the demand structure as it exists, and as it is likely to develop as commodity relations become even more generalized and entrenched in the national economy. And the reason we advanced for this was that European conquest and settlement of the territories resulted first in the overthrow of the communal and other pre-capitalist production relations which dominated the Caribbean, and thereafter, systematically garnered domestic resources for the servicing of overseas markets in Europe and elsewhere. Thus the development of tropical agriculture, mineral production for export, tourism, the EPZs, etc., all reflect this orientation with the consequence that local demand was, and continues to be, by and large satisfied by imports. The export sector has become highly specialized in the production and sale of a narrow range of output to one or two major capitalist markets. As we saw the second divergence is that as the market economy has developed, ability to purchase in the market has become the principal determinant of consumption with the result that since colonialization the needs of the broad masses of the population have not influenced production in any significant way. Except for

residual subsistence sectors, commodities available from both local production and imports, are allocated on the basis of purchasing power and in the context of widespread poverty and unemployment most of the available commodities service the needs of the relatively better off classes and groups.

Around this dynamic of reproduction of the material needs of the society as a whole has grown up the complex of political, social and legal relations (patterns of ownership of productive forces); institutions and other decision-making structures and organizations; ideas and ideologies elaborated on in this study. It is therefore, only from an understanding of this expression of the condition of underdevelopment that notions of what constitutes development can be derived.

What therefore do I mean when I refer to development? ^{Eight}theses are advanced. First, in direct contrast to what prevails, development for me takes place when production is oriented towards satisfying the basic needs of the masses at large. By the masses I simply refer to all those "who do not have any power in society derived from property, wealth, religion, caste, expertise or other sources not widely shared". 2/ To these minority attributes we can add political party affiliation where applicable. In the

past too few have benefitted at the expense of too many. Re-distribution, social equality, and a participatory political process are the only reliable cornerstones of such another development. In this way the concerns of the poor and the powerless become the central focus of development and not an incidental item on the agenda of export competitiveness, industry, new technology on any such disembodied abstraction. That is to say production for the basic needs of the masses implies a systematic, conscious, deliberate, and planned attack on poverty, for the deliberate removal of poverty becomes a determinant of what is produced. In other words the elimination of poverty is not treated as an incidental consequence of production, as when profit is the main determinant of output. The needs referred to here are personal, (food, clothing, housing), and public/collective (health, sanitation, education, culture, recreation, etc), and they are also, as would have been inferred from the list given, both material and non-material.

Second, development in the region can only take place when it is planned that the satisfaction of these basic needs are to be generated through the effective exercise of the right to work. By this I mean not only that all those who want jobs should have them but also:

- (i) the right to a job without coercion as to place or type of job, given the particular skills;
- (ii) a framework of industrial relations which permits free collective bargaining and effective representation, (as distinct from nominal), within bargaining units;
- (iii) a work process that allows for effective worker involvement and control;
- (iv) the protection of health and guarantee of education and training for all workers for the tasks they are engaged in.

The objective here is to situate work in a self-realization process. In other words work is seen here as both an end and a means of development.

Third, given the authoritarian and commandist traditions of the region, the reproduction of the material conditions of life should be based on self-reliant and endogenous patterns of growth. In view also of the historical formation of underdevelopment and the resultant pattern of producing what is not consumed locally, and consuming what is not produced locally, combined with foreign ownership and domination of national production, this is the only sustainable pattern of growth. As such it is premised on a need to reverse dependency relations and to situate development in the Caribbean in the context of the capacity of the people of all regions to develop themselves.

Fourth, development also requires that the work process should be based on the democratization of power in society combined with the effective, as distinct from nominal, exercise of fundamental rights, e.g., the rights to free expression and organization, respect of individual's privacy, the abolition of repression and torture, and so on. This democratization of power also refers to the democratization of the decision-making structures of society. Here, two requirements for its achievement are an equitable distribution of wealth and income and of equally vital importance, equitable access to the use and management of society's resources. A democratization of power is also not possible without equitable access to information, since the effective possession of information is necessary if sound decisions are to be made and control from below, or popular participation in the process of development as it is sometimes termed, is to be efficient, while reflecting the requirements of the largest possible majority.

Fifth, development is also conceived by me in the context of the preservation of environmental stability and an end to the degradation of the environment which has so far accompanied the growth of national production in our societies. This conception is situated in an unequivocal acceptance of our global and universal responsibilities to sustain life.

Sixth, development in our region is impossible without the state playing a leading role. This conclusion serves to increase the significance to be attached to a participatory political process, along with strong organisational and representational roles for the producers in society. It is no secret that the recent onslaught on the state by advocates of privatization has successfully exploited obvious weaknesses and limitations in the development of post-independence states in the Caribbean. Nevertheless, it is significant that those very advocates of privatization turn to the state to promote the CBI, or to negotiate with the US government when difficulties arise with it, even as they uphold this arrangement as the premier example of the role of privatization in contemporary Caribbean economy. It still continues to be the case also, that when competition from abroad adversely affects their operations, that this same private enterprise lobby turns to their governments for protection! The truth is that government intervention or non-intervention per se is a meaningless category, for its social significance derives entirely from the purposes of governmental action, and the class and social interests which it serves. It is pure fantasy to believe that political freedom can be reduced to, or is in some way dependent on, the operation of unrestrained market forces. ^{3/} The interpretation of development advanced here is intended to subject the functioning

of the state as well as the development of the society as a whole to what has been aptly termed, the "logic of the majority". As Xabier Gorostiaga has succinctly put it:

"economic and political transformation cannot be carried out for the majority unless it is part of a project implemented by the majority ... the majority must be the subject, and not the object of their own history". 4/

Seventh, a realistic notion of development in the region must begin with the stark reality of the hostile environment of our living in imperialism's backyard. The conclusion we arrived at in the previous chapter is mirrored in Gorostiaga's analysis:

"Whatever may be the economic logic of US policies towards Central America and the Caribbean, it is clear that geopolitical considerations predominate. Historically, the region has always been considered 'America's backyard'. So long as the area was thought to be secure, the US could afford to ignore it; but any threat to the status quo has always triggered an immediate response. US military intervention in the region has been more frequent than in any other part of the world ... the underlying assumption of US policy towards the region appears to be that its own geopolitical interests are incompatible with the emergence of genuinely independent states". 5/

Given this "incompatibility" the future scope for development in the region is ultimately bound up with the survival and eventual success of the social experiments of Cuba and Nicaragua. This view does not imply either the acceptance of Cubanization or Nicaraguanization, of the region, or some bastard combination of the two. All it suggests is that the survival of the very notion of experimenting to build new Caribbean societies is indissolubly linked to the survival of the two surviving experiments - Grenada having already gone. A regional alternative thus remains high in the priorities of any thrust towards the real development of the region. Such an alternative must challenge those mechanisms which seek to facilitate the absorption of the region into the USA, even as the USA itself pursues the larger projects of "integrating" Canada and Mexico into it, and the "submission" of Central America through undeclared war against popular forces; whatever form they may take.

Eight, the criticisms of Lome, Caribbean, and the CBI, made in the previous chapter do not mean the rejection of the importance of the external context to the successful development of the region. To the contrary, for although the internal social structures and their development form the primary force in the development of the region, they are not the only one, so that the path of development chosen

cannot be separated from the international context. Thus both the previous policies of "open invitation" to foreign capital and the "nationalization" of foreign capital took place in a world context which delimited the real possibilities of those policies. The interface of internal development (i.e. internal class struggle), and the international context (i.e. the operation of capitalism on a world scale) is crucial to any consideration of development strategies. It is for this reason that proposals designed to offer a "global challenge" to existing structures are so important. ^{6/} Surely if multilateralism can be restored, prices and incomes of primary commodities stabilized, "transparent" controls over the TNCs are instituted, disarmament occurs and the saved resources are then spent on redistribution and restructuring of global producing and consuming structures, "better-my-neighbour" policies replace "beggar-your-neighbour" ones; and so on, the world would be a better place and development that much easier. The sad reality is however, that multilateralism is in retreat and unilateralism is dominant; protectionism in the North is the order of the day, while monetarism and laissez-faire policies are prevalent in both the North and South. In this context therefore, the interiorization of the accumulation process is all the more key to successful transformation. Given, however, the small size of the region's economies, the only realistic avenue for reducing the social costs of small size is once again

the development of a regional alternative as an essential element of the process of national transformation.

Because the pattern of actual consumption in the region does not reconcile with the basic needs of the broad mass of the population, (reflecting the unequal distribution of wealth and income, the forms of urban and rural development, and the poverty and dispossession of large social groups, particularly, the peasants and the urban poor), and the pattern of resource use is not dynamically reconciled with resource endowment, (reflecting the fact that in the past the imperative for bringing resources into production derived largely from the needs of international capitalist expansion), it is clear that the configurations of a transformed economy must be based on the construction of a process of accumulation founded on the priorities required to ensure the eventual reversal of these divergences. In other words, the process of accumulation has to be founded on the logic of a dynamic convergence between social needs and the use of domestic resources. In the long run this requires as a minimum the development of a capability within the productive forces of producing the commodities used directly or indirectly in the production of all other commodities. These can be termed the "basic goods" of society. 7/

The only group of countries which in recent times has attempted such a planned or forced transformation of their economies, the USSR and other socialist economies of Eastern Europe, China etc, had approached this task through the development of an agricultural system aimed at supplying domestic food and raw material needs and the development of a heavy capital goods industry. The latter is the now famous Department I in the Marxian Scheme of material reproduction. This gave them a capacity not only to produce the basic goods or commodities used in the production of all other commodities, but the factories and scientific-technological infrastructure required to produce the factories which produce these commodities.

In the small peripheral economy which is typified in the Caribbean, this is not feasible because of size constraints. The Department I conception is therefore not adequate. The conceptualization of a basic goods sector is therefore advanced as the appropriate alternative. A survey of the world's consumption support this, since it shows that out of millions of products currently consumed, a short list of raw materials, about one dozen, iron and steel, textiles, glass, leather, paper, plastics, industrial chemicals, etc., account for more than 90% of all the manufacturers we consume. The list of basic foods is similarly short. The pattern is revealed in both capitalist economies

and the socialist countries. For the small peripheral economy it is therefore necessary to subject the logic of accumulation to:

- agricultural production oriented towards supplying the needs of the population in the first instance, and export specialization following as an extension of this. Their needs include food as well as raw materials.
- The development of a capacity to produce basic materials as a key element of a necessary strategy of industrialization.
- Raising the level of economic and technical competences (not necessarily increasing output) in the entrenched agro-export sector. This is necessary to lower costs and enhance foreign exchange inflows, to support the process of diversification, to extend the use of an internally developed scientific capacity to production, and in the process exploit the scope for innovation leading not only to lower costs but newer products based on old lines of production. 8/

Unless the logic of accumulation is made subordinate to the political-social priorities of transformation the very process of accumulation will not be interiorised within the society. And, unless this is done the material dynamic underlying social life would not complement the interiorisation of political and social change. Additionally, such a configuration

within the economy is consistent with its participation in the world system in a manner which does not make it a victim of that system's systematic reproduction of inequalities. Centrally associated with this formulation is the idea that it creates a social basis (its orientation towards needs), as well as a material basis, (its emphasis on domestic resources) for the development of a scientific and technological capability in the sphere of social life. One of the striking characteristics of the small peripheral economy is that even in its area of specialization and "comparative advantage" in the world economy, it does not have highly developed technical - scientific competences. An essential task of economic construction must be to create this. However, this can only be created in a material environment, and within a logic of accumulation which explicitly accommodates it.

Given the nature of the Caribbean economies, their transformation will be, inevitably, an extended social project. It is necessary, nevertheless, to incorporate a more or less definite conception of the main economic configurations of the economy which the society is working to construct as early in the process as possible. This conception should be, moreover, elevated to the level of a popular conception and not remain simply the possession

of the political leadership and the technocrats and managers of the economy. The only way to ensure the project is to root its conception in the culture of the popular forces.

The vital importance of this sense of the long-run configurations of the economy under construction, is that it creates points of reference with which to test and measure the performance and development of the economy since there are no purely technical tests of the transformation of an economy. The urgency of this point is underscored by the existing crisis condition in the region and the world economy in general. Without a sense of where the community wants to go there is a danger that crises, interruptions and reversals when they do occur, will elevate their own demands for a quick resolution to the end product of the process of development itself.

Linked with this point is the recurring need to conceptualize as they develop, the various phases and stages in the reconstruction of the new material basis of social life - bearing in mind that these are always structurally linked through the configurations incorporated in the long run project of transition.

This formulation neither implies nor requires an inevitable centrally planned and directed process. To the contrary, it seeks to articulate between the conceptualization of a popular participative democracy in political and social life and the process of transformation of Caribbean society.

Notes

1. The argument here draws on an earlier work of mine: Clive Y Thomas, From Colony to State Capitalism (Alternative Paths to Development in the Caribbean), Transition Issue 5, 1982 P1-20.
2. ibid, P8. The reference is from W. Haque et al, Towards a Theory of Rural Development, Development Dialogue, 1977:2, P.46.
3. For a discussion of this theme see Clive Y. Thomas, "The Caribbean State as Agent of Social Change", in Reader in Caribbean Development, (ed) G. Lamming, Department of Economics, University of West Indies, Jamaica and Freiderich Ebert Stiftung Foundation, (forthcoming 1986).
4. G. Irwin & X. Gorostiaga, "Towards an Alternative for Central America and the Caribbean", George Allen & Unwin, London, 1985, P.28.
5. ibid, P.17.
6. For recent proposals emanating from the Socialist International see Report of the International Committee, Chaired by Michael Manley, Global Challenge: From Crisis to Cooperation - Breaking the North - South Stalemate, Pan Books, London, 1985.
7. The thesis advanced here and the details as regards the accumulation patterns and sequences, planning modalities and so on are discussed at length in Clive Y Thomas, Dependence and Transformation 1974.
8. Here the example of sucro-chemicals is relevant, see, Clive Y Thomas, Sugar: Threat or Challenge, An Assessment of the impact of technological developments in the high fructose corn syrup and sucrochemicals, International Development Research Centre, Ottawa, 1985.