

FROM MONTEGO BAY TO GEORGETOWN

*Cheddi Jagan

The achievable objective of integrating sister CARICOM communities into one regional society which will facilitate charting programmes for the increased prosperity for all our countries is a vision I have carried all my political life.

While recognising the need for the creation of an international market-place and the formation of a New Global Human Order, we also need to assess and assimilate our own peculiar needs so that our economic sovereignty is not swamped by the economic and trade policies of the more prosperous countries of the world.

We need to address our own socio-economic problems and formulate policies within the framework of our capacity for solution. A united, integrated Caribbean Community can successfully orchestrate ways of solving our problems so that we can stride on the international platforms - not as third-world beggars, but as partners in a global struggle for the survival of the world.

The past six decades have witnessed the Caribbean Region passing through several crises of dependency and underdevelopment - the disturbances and "riots" in the period of the Great Depression of the 1930s; the unrest in the late 1980s resulting in the Caribbean Basin being deemed "a Circle of Crisis"; the ensuing deep-seated contradictions and problems associated with the structural crisis of modernisation and globalisation.

From time to time, various solutions were put on the agenda to deal with the "unprecedented difficulties".

In 1942, Professor Arthur Lewis pointed out that the way towards the raising of living standards was modernisation of agriculture and industrialisation, and the transfer of the surplus population to British Honduras (now Belize) and British Guiana (now Guyana). But this did not materialise.

In the preparations for the Caribbean Federation, the idea was mooted that the



way forward was overall planning for the region and territorial specialisation, and a conscious effort to stimulate development in seven of the ten lesser developed territories with less than 10 per cent of the income of the region. This also did not materialise.

At Montego Bay, in 1945, the Caribbean Labour Congress (CLC) proposed a Caribbean Federation with Dominion Status and self-government for each territory. But, with the advent of the Cold War, the CLC was dissolved in 1951 and a Crown Colony type of Federation, a "collective colony", was instituted in 1958. The progressive ideas for an independent Federation were scuttled and the Federation collapsed in 1962. British Guiana was isolated and became the major victim of the Cold War.

Flawed models of development - "Puerto Rican"; import substitution; regional integration; free trade - and imbalanced economies culminated in the successful Cuban Revolution of 1959.

The "oil crisis" and recession in 1973-74 and, in quick succession after 1977, a second oil shock, falling terms of trade and extremely high interest rates led to turmoil and upheavals throughout the Caribbean Basin - Panama, Nicaragua, Dominica,

Saint Lucia, Grenada, Suriname and elsewhere. As a result, the Reagan administration deemed the Region a "Circle of Crisis" among others in the world. But President Reagan's Caribbean Basin Initiative (CBI) for non-reciprocal trade concessions - duty-free entry into the USA of some additional products - proved to be not a cure but a palliative: in the 1982-92 decade, US trade to the Caribbean doubled as compared with a 17 per cent increase of Caribbean exports to the USA.

The major Caribbean export products - sugar, bananas, petroleum, bauxite - showed a poor performance because of external and internal factors. Of the 17 borrowing Member Countries (BMCs) of the Caribbean Development Bank (CDB), the GDP growth rate in 1993 of seven of them was higher than in 1992; three registered no change from the previous year, and the last two showed only declines.

The CDB President, Sir Neville Nicholas, told a Press Conference on February 1, 1994:

"When taken as a whole, the Region's economic performance was still less than satisfactory because the major economies were the most disappointing and the impact of their minimal progress will be felt by the whole Region."

The Most Developed Countries (MDCs) of the Commonwealth Caribbean of the early 1980s have become virtually the Least Developed Countries (LDCs) with negligible growth rates and explosive problems. The slow recovery from recession in the industrialized countries did not greatly assist them.

The only "industry" making gains is tourism, responding to a slow recovery from recession in the industrialized countries, particularly the USA. But this service industry is faced with threats from crime, violence, narcotics, high service charges and competition from cruise ships and other attractive tourist destinations.

The Caribbean economies, particularly

their manufacturing sectors, in their quest for exported-led growth, are faced with an unfavourable international situation.

1. Competition for modernized high-tech production of goods and services in the North with large internal markets.

2. Competition from South-East Asian countries with relatively more competitive labour costs, larger domestic population and a skilled labour force.

3. Dumping of goods.

4. An increasingly difficult funding situation, particularly for public sector activities.

In this era of globalisation and modernised capital-intensive and high-technology methods of production, recession and stagnation will be more prolonged than in the past and will occur with greater frequency.

The resulting intense trade competition, trade barriers, and protectionism are contributing to growing local inequalities and a widening gap between the rich and the poor in the developed North as well as the developing/stagnating South.

So alarming is the plight of the poor that the Caribbean Conferences of Churches (CCC) not too long ago advised churches and their leaders to convert some chapels and church halls into soup kitchens, offices into medical clinics and grounds into playing fields for the children. The situation cannot be allowed to become explosive as in the late 1970s, or at the time of the Great Depression of the 1930s, when there were disturbances throughout the Caribbean.

Structural Adjustment

With stagnating/collapsing economies, structural adjustment programmes became generally mandatory. These were intended to provide the framework for a development thrust which is in keeping with rational objectives. Regrettably, the programmes have reduced, the options and choices available to our countries. In fact, serious social and other stresses have arisen as a result of implementation of these programmes.

The Standing Committee of Caribbean Finance Ministers noted that the Structural Adjustment Programmes of some Member States had not only caused contrac-

tions in public sector investment programmes, but constrained the capacity of Governments to provide funding for viable projects and counterpart funding for externally supported activities.

The situation in Guyana is instructive. A virtually bankrupt situation caused the country to be declared ineligible in 1985 for further credits by the International Monetary Fund (IMF). A structural adjustment programme, though necessary, has been fraught with many contradictions and difficulties. These include:

1) Devaluation of the Guyana Currency from G4.15 - US\$1 in 1985 to G\$126 = US\$1 in 1992, led to a grave decline in real wages and salaries, increased prices for critical goods and services, raised costs of imported inputs, significant increases in debt payments in Guyana dollars amounting to 105 per cent of current revenues in 1992 and 80 per cent in 1993, which contributed to a huge budget deficit and drastic budgetary reductions in expenditures on subsidies of essential goods, social services and employment cost, which in turn led to massive retrenchment in the public sector and administrative incapacity;

2) Low wages and salaries, despite current budgetary support from the World Bank and the British ODA for the Public Administration Project, led to a 10-day strike in the public service which seriously affected steamer and air transport services;

3) Unsustainably high real interest rates, which become a disincentive to productive investments and shift the economy towards speculative and trading activities, leading with high net GDP growth rates to increased social inequality;

4) A credit squeeze which led to overall contraction of the economy, decline in capacity utilization and an accentuated shortage of critical goods and services;

5) An undermining of food production and self-sufficiency, leading to undesirable environmental degradation and the substitution of marijuana for food production;

6) An erosion of the capacity of infant industries, thereby slowing industrialisation;

7) A floating currency linked to trade and monetary liberalization and speculative and trading activities, causing monetary and other instability through a further

devaluation of Guyana dollars from G\$125 = US\$1 at 31 December, 1993 to G\$145 = US\$1 at May 1995;

8) Lack of administrative capacity in the Forestry Commission leading to pressures not to grant timber concessions, even though attraction of private investment is mooted for economic growth and development;

9) Divestment (not privatization which can take many forms) of all public economic enterprises, even profitable ones like banking and sugar, and despite historical experience in Guyana with private and public enterprises under different governments;

As regards the demands of the international financial institutions for a speedy privatization/divestment of state-owned entities, the Report of the IDB study/group is relevant. It noted:

"Special care must be taken to prevent disruption of the delicate social balance, as winners and losers of the adjustment process are, without deliberate redistribution measures, likely to run along ethnic lines. Blind application of market forces would result in tangible benefits for the East Indian population group that is strongly represented in agriculture, professional services and commerce, and net costs for Afro-Guyanese, who are highly urbanized and strongly represented in government, police, military and bauxite mining. Reforms must therefore be designed to spread their impact equitably among the various social strata and ethnic groups; a cost/benefit sharing system palatable to the population at large is a condition *sine qua non* for a successful completion of the adjustment process."

Need for Change

CARICOM and its antecedents were set up at a time when the world was rather different from what it now is. In those days, both high trade barriers to the markets of the outside world and the dominance of economies of scale, as distinct from technology and science in manufacturing industries, dictated a strategy of integration for development based on common external protection within a liberalized trading area and promoted by such state instru-

ments as fiscal incentives and regional agricultural and industrial programming. To this basic thrust was added inter-state cooperation in a number of functional areas (such as education, health and foreign policy coordination).

But now, after more than 25 years, our community-building efforts seem to have come to halt. We are now at the crossroads.

It would not be a secret to say we are rather disappointed with the economic progress of the community.

We need our own agenda. The Latin American and Caribbean Commission on Development and Environment sponsored by the UNDP and the IDB, concluded that "more than a half century of flawed development produced total stagnation."

A New Global Human Order

The CARICOM countries are faced with declining aid and investment flows. In addition, the Region has an external debt burden of over US\$10 billion, which is the greatest obstacle to real development.

Consequently, as a result of "aid fatigue" and "donor fatigue" it is necessary to raise additional funds for social progress.

Financial resources for global development co-operation can be found from:

*Demilitarization Funds - 3 per cent cuts in global military expenditure can yield US\$460 billion in the 1995-2000 period;

*A global tax on energy. A tax of US\$1 on each barrel of oil (and its equivalent on coal) would yield around US\$66 billion annually;

*Taxing global speculative foreign exchange movements. A tax of 0.5% on the value of each transaction can yield US\$17500 billion annually as proposed by Nobel Prize Winner, economist James Tobin.

Such a fund can be put at the disposal of the United Nations for assistance to countries both in the North and the South for economic growth and human development.

In the North, funds can be allocated for a Works Programme as in the USA by the Roosevelt New Deal administration during the 1930s Great Depression, and for a reduction of the work-week, as is mooted

in Germany and France, without loss of income.

In the South, generally, and in the Caribbean Region particularly, funds can be allocated for a Regional Development Fund, debt relief, grants and soft loans to accelerate development.

The Caribbean regional integration movement will succeed to the extent that, in keeping with the principles of good global governance, partnership and interdependence, we diligently strive for a New Global Human Order.

(Dr. Cheddi Jagan is President of the Co-operative Republic of Guyana).

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Remembering to Score

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achievement in the creation of the Association of Caribbean States.

In these more testing times that lie ahead, CARICOM will need to move with determination to mobilise its political, technical and intellectual leadership potential - which is considerable - to create space for the region in the wide world beyond our uniting and dividing Sea. Experience may show that CARICOM might ultimately make its greatest mark in building upon and diversifying its already important external economic relations; and, as before, uniting in our Caribbean Community will be both the precondition of such achievement and its own reinforcement.

We cannot afford on the regional field either 'playing and missing' or too many 'indigenous strokes'. Remember, Edward Baugh's West Indian fan warned with anguish:

'... that is a damn dangerous way to be leaving the ball alone.'

We need to score.'

(Sir 'Sonny' Shridath Ramphal, former Secretary General, Commonwealth Secretariat and Chairman of the West Indian Commission).

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