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Article — Digitized Version

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Intereconomics

Suggested Citation: Ramsaran, Ramesh (1977) : Integration and underdevelopment in the Commonwealth Caribbean, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 12, Iss. 7/8, pp. 197-200,
<https://doi.org/10.1007/BF02928722>

This Version is available at:

<https://hdl.handle.net/10419/139479>

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Turkey's advantage to make use of the opportunities. The EC no doubt presents a challenge for the Turkish economy. To the Turks there is something "uncanny" about the high state of development and efficiency of the EC countries, impelling them to abandon their leisurely oriental ways, something which the partners in a presumed Market of Islamic States would not do. The Turks ought to realize however that this is the price which has to be paid for the industrialization which they desire.

The EC on its side should at last put beyond doubt that it regards Turkey as a future coequal partner. Tangible concessions which give Turkey privileges not available to other Mediterranean states which are not EC associates are the only means of overcoming the growing Turkish disen-

chantment with the EC. When lavish capital aid is given to avowedly hostile socialist states, Western Europe should certainly be more generous with such aid for Turkey. A new schedule of criteria for the grant of assistance may have to be drawn up in certain circumstances. Above all, there is a need for a greater effort on the part of the members of the European Community to understand the specific circumstances of the Turkish economy and the Turkish fears and anxieties.

It is therefore essential that both sides, Turkey and the countries of the EC, should think in fresh categories in order to proceed with the arduously begun integration in the European Community. This process must start very soon. Otherwise it will be impossible to halt adverse developments which would prove irreversible.

Integration and Underdevelopment in the Commonwealth Caribbean

by Ramesh Ramsaran, St. Augustine, Trinidad *

While the integration process in the Caribbean Community and Common Market (Caricom) has only been in force for a few years, it is, in the author's view, clear that the narrow free trade approach used so far will not be able to deal with the widening gap between the better-off and the less well-off member states or to provide a solution to fundamental problems facing the region as a whole.

The theoretical advantages of economic integration have much to attract developing countries, particularly small ones faced with the constraints of market size and a narrow resource base. To be sure, the concept of integration is not without relevance to developed economies. The focus, however, in each case tends to be different given the variation in the nature of the problems to which attention is being addressed.

Conceived in a context where production structures were already developed, it is not surprising that the traditional approach to integration has principally been from a trade angle, formulated

within the framework of prospective costs and benefits resulting from the removal of trade barriers between two or more countries. There are, of course, different degrees of integration, each stage having its own particular adherents in practice. Where the theoretical literature is concerned, however, the dialogue has tended to centre mainly around the customs union concept which assumes the operation of a common external tariff among countries participating in a free trade grouping. Within this model the question of rejection or acceptance of integration is often argued in terms

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of the net effect of the amount of "trade creation" and "trade diversion" that takes place on the basis of the new trading arrangements.

In an effort to justify the formation of trading blocs among developing countries, scholars have sought to de-emphasize the "trade diversion" aspects of the classical and neo-classical analysis by pointing to the inapplicability of some of its assumptions. Dell, for example, has pointed out that "the traditional or classical arguments for free trade depend for their validity upon a series of assumptions that do not hold true for underdeveloped countries. One of these assumptions, for example, is that all resources are fully employed and that it is therefore impossible to produce more of one commodity without producing less of another"¹. It has also been pointed out that the need for integration among developing countries stems not so much from the desire for greater competition (which may have relevance in a situation where output is already high), but from the desire for greater production². Thus greater emphasis is sought to be placed on the implications of the larger market for economies of scale and the effects of these on the stimulation of investment and output.

Unequal Distribution of Benefits

Whatever the development value that a larger market may have in the context of the kinds of problem being faced by poor countries, there is no doubt that this consideration has had an important influence on the creation of integration groupings in Africa, Latin America and the Caribbean, where the small size of these countries (in terms of a market) came to be perceived as a major constraint to development in the late fifties and sixties. In recent years most of these movements have come up against serious problems of different kinds. Some of these are undoubtedly of a political nature. Others, however, stem from the very functioning of the integration arrangements and the inefficacy of some of the mechanisms

adopted to facilitate the process of trade liberalisation. In this connection, one of the major problems that has come to the fore is the division of costs and benefits among participating countries. As was to be expected the more developed countries (MDCs) in each group with more diversified production structures have tended to derive the major share of benefits from the integration process, and this has led to a widening in the gap between the better-off members and the less well-off, or what is termed in the literature increasing polarisation. Where the integration process has not succeeded in getting very far (e.g. the Latin American Free Trade Association), this particular fear has played no small part in frustrating the efforts of the countries concerned in trying to get a more rational pattern of production and trade in the region³.

Experience has shown that even where special measures are adopted to take care of this particular problem, polarisation effects still tend to manifest themselves. When the Caribbean Free Trade Association was formed in 1968, for example, a number of mechanisms were instituted specially directed to the problems of the less developed countries (LDCs) of the group⁴. Though recent trade figures for the latter are not readily available, a glance at Table 1 shows that the MDCs account for the bulk of intra-area trade and for a major part of the expansion that has taken place in this

Table 1
Domestic Exports (F.O.B) of Individual Member Countries to Caricom, 1968 and 1974

(in 1000 \$ EC)

Countries	Dom. Exp. (1968) to			Dom. Exp. (1974) to		
	(1) MDCs	(2) LDCs	(1) + (2) CARI-COM	(1) MDCs	(2) LDCs	(1) + (2) CARI-COM
MDCs						
Barbados	1,898	4,706	6,604	18,482	11,677	30,159
Guyana	18,329	3,248	20,117	53,100	7,017	60,117
Jamaica	9,058	5,996	15,054	54,788	15,312	70,100
Trinidad & T'go.	36,696	18,295	54,991	230,706	48,442	279,147
Sub-total	65,981	32,245	98,226	357,076	82,448	439,523
LDCs						
Antigua	62	122	184	2,430	2,331	4,761
Dominica	520	350	870	796	335	1,131
Grenada	254	77	331	144	156	300
Montserrat	7	23	30	41	80	121
St. Kitts-Nevis	117	190	307	165	245	410
St. Lucia	1,447	19	1,466	2,606	2,255	4,861
St. Vincent	1,013	149	1,162	1,508	158	1,666
Belize	748	25	773	1,283	2	1,285
Sub-total	4,168	955	5,123	8,973	5,562	14,535
Grand Total	70,149	33,200	103,349	366,049	88,010	454,058

¹ of this figure \$ 160 million were accounted for by S.I.T.C.3 (mineral, fuels, lubricants and related products) as compared to \$ 25 million for 1968. — ² 1971. — ³ 1970. — ⁴ 1972. — ⁵ 1969.
Source: Official Trade Reports; Statistical Departments.

¹ Sidney Dell, Trade Blocs and Common Markets, London 1963, p. 162. See also William Demas, The Economics of West Indies Customs Union, Social and Economic Studies, Vol. 9, No. 1, March, 1960.

² Sidney Dell, op. cit., p. 164 f.

³ It has often been suggested that the main criterion a country should use in considering membership of a particular integration scheme is whether such membership would make it better off than it would be by not participating. In practice, however, we find states tending to look at their own performance in relation to that of other members of the group, and this has been the basis of a great deal of dissatisfaction.

⁴ These included not only such conventional measures as a longer period for the phasing out of tariffs and the authorisation to protect industries in certain circumstances, but some unorthodox mechanisms as well. One of these was the Agricultural Marketing Protocol which was aimed at reserving the regional market for a number of agricultural products of particular interest to the LDCs. The Caribbean Development Bank was also delegated to give special attention to the LDCs.

Table 2
Growth in GNP¹ of Caricom Countries,
1967 to 1973

Countries	1967 GNP		1973 GNP		% Change 1967-1973	
	Total GNP US \$ mn	Per Capita GNP US \$	Total GNP US \$ mn	Per Capita GNP US \$	Total GNP	Per Capita GNP
MDCs						
Barbados	90	370	240	1,000	166	170
Guyana	181	280	320	410	77	46
Jamaica	822	460	1,950	990	137	115
Trinidad & T'go.	605	620	1,380	1,310	128	111
Sub-total	1,698		3,890		129	
LDCs						
Antigua	17	280	30	480	76	71
Dominica	15	230	30	360	100	56
Grenada	21	220	40	330	90	50
Montserrat	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
St. Lucia	19	180	50	480	163	167
St. Kitts-Nevis	15	250	20	450	33	80
St. Vincent	19	220	30	300	58	36
Belize	35	330	90	660	157	100
Sub-total	141 ²		290 ²		105	
Grand Total	1,839²		4,180²		127	

¹ at current market prices. — ² excluding Montserrat. — n.a.: not available.

Note: The GNP figures are for the most part tentative estimates.
Source: World Bank Atlas, Various Issues.

sector since 1968. Concomitant with this trend the data presented in Table 2 would seem to indicate that the LDCs' share of the region's GNP also appears to be falling.

Inefficacy of the Free Trade Approach

On the 18th of December, 1976, the Associated States⁵ Council of Ministers announced that its member territories would not adopt or ratify the proposed Caricom process list that was scheduled to go into operation on January 1, 1977. A release from the Council said that despite the special measures introduced into the Caribbean Community for the benefit of its lesser developed countries, "the LDCs' share of the Caricom gross national product has been reduced by about 50 per cent⁶ and the gap between the relatively well off MDCs and the relatively worse off LDCs has widened.

The Caricom fiscal and other incentives have failed to stimulate the flow of investment into the

⁵ The Associated States derive their nomenclature from their constitutional relationship with Britain, which involves an arrangement by which these countries enjoy self-government with the British Government having responsibility for defence and external relations. The countries falling in this group are Antigua, Dominica, St. Kitts-Nevis, St. Lucia and St. Vincent. Grenada (independent) and Montserrat (Crown Colony) were also party to the decision.

⁶ This may or may not be the case. It should be pointed out, however, that no details were provided to back up this particular figure.

LDCs and the relatively small exports of manufactured goods from the LDCs to the MDCs have been reduced still further by the imposition of import licensing restrictions in the MDCs.

Given these realities, it is true to say that Caribbean regional integration instruments and the direction which the integration movement has taken over the years do not reflect an appreciation of the situation in and economic characteristics of the LDCs⁷. The statement went on to add that further integration measures must be directly related to the redress of current imbalances in Caricom.

The stand taken by the Associated States is based on the conviction that the adoption of the new Process List will further enhance the position of the MDCs vis-à-vis their own position, within the integration movement. Whether this is so or not, one thing is clear: the approach used so far has not been able to deal with the polarisation issue or provide a solution to fundamental problems facing the region as a whole, both MDCs and LDCs alike.

In a sense this situation was foreseen some years back when University of the West Indies academics were asked to study the feasibility of economic integration for the Caribbean. The approach recommended deviated from the conventional trade liberalisation process, in that it concentrated on the integration of the production structures of the region within a framework of regional industrial programming involving a more rational use of the area's available resources. Integration was conceived as embracing policies over a very wide front instead of being confined to the purely trade aspects⁷.

The set of proposals put forward involving all major sectors of the regional economy, though having great merit, were not considered to be politically feasible at the time. The governments of the area instead opted for the free trade approach which took the form of the Caribbean Free Trade Area (Carifta) in 1968 and the Caribbean Community and Common Market (Caricom) in 1973. The integration of production structures was not ruled out as a long term strategy.

Spurious Type of Development

The question that we need to pose at this point is on what basis have the skeptics of the integration by trade approach sought to justify their position, given the attractiveness of the benefits as-

⁷ The proposals took the form of a number of sectorial studies. The main ideas are, however, embodied in H. Brewster and C. Y. Thomas, *The Dynamics of West Indian Economic Integration*, I.S.E.R., 1967.

sociated with a wider market and the adoption of similar strategies by other developing countries. The answer to this question lies mainly in the characteristics of Caribbean economies and the nature of the development that has taken place so far.

In the developed countries the trade liberalisation process affects mainly manufactured goods which are largely produced by national firms or enterprises using local raw materials, and as such a great part of the benefits of integration accrue to the national economies of the countries concerned. In the Commonwealth Caribbean (as in most other developing countries) the manufacturing sector has not developed to any great extent. Some light industries have sprung up in response to a variety of incentives offered by the various governments bent on substituting domestic production for imports. The sector also comprises a number of firms engaged in assembling, bottling or canning finished and semi-finished products imported from abroad under special arrangements with foreign firms who view this technique as one way of reserving national markets in which they often hold monopolistic positions. While this is taking place the region's raw materials (e.g. bauxite) are being sent abroad for processing and transformation into final manufactures. In other words the value added takes place in foreign countries, where employment and income are created.

Given this situation one can understand why the LDCs often complain that they are being used as dumping grounds for foreign products masquerading as Caricom goods which have only received finishing touches in the MDCs. To be sure, this is not a problem peculiar to Caricom. The integration movements in Latin America, particularly the Central American Common Market, have floundered over similar issues relating to the operations of foreign firms in the integration area. The presence of these firms either physically in participating countries (which are normally the more developed of the group because of their better infrastructures, relatively larger national markets, etc.), or through arrangements with local enterprises, has a fundamental bearing not only on the immediate division of gains, but perhaps even more importantly on the long term objective of development. The MDCs, of course, can be blinded by the short term gains resulting from the removal of trade barriers. The LDCs, too, can be misled into thinking that the setting up of industrial structures similar to those prevailing in the MDCs would alleviate their plight. One of the dangers inherent in a situation like this is that the spurious type of development which has taken place in the past can become still further entrenched, thus preventing the emergence of interdependent

Caribbean economies drawing their sustenance from the rational use of the region's resources and oriented to the benefit of nationals of the area.

Wider Conception Required

As we saw earlier, the MDCs have been able to expand the level of their trade with the rest of the region. Per capita income has also grown, though it is difficult to draw welfare conclusions from this in the absence of any data on the distribution of income. Notwithstanding movements in these indices, however, structural problems continue to plague the countries of the area. Unemployment ranges between 15 and 30 p.c. of the labour force in the various countries. The region remains dependent on foreign sources for vital imports including foodstuffs⁸. Foreign exchange is still earned from a narrow range of exports sold in a few foreign markets, in some cases under special protective arrangements. While tourism is just a supplementary activity in some territories, in others it has grown to the point where it is the chief foreign exchange earner. In short the region remains vulnerable to outside developments through its inability to effect domestic changes of a kind which could transform the nature of its relationship with the international economy.

While it is true that the integration process has only been in force for a few years, it is patently clear that its narrow conception outside a framework involving relevant policies on foreign investment and regional industrial programming making maximum use of the region's raw materials, will make it severely limited in its effects. These areas have already been charted and the possibilities explored to some extent⁹. The political will, however, required to give effect to these policies continues to elude the decision makers in the area even in the face of serious economic problems and growing social discontent. In this situation policies have tended to become more divergent instead of more co-ordinated, thus confirming the view that Commonwealth Caribbean countries still do not understand the full implications of integration which in many senses is not a painless process. Sacrifices, however, are not easy to make in the present political situation even if the long term benefits are a stronger regional economy better equipped to satisfy the aspirations which have motivated the desire of the Caribbean people for political independence.

⁸ In order to increase food production within the region member countries have recently set up a Caribbean Food Corporation whose aim is not only to drastically reduce the level of imports, but to raise the nutritional standards of the area.

⁹ See for example A. McIntyre and B. Watson, *Studies in Foreign Investment in the Commonwealth Caribbean*, No. 1, Trinidad and Tobago, I.S.E.R., 1975.