GLOBAL
DEVELOPMENT OPTIONS

Volume Two **Winter 1999-Spring 2000** **Nos. 1-2.**

THE COMMONWEALTH CARIBBEAN: IN PURSUIT OF SELF-RELIANT DEVELOPMENT THROUGH INTERDEPENDENCE

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ABSTRACT

This article examines how the Caribbean Common Market through a deepening of the integration process and a collaborative strategy of interdependence among the nations in the region can promote development. To this end, the article advocates the creation of a framework of incentive systems and institutions designed to capitalize on the advantages of the Caribbean economies and on private sector initiatives. Additionally, it promotes a drastic overhaul of the budgetary process in each nation as well as full Central Bank autonomy, in addition to the rescheduling of debts to creditors. While it concedes that the region's ability to attract foreign investments is unacceptably low, especially in a global economy enjoying considerable growth, the article recognizes that the region must curtail its dependence on a monoculture of production and eliminate the policy of protectionism for goods and services created in the region. The article concludes by asserting that the region must take advantage of the efforts made by the United States and other major trading partners in the hemisphere to promote self-reliance while remaining globally competitive.

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1. Introduction

Before taking office for his second term, President Bill Clinton noted that pursuing free trade arrangements with Latin America and the Caribbean would be a top priority of his administration. Critical to the issue of liberalizing trade in the Western hemisphere was the ability of the Administration to obtain fast track negotiating authority[1] with nations in the region. In November 1997, President Clinton became the first United States president to be denied such an authority by the United States Congress. On April 18, 1998, President Clinton and Heads of State from thirty-three nations in the region opened talks aimed at establishing a free trade zone stretching from Alaska to Terra del Fuego. The issue of fast track again became an important criterion for the participants' measurement of how successful the region would be in promulgating a free trade zone by the year 2005, a goal set in 1994 at the Summit of the Americas. The impetus for such aggressive hemispheric trade policy stemmed from the success of the Administration in securing the North American Free Trade Agreement.

In December 1992, the North American Free Trade Agreement (NAFTA) signed by Canada, Mexico, and the United States heralded a new form of regional cooperation among developed and developing nations. The premise of this precedent-setting enigma is to promote free trade in goods and services and increase investments not only by eliminating tariff protection and reducing non-tariff barriers, but also by introducing the General Agreement on Tariffs and Trade[2] (GATT) and other investment-related initiatives. In the short run, NAFTA is less likely to have a significant impact on the U.S. economy, but the expected growth in the Mexican economy could be of considerable benefit to the United States. In the Caribbean, concerns about the diversion of trade and investment to Mexico and improvements in Mexico's competitiveness do not appear to outweigh the benefits of debt relief and investments sought in a free trade agreement. Collectively, these island-nations appear poised to partake of the benefits of trade liberalization, no doubt fueled by the rationale of obtaining more security for greater access to the markets of the industrial economies.

Total exports in the Western Hemisphere have risen steadily in the past five years, unquestionably growing at a faster pace than the gross domestic products (GDP) of these countries. Between 1992 and 1997, for example, total exports grew at a healthy rate; and in Latin America and the Caribbean, a vigorous growth of 16 percent per annum set the pace. As a result of that trend, exports within Latin America and the Caribbean rose from 13 percent of the total in 1990 to 17 percent in 1997.[3] While it cannot be doubted that these are impressive gains, Caribbean governments have attached great importance in generating employment and rising levels of income and consumption of good

In the Caribbean, the 1980s were characterized by protracted balance of payment difficulties resulting in large-scale external shocks associated with the sharp increases in the cost of energy, deteriorating terms of trade, a heavy burden of external debt service, a slowing in the rate of growth and, in some cases, declines in total productions. Given their small sizes, passive incorporation into the industrial economies, and a peculiar plantation and demographic history Caribbean nations recognized the necessity of deepening the integration process through collective regional self-reliance. This article explores the facilitation of self-reliant development in the Commonwealth Caribbean through the interdependence of the Caribbean Common Market.

The buoyancy of intra-regional trade is attributable chiefly to the region's healthier economies together with the residual effects of the trade liberalization efforts which had become the economic policy of choice by Caribbean as well as Latin American nations in the 1980s. In addition, another key element in burgeoning intra-regional trade has been the proliferation of bilateral or multilateral integration or free trade agreements which in 1997 totaled 26 in the region.[4] A brief review of recently emerging agreements show how commitments have flourished in the area of hemispheric trade. At the beginning of 1994 NAFTA expanded to include Mexico under a new set of rules, and in June 1997 we saw the formalization of the G-3 which, represented trade agreements with NAFTA-style rules among Mexico, Columbia and Venezuela. The MERCOSUR[5] and the Andean Pact also opened a vast market of opportunity for previously excluded countries to trade without economic duress.

By far the most important event for the Caribbean has been tacit agreements between the G-3 and CARICOM (Caribbean Common Market) which continue to work toward establishing a Common External Tariff (CET) comparable to other sub-regional groups. The Central American Common Market and the European Community have crafted alliances with each of the regional trading groups with the intent of preserving preferential treatment similar to that for agricultural commodities produced in the Caribbean and exported to the European Union under the Lomé Agreement.[6] The main purpose of pursuing these efforts at regional cooperation is to convince the United States to grant parity—similar to that given to Mexico under NAFTA— for trade and other alliances.

The importance of trade to developing economies can never be over emphasized. Analysis of the sectoral composition of the GDP of

CARICOM nations in 1997 showed distributive trade contributing over 21 percent, with government services, financial and business services, tourism, and manufacturing as significant aspects of the GDP. Prior to the formation of CARICOM, the regional trading structure was dominated by trade with England and the United States. However, 1973 heralded in a new era; CARICOM was created and the opportunities for intra-regional trade held considerable promise for organizational members. Espousing the economic integration of member states by the establishment of a common market regime, it could be said that CARICOM represented an opportunity for the region to be presented as a unified trading bloc in its dealings with extra-regional entities. The Treaty establishing the Caribbean Community was founded on the premise that two economic groups existed within the Caribbean: The More Developed Countries (MDCs) and Less Developed Countries (LDCs). Thus, the Treaty afforded industries and member states "protectionist treatment" using legitimate legislation.[7] The rationale for these arrangements was built around the need to promote the industrialization of Caribbean economies and the desire for greater self-determination in economic matters. Efforts are underway by various member states to ensure that CARICOM trade is rationalized and that the mechanisms behind the formation of the regional trade groupings are given a chance to flourish.[8] This inter-relationship among different countries in the global economy has been the central theme of debates in the post-colonial era, and the idea of attaining self-reliance is one of the most fundamental principles underlying CARICOM's development policy.

2. Caribbean Economic Performance: The Need for Structural Adjustment

The turbulent 1980s heralded in mixed economic performance for many of the CARICOM countries. While 1990 was mainly a year of characteristically slow growth, countries such as Dominica, Trinidad & Tobago, and Belize showed incipient growth after six years of decline. For many of the non-CARICOM countries, economic achievement was not as good, except for Puerto Rico which recorded slow growth. Much of the rest of the countries could be characterized as being in a state of economic stagnation as was the case in the smaller CARICOM countries. Two sectors of Caribbean economies showed expansion. Output was up in both domestic and export agriculture, most likely led by the robust performance of the banana industry. Earnings in this sector grew by approximately 23 percent. The trickle-down effects for the banana producing countries of St. Lucia and Dominica were expanded economic infrastructures, including rising domestic credit and local investments. The other major source of export earnings, tourism, recorded a mixed but nevertheless increased profitability across the region. Not only did tourist arrivals continue to increase, but large scale foreign investments in all-inclusive hotels and harbor development accounted for vigorous growth.[9]

Compared to other regions, though, the Commonwealth Caribbean's overall economic performance in the mid-1990s appeared relatively upbeat. Despite the unprecedented international economic events of the two previous decades, the quality of life of most of its citizens improved and the region's vulnerability to external shocks diminished. The outlook for the medium-term appears promising solely for those Caribbean countries which adopt policies that will enable them to augment their share in the industrial, technology, and merchandise markets and their abilities to penetrate extra-regional markets through increased competitiveness. Analyses suggest that in countries which pursue sound economic policies, economic growth would allow real consumption per capita to increase. Countries such as Barbados, Jamaica, and Trinidad and Tobago have experienced real GDP growth rates of at least 2.1 percent over the medium-term despite some loss in their terms of trade. While this is optimistic, the massive inflows of external resources from organizations such as the World Bank permits Caribbean countries to absorb much of the external shocks occurring with little consumption losses, unlike its Asian counterparts. In some of the region's economies, for example Jamaica, these unprecedented inflows merely postponed the inevitable. When external net flows plunged in Jamaica, for example, in the previous two decades, noticeable contractions occurred followed by highly recessionary adjustment processes. It can, thus, be deduced that the visible gains made by Caribbean nations are temporary and more permanent restructuring is necessary if Caribbean nations are to secure a positive role in an increasingly liberalized and free trade process.

From 1995 to 1997 Caribbean countries' overall terms of trade improved. In particular, real increase in the price of coconut oil, chemical fertilizers, tobacco, and aluminum facilitated economic expansion in some countries.[10] The sustained growth of tourism also contributed to the augmentation of output.[11] In Trinidad and Tobago, for example, the only oil exporter in the region, the continued stability of real petroleum prices, following the sharp downturn in the previous decade and the promulgation of viable macroeconomic frameworks, caused the country to (1) maintain adequate public sector savings; (2) reduce the current account balance of payment deficit; (3) maintain domestic inflation largely in line with that of its trading partners; and (4) strengthened its export potential through the diversification of its policies.[12] In other countries, such as Jamaica, Dominica, St Kitts and Nevis and St. Lucia, export potential was strengthened and changes in the real exchange rates were able to change relative consumer prices, reduce protection, and increase non-traditional exports to extra-regional markets. This growth, though, has not been robust enough to affect such fundamental quality of life issues as unemployment and unemployability, which remain at an above acceptable rate. Additionally, rates of exchange of local currency continue to be anchored to the U.S. dollar.[13] Tied to this fulmination is the level of external debt and deficit carried by many Caribbean nations. Caribbean countries could be classified as heavily indebted and have often been warned "not to live beyond their means."[14] The majority of the debt is owed to official creditors; although several are indebted to commercial banks. Professor Norman Girvan has noted that "In the Caribbean, Cuba, Trinidad, Barbados and the countries of the Organization of Eastern Caribbean States (OECS) have made significant use of private credit, with higher than average shares of their debt due to private creditors."[15] In countries such as Haiti and Suriname, debt service was less than 0.7 percent of the total debt owed in 1997; and even in the larger, more vibrant nations the repayment ratio represented less than 1.79 percent of the total debt obligation.[16] Sustainable economic development in the Caribbean appears to contain numerous contradictions, the most notable being an extreme external dependence on large-scale metropolitan economies and multinational corporations. This has made the CARICOM region susceptible not only to inter-regional social and political intimidation, but to intra-regional contractions as well requiring pragmatic structural adjustments and transformation.[17]

The failure of Caribbean countries to secure permanent improvements in their economies has laid the foundation for many of the intractable ills suffered by its people. While gains have been made in the short term, long term protracted balance of payment difficulties resulting from large scale external shocks coupled with the rise in cost of energy and technological utilities, a heavy burden of external debt service, and declines in total production especially in the smaller islands have impaired the capacity of these nation-states to generate acceptable levels of employment, income, and consumption over the medium term.[18] Realizing that the key to politically and socially viable economic growth requires the coupling of efficient growth and transformation policies with the basic needs of the people, and understanding that the structure of Caribbean economies is such that it is possible to experience buoyant growth at one point in time and plummet into severe recession at another in response to declining foreign exchange availability, Caribbean governments must address issues of structural transformation, structural adjustment, and stabilization.[19]

While it is disappointing that Caribbean economies can only boast of limited success in stimulating the supply of output, a stated goal of most adjustment programs, many countries exhibit serious structural deficiencies characterized by "extreme external dependence; weak traditional agricultural sectors; even weaker food producing sectors for the local and regional markets; and an underdeveloped manufacturing sector."[20] The logic of the adjustment process is inexorable, for it is rooted in a budget constraint, that is, the impossibility of maintaining a level of expenditures which permanently exceeds the level of income.[21] In fact, the adjustment process is automatic as well as inevitable; for example, when net foreign financing contracts or holdings of excess international reserves become depleted. This process also requires the elimination of the excess of real gross domestic expenditure relative to real gross national income or the retrenchment of the current account balance of payments deficit to an amount that is compatible with the reduced net inflows. As these are the incontrovertible facts of adjustment, the relevant question is how to minimize its cost.[22]

The following tables summarize the present state of economic development in the Commonwealth Caribbean:

Table 1: Economic Development and the Adjustment Process

Country	GDP	Investments	Consumption	Real Exports
Guyana	7.3	0.2	9.5	8.2
Suriname	7.3	2.1	14.3	1.2
Jamaica	-1.7	-4.7	-1.2	5.0
Trinidad	2.6	-12.2	6.3	8.2
Mexico	5.1	27.6	2.4	18.7

Table 1 (continued): Economic Development and the Adjustment Process

Country	Terms of Trade	Real Exchange Rate	Real Interest Rate	Unemployment
Guyana	34.7	-1.4	N/A	23.0
Suriname	-4.0	-8.8	N/A	18.5
Jamaica	7.2	-5.1	24.3	16.2
Trinidad	-10.7	-1.6	12.4	18.0
Mexico	-1.2	-9.5	6.0	5.0

Source: Inter-American Development Bank (1997) *Latin America After A Decade of Reforms*, (Baltimore: John Hopkins University Press).

* Real Growth rate in % (1996)

** Unemployment remains relatively high despite adjustments and economic reforms

Table 2: Debt and Investments, 1996

Country	Fix investments: % of real GDP	Total External Debt (millions of Dollars)	Debt Service Paid (Millions of Dollars)
Barbados	4.2	597.0	112.0
Guyana	13.1	2,094.0	75.0
Haiti	N/A	913.0	29.0
Jamaica	N/A	3,985.0	613.0
Suriname	N/A	180.9	N/A
Trinidad	2.1	2,668.0	434.0

Source: Inter-American Development Bank (1997) *Latin America After A Decade of Reforms*, (Baltimore: Johns Hopkins University Press).

The logic of the adjustment process, though, has nothing to do with the cause of the disequilibria; the questions of the origin and duration of shocks are essential to the determination of the optimum combination of compensatory external financing and domestic adjustment.[23] In fact, an imbalance attributable to transitory external shocks should be financed from abroad because the cost of eliminating the attendant disequilibrium always exceed, and normally is a multiple of, the cost of sustaining it. In the Caribbean economies, affected as they are by diverse types and degrees of distortions, an abrupt adjustment to the impact of an adverse shock, as, for example, in Jamaica, would inevitably depress the growth of output relative to its potential and almost invariably reduce actual output as has occurred in Guyana and Trinidad and Tobago.[24] Consequently, although a disequilibrium can be attributed to domestic policy or permanent external shocks, the minimization of welfare losses also requires a pace of adjustment in line with the capacity of these economies to accommodate reductions in domestic absorption while minimizing output losses. Unless an optimum combination of adjustment and external financing is forged, an economy would be compelled to undergo an over-adjustment and incur unnecessary welfare losses since external financing does not suffice to allow these economies to adjust while minimizing output losses.[25]

The fundamental task for Caribbean countries is to create a framework of incentive systems and institutions required to capitalize on the advantages and private initiatives of their economies. Growth-oriented structural adjustment requires macroeconomic policies as well as institutional settings that preclude the persistence of excessive public sector deficits and the attendant high inflation, low productivity, and systematic accumulation of debt. In addition, CARICOM member states must initiate clear-cut rules to minimize the public sector's discretionary powers: the expansion of unconstrained discretion in taxation including extra-budgetary levies such as taxation of holdings of money and quasi-money and of foreign exchange transactions which increasingly have been resorted to in order to sustain the growth of public expenditure or avoid curtailing it.[26] It would appear that the achievement of economic recovery and sustained growth will require a drastic overhaul of the budgetary process, Central Bank autonomy, and financial sector reform. Because of persistent public sector imbalances, this control requires substantial adjustment in expenditures and revenues and, in some countries, a rescheduling of the outstanding claims of creditors.[27] Additionally, the international liquidity position of the region needs to be strengthened appreciably to cushion the impact of possible future, transitory external shocks.

The CARICOM trade regime has been characterized by heavy protection for long periods of time. This has not only reduced the efficiency of resources but has sustained considerable contractions in the performance of mainstay industrial production. Trade reform, thus, represents one of the most important avenues through which overall productivity can be increased and economic recovery sustained. In the region, a trade regime that equalizes incentives for import substitution and export activities is the most efficient way for countries to save and generate foreign exchange.[28]

This is not to say that a more open trade regime would cause deindustrialization or even the end of import substitution. A more open trade regime, as would be possible in a free trade zone, would induce a modification of the quality and structure of manufacturing output in those activities that can substitute imports efficiently, accomplishing this through a competitive exchange rate rather than based on high tariffs or import prohibitions or negative lists.

The failure of many of the adjustment policies of Caribbean nations is resident in the governments' efforts to achieve specific sociopolitical objectives without the necessary fiscal resources. Governments have thus intervened in the incentive structure, as, for example, in Jamaica and Dominica to secure these objectives. In effect, this approach generates resource misallocations and high costs. If efforts are made to redistribute income through price interventions, as in Trinidad and Tobago, these distortions will mount; and in CARICOM countries widespread use of price fixing and quantitative regulations and restrictions to achieve redistributive goals will generate additional negative effects on resource allocation. Governmental interventions have become important not only in the trade regimes but also in restricting entry to other activities, such as shipping, air cargo, and trucking. This policy reduces the predictability of incentives and forces firms to invest and not waste real resources.

To restructure their economies, though, the macroeconomic instability brought on by governmental interventions and generated by large and fluctuating public deficits have brought about relatively higher and irregular inflation and interest rates, especially in some of the larger MDCs, for example, in Jamaica and Guyana. This phenomenon stems from surges in public expenditures resulting from favorable external shocks or domestic pressures, or the inability of governments to contract public expenditure or minimize revenue losses efficiently when confronted with adverse external shocks. Excessive and unpredictable inflation eventually has required costly stabilization programs. Often many years are required to stabilize the economy fully and recover past output levels, let alone obtain genuine growth. Thus, CARICOM governments have erroneously addressed this issue through public sector deficits financed by external debt during the 1980s and by inflationary financing during the early part of the 1990s.[29]

Recent experience in the Caribbean has demonstrated that it will take many years of sustained effort to witness the result of major policy adjustments. But the adjustment process can be facilitated with firm commitments of the requisite net financial flows, provided the recipient countries as well as donors and creditors ensure that policy and project execution take place without major slippage. Because the Caribbean is dependent on external financing, the quality of the assistance sought and provided should be considered in promoting sustained development. External financing needs to be concentrated on the support of sound and viable development policies and expenditures that reach fruition during the period in which the debt incurred should be serviced. Additionally, direct foreign investment should be actively promoted. A concerted effort to establish an incentive framework and attract foreign investors could generate significant flows to the countries and result in rising economic activity, employment, and exports while reducing the debt burden and investments of the governments. To this end, the Caribbean region continues to address these structural issues through the deepening of the integration process.

3. The Caribbean Common Market

The Caribbean Community was created in 1973 by the Treaty of Chaguaramas for two main purposes: to stimulate economic development and to enhance the effective sovereignty of the member states and their people.[30] Economically, the Caribbean Common Market came into being at a most unfavorable time: 1973 marked the start of the international economic recession caused by markedly rising oil prices. Structural deficits in industrial countries led to high unemployment levels and strengthened protectionist tendencies among these countries as well in the Third World. The high oil prices significantly affected the territories of the Caribbean Community, except for Trinidad and Tobago, because their energy supply was totally generated by using oil. In June 1988, the Bourne Commission[31] found that real income decreased in several CARICOM member states, and in seven of the thirteen Member States real income was less than it had been in 1980. Annual GNP growth should be at least six percent to counter the unemployment problem rendered acute by the growth of the population. The report noted that by the year 2000 the number of 25-49-year-old would double in some countries with a general population increase between 23 percent and 54 percent. In part, because of the international economic crisis, but owing to the shortage of domestic political consistency in the participating countries, the Caribbean Community has only partially succeeded in attaining its initial objectives. Progress has been made in functional cooperation, a certain degree in foreign policy co-ordination, less in the Common Market, and the least progress in the integration of production. Although the CARICOM treaties do not define political union as an objective, the hope is nonetheless that the common market will contribute to the region's cohesiveness. To this end, the Nassau Understanding,[32] agreed to at the Nassau Summit, recognized the growing structural problems of CARICOM countries and the consequences of integration and development. As the Understanding put it, a rapid rise in debt servicing, a sudden and sharp deterioration in the terms of trade, abrupt increases in external debt service, and continuing declines in the volume of major natural resources could trigger shocks and lead to a loss of confidence between the government and the populations.[33]

The heads of governments conceded that the per capita income of the population in most Caribbean countries seemed to be relatively high, but the economic structures of these countries resided on fragile foundations. Typically, a large portion of their incomes, jobs, revenues and export earnings depends on one or two major exports. Additionally, the manufacturing sectors still has no close linkages with the other sectors of the economy; and local entrepreneurs have little avenue for competition. Thus, it would appear that the integration of production is vital to the deepening of the common market.[34] The integration of production is one of the more delicate chapters of Caribbean integration. This is so because it puts regional self-supply above a national one and requires a transfer of sovereignty to the Community—unlike the integration of the markets by free trade, which many critics claim is the only meaningful form of economic integration in the Commonwealth Caribbean. These same critics claim that the integration of Caribbean markets does not function because they are too small. This raises the issue of distribution, which can only be attained through political unity. [35]

Opponents of Caribbean unity as well as skeptics have often remarked that politicians preparing for such unity are merely obeying whispered prompting from abroad, especially from the United States. Both theoreticians and practitioners of Caribbean integration agree that external conditioning plays an important role. The coming into existence of the Caribbean Community as a step towards political unity was possible only through the formal independence of the former British colonies in the Caribbean. However, the break-up of the 1958-1962 West Indian Federation is an example of the failure of externally imposed unity through federal structures. Thus, the external dependence of the Caribbean in the post-colonial period has changed whereby economic dependence has begun to overlay ideological links.[36]

One of the most contentious developments in the external relations of Caribbean states is that in which small states tend to lose their autonomy because of their submissiveness to the United States in exchange for economic aid and security benefits. The establishment of the single market of the European Union, NAFTA, and the Asia-Pacific Economic Cooperation (APEC)—the economic and power center in the Pacific between Australia, the bordering Pacific States and Japan—tend to marginalize countries on the periphery. In the shadow of the global and economic centers, medium-sized powers, such as Brazil, Mexico, Columbia, and Venezuela, tend to increase their influence. The Caribbean Community came into being without outside interference—but not without the involvement of the power centers of the United States and Europe. Political realists such as James Mitchell have repeatedly called attention to this lack of interest on the part of external power centers. Indeed, European Unity and German unification are internationally more important than the efforts of unity in the Caribbean. It appears that in the new global cut-and-thrust order the Commonwealth Caribbean is threatened with marginalization.

Immediately following the start of a new political orientation in Eastern Europe, fears were expressed in the Caribbean that the industrial economies could invest in Eastern Europe and push the Caribbean to the periphery. Some feared that economic development programs in Eastern Europe could drastically alter the priorities for the flood of funds as aid and investment from the industrialized economies.[37] The new foreign policy realities have intensified the pressure on the Caribbean Community to give up its stagnation and to decide in favor of greater integration in the direction of political unity.[38] The acceptance by the European Union of Haiti and the Dominican Republic in the Asian, Caribbean and Pacific (ACP) group forces the Community to re-examine its geographical and geo-political focus.[39] New initiatives concerning trade between North America and South America have had similar effects. As Edwin Carrington has found, the Caribbean, with mainly unilateral trade preferences for countries having a total population of 600 million inhabitants, belongs to the most privileged region of the world, its own people having grown up, while been nourished on a "diet of protection".[40] On the other hand, however, the customs and trade preferences enjoyed thus far by CARICOM Member States vis-à-vis the United Kingdom cannot clearly survive forever. Existing trade preferences of the Caribbean States in the North American market are also threatened. The protectionist trade policies of both the United States and Canada have already throttled the importation into those countries of important produce such as sugar, finished textiles, and leather products. Thus, one can deduce that NAFTA may further limit the access to the most attractive market for many CARICOM countries.[41]

In a 1985 newspaper interview, Errol Barrow (the late prime minister of Barbados) noted that "the first thing you have to do, if you want to be independent, is to stop begging, the second thing you have to do is to stop borrowing."[42] He also went on to criticize CARICOM governments which often turned to the United States Agency for International Development (USAID) when they needed money—without considering how else they could get the funds needed. To wit, one can make the assumption that the Caribbean belongs to the region which receives the highest per capita developmental aid.[43] Much has been written about the increasing dependence of Caribbean nations in an era of trade liberalization, increased competitiveness, and reduced protectionism. The political and economic dependence of the Commonwealth Caribbean has its origin in the colonial past of the region. The monoculture of sugar forced Caribbean states, given their rising population, to import increasing quantities of food, which, with finished goods and crude oil imports, contributed to the balance of payment deficits. The efforts by the CARICOM member states to woo investors are also a reflection of their disappointment over the development of Community. The often-arbitrary protectionism, the spectacular devaluations in Jamaica, Guyana, and Trinidad and Tobago, as well as inadequate consultations of the governments of the region among themselves, prior to rather important decisions on economic policy, have left practically no other choice open to Caribbean governments which are constantly under pressure to succeed and to compete against each other for foreign aid and investments. How then can Caribbean governments remove these inherent barriers to achieve sustained development?

4. In Pursuit of Self-reliant Development

Self-reliance is one of the most fundamental principles underlying CARICOM's development policy, and it has directed the region's economic and social development since the achievement of political independence. In the existing literature, CARICOM's economic self-reliance was a major principle for dealing with foreign economic relations. Self-reliance has occurred on two interrelated plains in the Caribbean. At the national level, governments have controlled the industrial infrastructure through tight fiscal management and tax incentives to attract investments, and they have made concerted efforts at reducing foreign borrowing. At the sub-national level, local governments have promoted sectoral self-reliance and encouraged localities to raise their level of development and standard of living through the mobilization of locally available resources and investing the surplus in local independent projects. Therefore, the influence of self-reliance is not limited to a narrow area.

The idea of self-reliance through interdependence in the Commonwealth Caribbean, though, is not a new idea. The failed West Indian Federation[44] and the formation of the Caribbean Community are the prime examples of the recognition by governments of the need to collectively promote development. Interdependence is a rather vague term which is often used to describe two important properties of the international system, that is, an objective and foreign policy goals. Rosecrance and Stein have distinguished three approaches in the definition of interdependence. According to the first approach, interdependence means a relationship between interests such that a change in the position of one country is reflected in the position of others. According to the second perspective, this type of dependence is in question when national economies become sensitive to each other. The third definition originates predominately in the writings of Kenneth Waltz who claims that interdependence is a relationship that is costly to break. This argument is based on the view that interdependence presupposes certain division of labor and differentiation of tasks and is most conspicuous in the case in which actors are dissimilar but relatively equal in their capability.[45]

The second variant of these definitions is most widely used. Joseph Nye, for example, argues that the concept of interdependence can be divided into two components: the dependence of a national economy on the outer world due to vulnerability and sensitivity. Sensitivity means that a nation is exposed to cost-producing external pressures and influences which no efforts are made to counteract. Vulnerability, in turn, refers to the situation where efforts have been made to eliminate negative external influences without any appreciable success.[46] Similarly, Mally uses almost the same expressions as Nye when pointing out that the degree of interdependence can be estimated by the sensitivity and/or vulnerability to those factors and disturbances which originate in other parts of the international system.[47] The central question in pursuing interdependence in the international system is whether the policy is a zero-sum game or a positive sum-game.[48] This leads, in turn, to the problem of whether interdependence can be divided into positive or negative components. Sergiyev notes that all states in the world are dependent on each other in the frame of the international economic system and hence unilateral measures as well as changes in the international position of a country result necessarily in positive or negative changes in the position of other countries.[49]

The concept of self-reliance, on the other hand, refers to such strategies of social and economic development, which are based on the mobilization and utilization of a country's own resources instead of relying on resources from outside. At the national level the goal of self-reliant development has been pursued by many countries, while efforts at collective self-reliance are of a more recent origin. No country can be autarchic and therefore must obtain resources from abroad. In the strategy of collective self-reliance this would mean that these resources are obtained from other developing countries to the extent possible. Enrique Oteiza and Francisco Sercovich maintain that collective self-reliance means that countries pursue policies aimed at implementing the severance of existing links of dependency operated through the international system by the dominant countries and a full mobilization of domestic capabilities and resources, in addition to a reorientation of development efforts aimed at meeting the basic needs of the people.[50] Self-reliance is, thus, an outcome of a dialectic process which inevitably leads to a reaction against a dependency pattern and vertical structures existing in the international system.

Theoretically, there are two related problems in the implementation of the strategy of self-reliance. First, to what extent are developing countries able to intensify their co-operation and, secondly, even if this took place would it serve the purpose of self-reliance? However, increased economic and political collaboration does not necessarily guarantee development in an uneven exchange relationship; and the dominance of regional power centers and transformation in center-periphery relations could easily lead to the reproduction of old forms of interaction disguised in new relations. It would appear, therefore, that the roots of the policy of self-reliance are resident in the very same structural crisis of the new international economic order of regional cooperation. Despite this indictment, self-reliance means that efforts are being made to create a new social and economic strategy of development. The purpose of this strategy is to pursue economic policies which would enable the fulfillment of basic human needs. The strategy of self-reliance puts emphasis on diversity instead of specialization, on decentralization instead of centralization and on productivity. Thus, the international community must strive for the elimination of the structural ranking of countries without destroying the strategy of interdependence. The last few years have witnessed the formation of an alternative international system based entirely on economic cooperation manifested in regional trading blocs. The Caribbean Community is one such bloc pursuing self-reliant development through the counter-dependency of the integration process.

Historically, sub regional integration processes in the Caribbean have risen in response to the problems of external constraints and the need to generate bases for a sustained, efficient development. In the nearly four decades that these initiatives have been under way, there has been a notable change in the economic, social, and political structures of the countries in the region, but many of the dilemmas which caused these problems remain and have even intensified. In the structure of Caribbean exports, for example, commodities continue to represent a high portion of trade; and their prices are constantly fluctuating on international markets. Thus, it becomes increasingly difficult to import the goods the region needs for its development and at the same time maintain a trade balance based on growing quantities of export commodities, since the upswing in their supply causes further reduction in their relative prices.[51]

A restructuring of the international division of labor is currently underway. This is the result of the incorporation of computer technology and automation into the productive processes, revolutionary discoveries in the field of pharmaceuticals and genetic engineering, and advances in communication technology bringing the world together. The heterogeneity of Caribbean countries and their dissimilar degrees of industrialization means that the strategies for adapting to these new conditions will be difficult. If the answer is integration, in the early days it was relatively simple to identify its role.[52] The countries were just beginning the systematic development of their industrial infrastructures; and the sizes of their domestic markets defined the type of productive activities which would be implemented autonomously and those which, owing to their economies of scale, for example, the oil industry in Trinidad and Tobago and the aluminum smelting industries of Jamaica and Guyana, exceeded national capacities.

In the complex framework of the in-depth reorganization occurring in the global economy—derived from the political and technological changes and the 'internationalization' of the productive processes—the notion of an expanded market differs from the traditional concept, in which expansion was primarily understood to be the result of multilateral tariff liberalization and the elimination of non-tariff barriers. The expanded market is perceived as a way of closely intertwining the economies with their operators—whether private or public—where the core element is the government's capacity to co-operate in promoting various production schemes and shared investment initiatives. These include tariff relief mechanisms, for example, the Common External Tariff (CET) promulgated by CARICOM nations and the elimination of other trade barriers; but the central aspect is the creation of a solid, stable interdependence. In this task, regional cooperation will become an essential factor in which integration functions must be combined just as vigorously with functions aimed at achieving a less vulnerable and less dependent participation in the international economy.

In the Commonwealth Caribbean, external factors do not prevent the region from coming together both economically and politically, and they are beneficial in many cases. Internal factors, however, inhibit strong economic and political integration. Many experts studying the projected development of the Caribbean Community in the 1990s have found that the weaknesses of governments at the national level have been the main reason for the inability of CARICOM to exert greater influence on regional development.[53] It would appear that a fundamental misconception of the region made by experts is the reliance of CARICOM by its mere existence to cure the economic ills of member states. Having said this, deepening the integration process through political union appears to be the answer. The Caribbean Community, though, is plagued with a fundamental contradiction in that it can do no more than co-ordinate governmental policies on a regional basis. A Community from which any member can opt out as it wishes can, in the long run, exert a positive influence on neither a greater bargaining power nor the development prospects. Such a loosely-constituted working association, without binding commitment, most certainly cannot deal with economic crisis, social unrest or acute problems of internal or external security. Thus, one can deduce that no member unless forced by contractual obligations will take risks for other members; at most, extraordinary political personalities will, for altruistic objectives, put their careers at risk. Only within the framework of a proper political union on a continuing basis could the Community exercise regulatory functions with individual member states.[54]

A second major problem facing the region as it works toward self-reliant development is its insularity which has made Caribbean integration a very fragile structure; and, without a firm political structure, CARICOM, as a non-binding coordinating instrument is tantamount to a superfluous commitment of human and natural resources. Despite some degree of stagnation in the integration process the importance of CARICOM to self-reliant development has recently increased.[55] A rapprochement has occurred between the pure South-South co-operation "self-sufficiency" school of thought and the Puerto Rico-type extreme export orientation. The former has had to understand that even a unified Caribbean market could offer no alternative to the expansion of extra-regional trade and the boosting of exports. The regional market is simply too small for self-sustained economic growth. Such small markets by themselves neither develop nor produce capital goods, machines, transportation equipment, and technologies. These small markets remain import-dependent and must export to obtain the foreign currency necessary for capital goods imports. On the other hand, the export or die school has conceded that production oriented purely toward exports can swiftly collapse. This is partly because of growing protectionism in the larger export markets despite the signing of GATT with the prospects of substantial liberalization of global trade. Competition with other Third World countries producing similar goods and development opportunities calculated only over the short term are further reasons for this situation. These countries do not push for an expansion of the regional market, which they perceive as being too small. The reason for this is that potential additional CARICOM member states have marketing problems similar to those of existing member states and could, in turn, penetrate the market of the Commonwealth Caribbean.

The internal problems noted above have substantially affected the evolution of self-reliant development in the Caribbean. It would, therefore, be unreasonable to be satisfied with the current state of co-operation in CARICOM, especially since we can deduce that basic needs satisfaction will improve with any form of political integration. To promote self-reliant development and deepen the integration process Caribbean nations must postulate the following: (1) the general living conditions will improve by means of a political and economic union with other Caribbean states in which national and ethnic prejudices are not used as weapons to prevent integration, rather than through the system existing heretofore of territorial sovereignty; (2) regional integration is impossible if national interests are always given priority over the collective concerns of the region; (3) Caribbean integration must be given a high priority at the level of national policy; (4) the private sector must develop larger production and trade units; (5) the sale of products and produce from CARICOM must also be promoted within the Community itself; (6) trade and other agreements must be binding and lasting; (7) within the Caribbean Community there must be the complete freedom of movement of CARICOM Member States' nationals, accomplished by introducing a common CARICOM citizenship; and (8) Caribbean nations must collectively pursue a hemispheric free trade agreement with all the member states of regional trading blocs. The numerous internal contradictions existing in the economies of Commonwealth Caribbean nations have counterbalanced territorial integration and have indeed stymied the move toward provincial self-reliance. This is not to say that the process is stalled. External relations appear to be the solution to many of the intractable problems facing the region. In the Caribbean, this has taken the form of negotiations with the United States for a Caribbean Basin Free Trade Agreement with the theoretical goal of the island-nations joining and participating in a hemispheric free trade agreement.

5. Conclusion: Facilitating Self-reliant Development

Development in the Caribbean has been closely linked to proximity to the North American market, access to preferential markets, and concessional aid flows. Net aid flows to Caribbean countries have been dwindling rapidly in recent years. At the same time, increased global competition in goods and services has been eroding trade preferences. Yet, recent global developments in capital markets and trade in services provide an opportunity to Caribbean countries. World flows of private capital have surpassed the US$130 billion mark, and world trade in services has been expanding rapidly and has already outpaced the growth of merchandise trade. The Caribbean countries need to reposition themselves to attract a share of these flows that are also being sought by many other countries and to capture a larger share of trade in services. This is feasible and can be achieved by strengthening foreign and domestic investors' confidence through swift action for further improvements in the framework for private sector development and by improving supportive infrastructures.

With the demise of the first efforts at political union among Commonwealth Caribbean countries in 1962, the idea of union has remained alive. Following the independence of Jamaica and Trinidad and Tobago, Barbados and the Windward and Leeward Islands undertook a set of negotiations (which eventually failed) with the United Kingdom in a renewed effort to procure a more coherent union of the "Little 8." In the latter half of the 1960s the emphasis on the infrastructure of Caribbean integration took shape, and the period 1967-1968 witnessed the birth of the Caribbean Free Trade Association (CARIFTA) embracing all former members of the Federation and Guyana. Within five years (1973-1974), there was further consolidation of economic and functional co-operation with the adoption of the Treaty of Chaguaramas to form the Caribbean Community (CARICOM). All of the Windward and Leeward islands (except Montserrat) having gained independence, moved to form the Eastern Caribbean Common Market (ECCM); no doubt to take advantage of CARIFTA rules which quickly turned into a more formal current arrangement called the Organization of Eastern Caribbean States (OECS). As the structures, processes and problems of economic integration have held center stage for the past three decades, discussion of functional co-operation with larger metropolitan economies have now become the primary focus for Caribbean nations.

The United States launched the Caribbean Basin Initiative (CBI) in 1982 as a response to an economic crisis that threatened political and social stability throughout the region. This crisis was caused by escalating costs of imported oil and declining prices of the Basin's major traditional exports, including sugar, coffee, and bauxite. Changing market conditions sharply reduced earnings from exports and resulted in a heavy debt burden to many countries of the region.[56] In addition, the thrust of socialist forces were perceived to have already endangered the social and political stability of Caribbean countries.[57] The proposed CBI was designed to promote stability through economic revitalization of the area. This was to be accomplished principally by providing incentives to foreign and domestic private investors in nontraditional[58] economic sectors to diversify production and exports away from traditional Caribbean commodities.[59] The authors of the CBI envisioned integrated, mutually reinforcing measures principally in the form of trade preferences, tax incentives, and financial and technical assistance to be granted by the U.S. government to assist private sector investment. In the trade area, the program called specifically for increased Caribbean exports to markets outside the region, including the United States.[60]

The U.S. Congress incorporated elements of the CBI program into the Caribbean Basin Economic Recovery Act (CBERA) enacted in August 1983. In addition to these legal benefits, certain U.S. government agencies set out to implement the CBI through various programs. The U.S. has provided significant amounts of financial assistance to the Caribbean Basin through the USAID. The USAID provided balance-of-payments support to certain Caribbean governments on the condition that they would take action toward a better legal and regulatory environment for private sector activity and thereby attract investments and increase exports.[61] The USAID also created trade and investment promotion organizations, encouraged development of export-processing zones, and provided support for assembly operations.[62] While the CBERA was scheduled to end in 1995, Congress recognized the necessity of preserving a stable political and economic environment in the Caribbean and enacted the Caribbean Basin Economic Recovery Expansion Act of 1990 which repealed the termination date, making the benefits permanent and enhancing the program. During this period, President George Bush launched the Enterprise for the Americas Initiative (EAI) as part of a longstanding interest in promoting democracy and economic growth in Latin America and the Caribbean. As part of the EAI, the U.S. proposed the negotiation of a free trade agreement with Latin American and Caribbean nations, the object being to encourage and enhance the efforts for sub regional integration pursued in the Western Hemisphere.

To preserve the gains made by these various legislative efforts, the One Hundred and Third Congress proffered the Caribbean Basin Free Trade Agreements Act of 1993 (H.R. 1403). This legislation was presented as a protective measure against the North American Free Trade Agreement and sought to preserve the preferential treatment afforded to Caribbean nations under the CBERA and the EAI.[63] The NAFTA has been one of the major causes of slippage among Caribbean nations in their efforts to pursue self-reliant development. At its inception, the economic effects of NAFTA were envisioned as causing trade diversion resulting in a reduction of exports from the region, investment diversion, and an exodus of factory-related productivity away from the region.[64] The H.R. 1403 recognizes the importance of trading relationships to the Caribbean by explicitly ensuring that a level playing field exists between Mexican and Caribbean exporters about the U.S. market. This would involve upgrading CBI to cover those products which are exempted from duty free treatment under CBI, and those goods and services placed at a disadvantage vis-a-vis Mexico by the provisions of NAFTA. Thus, it would provide non-discriminatory access for Caribbean products in the U.S. market. H.R. 1403, by providing no special benefits for the CBI, embodies the spirit of a "free trade agreement" by guaranteeing that trade responds to free market forces, rather than artificial government barriers.

Despite the numerous obstacles which confront Caribbean nations along the path to self-reliant sustained development, the region remains steadfast in its efforts to create an environment which will provide the appropriate legal, regulatory, and institutional framework for foreign and domestic investments to further enhance the integration process. The interdependent relationship among center and peripheral nations sought by this Bill, not only enhances international co-operation but helps preserve functional intra-regional agreements aimed towards the promulgation of resolute development and democracy. Thus, the trade-reliant nations of the Caribbean must pursue a free trade agreement with the United States; further deepening their interdependent relationship and enhancing their efforts at self-reliant development

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ENDNOTES

1. Fast track is a trade policy which if passed by the U.S. Congress would "allow the Congress to approve or reject trade accords negotiated by the White House, but not amend them." See Sims (1998).

2. The General Agreement on Tariff and Trade set trade rules for international commerce in manufactured goods. Since 1948 negotiations have reduced the average tariff from 40 percent to approximately 5 percent. Tariffs are taxes levied on goods brought from other countries. See Bradshaw (1993).

3. World Bank (1997).

4. Whalley (1998).

5. MERCOSUR is an acronym for another integration scheme called The Southern Cone Market.

6. The Lomé Convention governs arrangements among the African, Caribbean, and Pacific nations with the European Community.

7. The two most important pieces of legislation being Article 29 and 56. Article 29 allows for the quantitative restriction of imported goods due to decreases in demand industries, and Article 56 granted temporary measures for the promotion of industrial development in the LDCs and allowed those states to suspend Common Market tariff treatment of imports within CARICOM. (Caribbean Community Secretariat, Georgetown, Guyana), May, 1991.

8. One such effort is the CARICOM Enterprise Agreement (CER) envisaged as an instrument for combining the scarce capital between CARICOM states. It is viewed as an instrument for bringing about the integration of production. Its aim is to develop an intra-CARICOM type of multinational corporation to develop the resources of the region.

9. See Graham and Edwards (1988).

10. Inter-American Development Bank (1997), pp. 105-114.

11. Ibid.

12. See, for example, special report prepared by the consulting firm of Cooper & Lybrand for the Tourism & Industrial Development Company of Trinidad and Tobago, September 1997.

13. Ibid., p. 67.

14. McAfee (1991), p. 6.

15. Girvan (1993).

16. World Bank (1997), pp. 278-283.

17. For an excellent discussion of the necessity of structural adjustment and reform in the Caribbean, see Meins (1996).

18. Central Statistics Office (1997) *Medium Term Economic Report*, (Port of Spain, Trinidad: CSO).

19. Ibid.

20. Lalta and Freckleton (1993), p. 36.

21. Ramsaran (1992).

22. Ibid, Chapters 4 and 5.

23. Ibid., Chapters 1 and 7.

24. For a more than adequate discussion of the philosophical foundations of structural adjustment and its ramifications, see Ramsaran (1992) and Meins (1996).

25. Delisle Worrell (1987), p. 102.

26. Central Bank of Trinidad and Tobago (1997) *Special Report* (March).

27. Ibid.

28. Central Bank of Trinidad and Tobago (1997) *Special Report* (January).

29. *CARICOM Special Report* (1996) (CARICOM Secretariat, Georgetown, Guyana).

30. William G. Demas (1974), p. 43.

31. Named after its Chairman, Compton Bourne, the Guyanese economist. Ex-CARICOM secretaries-general, Sir Alister McIntyre and William Demas, as well as CAIC Executive Director, Pat Thompson, collaborated with Bourne in the preparation of this Report on the perspectives of the Caribbean Community to the year 2000.

32. The Nassau Understanding is an agreement signed by CARICOM member states espousing structural adjustment and closer integration for accelerated development. The agreement was signed on July 7, 1984 in the Bahamas.

33. Central Statistics Office (1991) *Social and Economic Statistics for Selected Countries of the Caribbean* (Port-of-Spain, Trinidad).

34. See, for example, Occasional Paper Series No.1. (1989) *Economic Liberalization and Caribbean Development* (The University of the West Indies: Institute of Social and Economic Research).

35. Trevor M. Ferrel (1996) "The Caribbean State and its Role in Economic Management," in *The State in Caribbean Society*, Omar Davies (editor) (Kingston, Jamaica: University of the West Indies), pp. 6-27.

36. Robert M. Rosh (1989) "Soviet Efforts to Achieve Economic Integration," *Case Western Journal of International Law*, Volume 21, Number 67.

37. For instance, Sir Neville Nicholls, Caribbean Development Bank's President, has expressed this view (CDB News October-December, 1989, pp. 1-2).

38. Vaughan A. Lewis (1990) Caribbean Perspectives of the US-USSR Relationship: in USA, USSR and the Caribbean—New Realities (Kingston, Jamaica: Bustamante Institute of Public and International Affairs), pp. 22-34.

39. Lewis, op. cit., p. 32.

40. Edwin Carrington (1984) *The Record of CARICOM/ACP-EEC Relations in Ten Years of CARICOM* (Washington DC: Inter-American Development Bank), pp. 175-182.

41. Lenore M. Sek (1993) Caribbean Basin Countries: Implications of a North American Free Trade Agreement, Congressional Research Service, Report for Congress.

42. *Barbados Advocate*, November 26, 1985, p. 2.

43. 1997 official development aid for all CARICOM member-states has been estimated at US$3.0 Billion. World Bank (1997) *World Development Report* (New York, Oxford University Press).

44. The West Indian Federation was formed in 1958 (under the urgings of the British government) and abandoned in 1962. It began as a federation of ten West Indian islands and was promoted as an administrative convenience for the imperial power. It was the first attempt at some form of integration in the Caribbean.

45. Richard Rosecrance and Arthur Stein (1973) "Interdependence: Myth or Reality?" *World Politics*, pp. 1-5.

46. Joseph Nye, Jr. (1976) "Independence and Interdependence," *Foreign Policy*, No 22, pp. 131-134.

47. Gerhard Mally (1976), pp. 5-14.

48. Ibid.

49. A. Sergiyev (1976) "Bourgeois Theories of Interdependence Serve Neo-colonialism," *International Affairs* (Moscow) Volume 11.

50. Enrique Oteiza and Franco Sercovich (1976) "Collective Self-Reliance: Selected Issues," *International Social Science Journal*, Number 4, pp. 664-71.

51. See Special Report #332-227 (1993) *Impact of the Caribbean Basin Economic Recovery Act on U.S. Industries and Consumers-Report to Congress*, p. 35.

52. Gordon K. Lewis (1984), pp. 39-53.

53. Special Report, Commonwealth Secretariat (1991) "Engendering Adjustment for the 1990s."

54. European Commission (1989) *Discussion Paper on Single Market for ACP-EEC Working Party on Consequences of the Single European Market*.

55. Special Report, CARICOM Secretariat (1995) *An Economic Analysis* (Georgetown, Guyana).

56. U.S. Department of State, "Background on the Caribbean Basin Initiative," *Special Report Number 97*, March 1982, p. 10.

57. President Ronald Reagan (1986) *Address Before the Permanent Council of the Organization of American States*, p. 4.

58. For additional discussion of nontraditional products and the CBI, see U.S. Department of Commerce, International Trade Administration, Latin America/Caribbean Business Development Center, 1991 Guidebook: CBI, November 1990, pp. 1-4.

59. See Report of the Committee on Ways and Means on the Committee's delegation mission in the Caribbean Basin, May 6, 1987, p. 1.

60. U.S. Department of State, "Background on the CBI," p. 10.

61. U.S. General Accounting Office, Foreign Assistance: U.S. Support for the Caribbean Assembly Industries, December 1993, pp. 2-6.

62. Ibid., pp. 24-27.

63. Caribbean Basin Free Trade Agreements Act, Special Hearing before the Committee on Ways and Means, H.R. 1403, Serial 103-28: Washington 1993.

64. See Statement of Dr. Richard Bernal, Ambassador of Jamaica to the U.S., at the Hearing before the U.S. House Ways and Means Committee, Subcommittee on Trade, June 24, 1993.

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