Globalization and the Caribbean

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We can fairly say that the regimes that took the Caribbean states into independence after 1962 expected the systems of protected integration into the global economy to continue indefinitely. This protected integration took the form of the Commonwealth Preference system, which ensured a market, generally but not always, for Caribbean agricultural exports. These exports were themselves mostly produced and marketed by firms carrying metropolitan (British, Dutch, French) nationality, implanted within the particular colony or territory. The same institutional arrangement characterized the production and export of oil from Trinidad and Tobago. The analysis of the “plantation economy” school has aptly described the arrangements for the Caribbean, demonstrating the extent of their integration into the global economy as dominated by one or other metropolitan node.

A similar mode of organization, too, came to characterize the new postwar export of bauxite from Jamaica, Guyana and Suriname, though the locus (home base) of the relevant firms changed from the United Kingdom to North America. The process of “industrialization by invitation” further increased the North American presence through the establishment of branch plants for mainly light manufacturing industries in the region. These branch plants were guaranteed a protected market, not by the metropole, but by the colonial territories, which were gaining increasing discretion as to development policy and were soon to be independent.

This paper was prepared for a panel discussion at a conference called “Globalization, Governance and Integration,” sponsored by the Department of Behavioural Sciences, Faculty of Social Science, University of the West Indies, St. Augustine, Trinidad and Tobago, West Indies, 26–27 September 2002.
Finally, the systems of finance and telecommunications followed the mercantilist or neomerchantilist patterns of productive investment, being extensions of the various metropoles (in the case of banking and insurance, now including Canada).

For the Anglophone Caribbean this form of integration into the global economy, particularly as it concerned the agricultural commodities, first came under systemic challenge when the British government announced at the beginning of the 1960s that it intended to seek accession to the European Common Market and Community, after its initial rejection of the option of joining in the formation of what was stated to be an “ever closer union.” Caribbean governments immediately saw the implications of this for the region’s protected agricultural trade, as evidenced particularly in statements at the time by Dr. Eric Williams of Trinidad and Tobago and the Jamaican trade minister, Robert Lightbourne.

Williams, leading a country now anticipating a greater dependence on petroleum than on sugar or citrus, and pursuing industrialization for foreign exchange and national income, was somewhat sanguine about this development, not expecting much from any arrangement to protect West Indian commodities. As he observed in early 1967: “The United Kingdom is about, public reports indicate, to give up this system of Commonwealth Preferential arrangements, by going into the European Common Market. It is unthinkable that the preferences for citrus and sugar will survive British entry into the European Common Market, and the whole mood in the world today is against preferences” (Williams 1967).

Yet, he averred in 1968: “All the evidence available so far points to an extremely long delay before Britain can gain entry into the Community. Thus what will otherwise have been an imperative necessity might well be transmuted into an opportunity for us to reduce our dependence on Britain either by lowering our cost of production or by judicious forms of economic diversification” (Williams 1968).

On the other hand, the Jamaican minister took the lead in stressing the need for Caribbean countries to obtain what he called “bankable assurances” from the British Government that such protection could be achieved and maintained. We shall return to this.

It will be recalled that stress on the other aspects of the neomerchantilist arrangements in financial services and the mineral industries came nearly a decade later, as domestic nationalist pressure exerted against the government of Trinidad and Tobago led that government to seek a so-called Third Way between the existing arrangements and the socialist/communist arrangements of Cuba. This strategy relied on a version of the old British Fabian socialist doctrine of taking over the “commanding heights” of the economy, even
if, in some cases, permitting minority equity to foreign investors. This led to a substantial reorganization of ownership of the Trinidad oil industry—though it should be observed that this was occurring at a time when the industry was thought to be in a declining production (or maturing) phase; to the placing of the ownership of banks and insurance in private Trinidadian hands through purchase of equity (localization); and the government’s complete control of the sugar lands and the production of sugar.

By the first half of the 1970s, though under less overt pressure and partly responding, more than its Trinidad counterpart, to wider ideological and policy trends in the Third World, the government of Jamaica came to pursue a similar strategy. Though it could already be perceived that foreign investment in the bauxite industry was winding down, there was, among the Jamaican political, technocratic and (in some measure) business elites, the perception that the prospects for continuing strong demand for bauxite-alumina exports were good; that they could continue to work effectively and to mutual satisfaction with the multinationals in the production process; and that therefore the international channels for the marketing of bauxite would remain intact.

Guyana, at this time, went a step further than Jamaica in full-scale nationalization of the bauxite producing system, though largely for ideological reasons having to do with domestic political competition between government and opposition, both asserting the ideology of Marxism-Leninism. This was accompanied by state purchase and ownership of agricultural (sugar) activities and financial institutions, and substantial state regulation of others (rice).

The partial or whole delinking of what might be called the “national economic appendages” from the multinational economic systems in which they were embedded, undertaken too at a time of intense American preoccupation with the alleged penetration of communist influences in the Caribbean, did not, and indeed could not, have anticipated the dramatic recession that developed in the Western Hemisphere, deeply affecting large states of South America as well as small ones in the Caribbean Basin. This brought in its train a sharp decline after 1975/6 in the prices for sugar and bauxite, and a declining demand for aluminum, in conjunction with the fact that the multinationals had, simultaneously, begun to explore new locations for exploitation of bauxite in Australia and Brazil. And while, for Trinidad and Tobago, the price of oil exploded after the events in the Middle East, this exerted intense pressure on other Caribbean economies leading to extensive debt.

With respect to the agricultural and mineral commodities, governments’ attempts at partial delinking and self-directed management of
the countries’ development was not successful, partially due to the unfavorable environment of the time. The economic recession, partly a function of the American attempt to correct its burst of deficit financing during and after the Vietnam War, brought in its train a new ideology of economic development. This emphasized privatization (following Thatcher), economic stabilization, and deregulation of state-dominated economic activities. These policies were promoted as paths to the relinking of the failed economies in the Hemisphere, isolated from investment. And importantly, with such failure the regimes found themselves facing the disintegration—particularly in the Caribbean—of the incipient welfare and mass-supporting social policy systems that formed, as an inheritance from British Labour ideology, the basis of the implicit understanding between nationalist-labor governments and their populations, for their assuming and maintaining power after the advent of universal suffrage.

The return to a so-called market economy, emphasizing the importance of attracting foreign investment to develop the old plantation industries and attracting investment from new spheres of multinational production, is typified by the return of Michael Manley to government in Jamaica in 1989, conceding that the international environment was not favorable to the policies that he had espoused in the 1970s. These new initiatives were fully pursued too by governments of Trinidad and Tobago after 1986, in response to the recession that gripped that country with the fall of oil prices in the early ’80s. Their objective was, in part, to break the metropolitan protectionist logjam that had inhibited the growth of their new industries working with petroleum products and derivatives. The prospect of extensive resources of natural gas further induced the governments’ new orientation, given the dearth of national financial resources for the kind of self-directed industrial programs pursued after the first oil price boom. Guyana, by the beginning of the 1990s, was also seeking to reinvite the bauxite multinationals and the English sugar company, Bookers, back to their local mineral and agricultural locations.

At the CARICOM level, these initiatives, and the new orientation they implied, of relinking to the North Atlantic economy, were reflected in agreement by heads of government to the Nassau Understanding on Structural Adjustment of 1984. It can also be said that this was a collective response to the strategic initiative of the United States in legislating the Caribbean Basin Initiative of 1981, which would facilitate multinational investment in the region. It also seemed to be an admission that global economic conditions were forcing renewed forms of multilateral integration on the basis of common rules and regulations. These left no space for a Third World–directed international economic order.
These new orientations in the Caribbean, historically the most internationally integrated countries of the Western Hemisphere, we can see as small scale reflections of a phenomenon that has come to be recognized at the wider hemispheric level. We can, in retrospect, see that the United States’ determination towards post-Vietnam war recovery, in the context of its increasing awareness of the effects of European economic integration on that region’s economic growth, forced a further determination on the United States’ part towards meeting the competition developing within the North Atlantic economy. The hemispheric effects of this were seen, from a Caribbean perspective, in traditionally statist and protectionist Mexico’s decision to join GATT (the General Agreement on Tariffs and Trade), and then negotiate NAFTA (the North American Free Trade Agreement) with the United States and Canada.

This institutional linking of Mexico to the North Atlantic economy—Mexico being a super-large economy compared with those of the Caribbean Basin states—is, in effect a form of magnet drawing all Western Hemispheric countries in the same direction. And this phenomenon has gained even greater force with the revolution in the technology of communications and electronics which, in inducing what has been called “a compression of time and space,” has given mobility to capital flows in the world economy that can, as events in Mexico have shown, be both constructive and destructive, and not easily susceptible to the unilateral control of even the most substantial developing countries’ governments.

The globalization that is partially the result of what we have described above, combined with determined American efforts at regulating its processes (through the World Trade Organization [WTO] and a certain control over flows of concessionary finance), has, naturally, had an important effect on regional efforts at integration initiated from within developing regions in the Western Hemisphere, as in other regions. It is obvious that the South American attempt at integration—in, for example, MERCOSUR—has been powerfully affected by Argentina’s swift deregulation and adjustment to the liberalizing North Atlantic economy, and by that country’s determination (now failed) to find an anchor in the United States financial system (note Menem’s desire to take this to its logical conclusion of “dollarization”). We can also see that the integration effort has been affected by the partially domestically-induced financial weakness of Brazil, which even in the midst of its struggle for more equitable access to the United States market for its agricultural commodities, finds itself dependent on US mediation in its search for the temporary financial resources needed by its economy.

In that context, the small Caribbean economies and their intended
collective Single Market and Economy could hardly be exempt from such forces. We prefer, in fact, to say that they are almost exemplary of the effects of those forces. The movement of the European Community (EC), agreed in 1986, to the Single Economic Market of 1992, signaled the reconstruction of the historic and comfortable protectionist and preferential system which had, with Britain’s access to the EC, now left its Commonwealth moorings and settled into the Lomé cum Cotonou Conventions of the EU/ACP states.

But it can be posited that the movement from Commonwealth to Lomé/Cotonou, and the United States–forced subordination of the regime’s future arrangements to WTO compatibility, marks the end of the influence of old, and more modernized, mercantilist economy for the Caribbean, certainly as far as its agricultural commodities are concerned. The WTO’s ruling on the US–Latin American–EU–Caribbean dispute, when taken in conjunction with the unequal size and capabilities of the parties involved, seems to justify this conclusion; a conclusion that also seems applicable to the Caribbean sugar industries as Europe seeks, in the context of the North Atlantic struggle, to extend the “Everything but Arms” proposal to all least developed countries.

As the prime minister of Barbados has ruefully observed: “The problems in the sugar industry will arise because the market for sugar is going to be very difficult to hold. Europe has decided that countries that hitherto could supply it, but can supply tens of millions of tons of sugar will after the year 2007 be able to sell sugar on the European market on the same terms as we can” (“Bleak Future”).

As the governments of the banana-producing countries of the Caribbean have found out, the accepted dominance of the rules-based WTO leaves little space for subordinate-system institutional protection. The very process of European Union liberalization to which these countries’ export-agriculture regimes were subordinated, and which offered interim institutional protective devices, has been itself subordinated to the WTO system in such a manner, and at such speed, that any arrangements made have seemed to have a permanent instability built into them. (I have argued elsewhere that to the extent that the United States has played a substantial part in inducing this state, and to the extent that this state is likely to be reproduced in the regime that comes into being with the Free Trade Area of the Americas (FTAA), this latter agreement should have, like the European integration system, compensatory mechanisms for member-states of lesser weighting — such mechanisms to be separate from any “special and differential provisions” as to treaty implementation that might be agreed for the Caribbean states as a consequence of their small size.)
The tenor of this paper, then is, that precisely because of the manner of their incorporation, and the extreme and one-sided integration into both components of the North Atlantic economy, the Caribbean economies are the objects of a dual set of pressures, simultaneously exerted. The arrangements that have been made for them in the past are being globalized into obsolescence. The arrangements that they made for themselves before the advanced liberalization that now characterizes the North Atlantic economy — namely the customs union and common market arrangements, and then the 1992 CARICOM Single Market arrangements — are being overlaid by the requirements of the WTO, and within the Western Hemisphere by the projection of the NAFTA scheme into the FTAA, whose proposed provisions in some cases are more advanced, in terms of liberalization, than those of the WTO. Similarly, CARICOM countries have established arrangements that take advantage of the fact that they can work with highly skilled resources, of a scale appropriate to their population sizes, and have responded to the “compression of time-space phenomenon — namely the provision of off-shore financial services.” Yet these activities would appear to fall victim to the competition between the two poles of the North Atlantic economy engaged in trying to ensure a level playing field between themselves.

One possible exception to such a pessimistic scenario would appear to be the situation of Trinidad and Tobago with a new commodity in global demand by the metropolitan economy, though the organizational form of the exploitation of the economy would appear to be of the traditional type. This new initiative must be looked at in scale, as a part of the wider geo-economic arena that encompasses both that country and Venezuela. And it was, no doubt, in anticipation of the competition between herself, Venezuela and Mexico that Trinidad was anxious, soon after the signing of the NAFTA agreement, to pronounce herself ready for admission. (In this she was joined by Jamaica, though from a different production orientation.) This orientation has also implied that, through the 1990s, Trinidad should act with dispatch to ensure what might be referred to as maximum institutional integration with the United States, in the sense of signing all relevant treaties relating to investment, tax information and security — the latter two bearing on the concerns of great significance to the United States of money laundering and narcotics movement.

This orientation of Trinidad and Tobago suggests a differentiation between her interests — or at least the pace of her implementation of her interests — in the Hemisphere, vis-à-vis other CARICOM partners, in much the same way that the character of North American investment in
Costa Rica has induced a certain movement away from her Central American neighbours. However, the fact that (in 1998) 38 percent of Trinidad and Tobago’s export trade was with CARICOM partners suggests the need for some continuing institutional connection beneficial to all the partners.

Considerations of geopolitics and geo-economics might also in some measure qualify the validity of the long term effects of current liberalization processes on Guyana, as against those we deem as applying to many other CARICOM countries. In the medium term, our projections can stand, to the extent that the country’s mineral system is not seen as a strategic part of any major multinational entity or system’s priorities; and Guyana’s sugar production, though larger in scale than other Caribbean states, still can be subject to the effects of the Everything But Arms initiative. In addition, the imbalance between population and land area, in the absence of any dynamic towards external investment and/or technological innovation that would reduce this imbalance, does not suggest any substantial process of strategic relinking of the country’s economy into the North Atlantic system.

Yet from the perspective of Guyana’s location within the sphere of northern South America — dominated by a Brazil/Venezuela nexus and influenced by the continuing legal jurisdiction of France in one of the territories of the area — different possibilities, in the longer term, for its economy might be posited; though it would be an element in different subsystems subject either to the dynamic of North American and FTAA integration processes, or to European initiatives in the Hemisphere (for example, the recent Guyana Plateau Initiative from the European Union).

In general, then, the analysis here has stressed the extent to which historical internationalization of Caribbean economies has meant that those countries’ experience of “integral linkage” has been extensive; that the deep or extensive integration of the economies has gone through various phases, though always with a guarantor of the “rules of the game” once local regimes were disposed to observe them.

The new process of internationalization — referred to as globalization — leaves no room for protector or guarantor. Yet, though there is an admission, following the difficulties of the 1980s, that some form of renewed integral relationship is required, the centrality of the Caribbean position in the relevant (North Atlantic) system is diminished, as such assets as those countries possess do not make them a “substantial stake” in the current competition.

It would appear that the new global rules of trade and production as imposed by WTO are determining the status of Caribbean nations and the nature of their relationship within the new structures to which they have
sought, or been forced, to adapt. Yet the region’s claim for special and differential treatment is not looked at favorably, as WTO technocrats and dominant states take cognizance of the reintegration in the last 20 years into the globalized economy of “small” countries like Singapore and New Zealand, without such “Special and Different” treatment. Finally, the positions of some countries in CARICOM, in their search for new positions of integration or linkage, appear more favorable than others; however, the implications of this for the CARICOM system are not yet clear.

References


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