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EXTERNAL ACTORS AND REGIONAL COOPERATION: THE
EFFECTS OF UNITED STATES POLICIES ON
REGIONAL COOPERATION IN THE
COMMONWEALTH CARIBBEAN

by

LINDA ELIZABETH TROYER, B.A.

(c) 1984

A Thesis submitted to the Faculty of Graduate
Studies and Research in partial fulfilment of
the requirements for the degree of Masters
of Arts in International Affairs

The Norman Paterson School of International Affairs
Carleton University
Ottawa, Ontario
Canada

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The undersigned hereby recommend to the Faculty of
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Supervisor

ABSTRACT

Regional Cooperation has been proposed as being among the best strategies of development for small states intent on overcoming the problems of underdevelopment and dependence. The potential for success of a regional scheme depends on internal and external conditions and on the interaction between member states and external actors. While acknowledging the viability of regional cooperation, this thesis examines the prospects of success for regional cooperation among Commonwealth Caribbean countries given their dependence on the United States and their vulnerability to the policies of this external actor. This thesis is based on two assumptions:

- (1) That regional cooperation is a positive strategy for development among the Commonwealth Caribbean Countries; and
- (2) That the exercise of United States power - political, economic and military - could have a tremendous impact among these countries.

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"Trust in the Lord with all
thine heart, and lean not
unto thine own
understanding.

In all thy ways acknowledge
Him and He shall direct thy
path." Proverbs 3:5,6.

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CHAPTER I

I. INTRODUCTION

Regional cooperation has become one of the most important aspects of development for newly independent countries during the last few decades. In a world dominated by two superpowers after World War II, many countries, both developed and developing felt the need to improve their status by seeking cooperation at different levels of activity. In an attempt to find a viable solution to their development problems in the post-colonial period, many countries of Africa, Asia and Latin America have shown a willingness to experiment with regional cooperation. Both the economic and political implications of regional integration are of significance to developing countries.

Much of the literature on regional integration movements among developing countries focuses on the internal factors that affect their establishment and growth. Attention has been paid to issues, such as national cultures, economic and commercial policies of member states, perceptions of leaders and elites and pressures by interest groups.¹ While most studies have not ignored the possibility of external factors having a great impact on integration movements, these factors are often considered "givens" or at best serve as points of reference. It should be acknowledged, however, that external factors can have a tremendous

influence on the establishment and progress of regional cooperation. Included among such actors would be international economic conditions, geographic position of member states in relation to third countries, the attitudes of foreign governments and international organizations and even the activities of private foundations, multinational corporations and other foreign agencies.² These external factors could be influential in determining the success or failure of efforts towards regional cooperation. It is therefore useful to incorporate external factors in the theory of regional integration, in an effort to achieve a more balanced view of the forces which can affect an integration process within any given region. It is also clear that the impact of different external actors will vary depending on the external actor and regional integration movement which it affects. The selection of one external actor - the United States - as the basis of this study, is the result of a realistic appraisal of the influence of the dominant power in an area long perceived to be in its "sphere of influence".

This study is essentially concerned with the impact of United States policies on the process of regional cooperation in the Commonwealth Caribbean, an area where regional integration is viewed as an important tool for the promotion and acceleration of the development process. Among the stated objectives of regional cooperation are the achievement of a greater degree of independence

or self-reliance of these countries vis-a-vis the more developed countries, and an attempt to reduce their vulnerability in the various aspects of international interaction.³ This study will present an overview of the theory of regional integration with the inclusion of external actors as another variable in an effort to present a theoretical framework for the analysis that follows. A history of regionalism in the Caribbean, and United States interests and response to regional integration will provide a broad historical framework in Chapter III. Chapters IV and V will deal with specific United States policies, aid, trade and investment, and the Caribbean Basin Initiative and their effects on Caribbean regionalism, respectively. Chapter VI will conclude with a summary and analysis of the evidence presented.

Footnotes

- 1 Roger D. Hansen, "Regional Integration: Reflections on a Decade of Theoretical Efforts." World Politics, Vol.XXI, No.2. (Jan. 1969), pp.249; 250; 270.
- 2 Joseph Nye, Central American Regional Integration. International Conciliation No. 562. (Mar. 1967), See James D. Cochrane, Politics of Regional Integration: The Central American Case. (New Orleans: Tulane University Press: 1969), pp.193, 194.
- 3 William Demas, West Indian Nationhood and Caribbean Integration, (Barbados: CCC Publishing House, 1974), pp.5-6.

CHAPTER II

THE THEORY OF REGIONAL INTEGRATION

Introduction

Integration theory has been the focus of attention within recent years, as many newly independent countries have opted for its appeal as part of their development strategy. Prior to more recent attempts, the theoretical literature was dominated by the neo-functionalist approach to integration which focused on the growth of supranational institutions in Western Europe in the early 1950's and 1960's.¹ Writers have since recognized the inadequacy of this model as an explanation of the process of regional integration among developing countries and it became necessary to construct a more applicable theoretical model. A number of studies have posited a general model for Third World regions and made the point that functional integration in these areas would proceed differently than in Europe ².

(i) The Economics and Politics of Regional Integration Problems of Integration among Developing Countries

Several works have shown that the many attempts at integration among developing countries have either failed or achieved only minimal success. A number of reasons have been given for the failure of Third World integration efforts, including the relative absence of favourable background conditions, the weakness

of institutional structures given their limited authority, and the conflict among member states over the unequal sharing of economic gains.³ The structure of regional entities has allowed member states to protect their newly gained political autonomy to the point where it may prove detrimental to the regional organization. In some cases, as is clear in the Commonwealth Caribbean, countries became members of regional organizations even before achieving political independence, a situation which is likely to increase the vulnerability of the movement as these countries seek to assert their positions and consolidate their newly won status possibly at the expense of the regional movement. The resulting competition and antagonism can often lead to a breakdown of the integrative system or reduce its capacity to succeed.

The problem of competing ideologies can also affect an integration scheme. Ghai has noted that such conflict is likely to arise in discussion on the role of private enterprise, allocation of industries, policies toward third parties, domestic socio-economic policies, foreign trade, regional planning and the role of the state.⁴ Such ideologically motivated issues may undermine the feasibility of the regional organizations especially since these issues are central to the integrative process. In the Commonwealth Caribbean, an attempt has been made to incorporate ideological pluralism within the framework of the CARICOM movement.

External factors are also important in determining the state of an integration movement among developing countries. According to Okolo:

"...it is a truism that Third World countries are highly dependent upon industrialized states for development capital, markets for raw materials and technology. ... This asymmetrical interdependence with the rest of the world renders Third World countries particularly vulnerable to external economic influences which impede regional co-operation."⁵

In the case of the Commonwealth Caribbean the United States exercises a great deal of political, economic, and sometimes military power over the formally independent states. This relationship is defined in a number of bilateral and multilateral agreements. The United States has become the major trading partner of most of these countries and there is a tendency for many Caribbean politicians and entrepreneurs to identify their interests with those of the United States. Thus, there is scope for United States influence in the regional process.

The problems encountered by regional integration schemes in the Third World as outlined above, are quite pertinent to efforts at regional cooperation in the Caribbean, and while these problems have been widely discussed in other studies, it is important to acknowledge that such problems are not unique to the region.

Despite the limited success of their integrative efforts, developing countries have not lost the desire to promote regional cooperation.

(ii) Traditional Theory of Economic Integration

Economic integration embraces several forms of international economic cooperation including free trade access, customs unions, common markets and economic unions.⁶ The essential characteristic of economic integration is that it facilitates the expansion of specialization and exchange among independent countries through the elimination or substantial reduction of trade barriers, and presupposes dissemination among non-members.

The basic argument of the traditional theory of a customs union is that it would be beneficial if it is trade-creating, and harmful to member states if it is trade diverting.⁷ Trade creation occurs where, as a result of the union, a member replaces its high-cost production of particular commodities with low-cost imports from other members. Each member therefore receives goods from the source of lowest cost within the union. Developing countries do not satisfy the requirements for a beneficial customs union since external trade is often relatively large in comparison to intra-union trade.

The benefits accrued from economic integration are usually classified as static or welfare gains "...which arise from a marginal reallocation of production and consumption patterns as a result of the freeing of trade"⁸,... and dynamic benefits which affect the rate of economic growth. The argument for the establishment of economic integration is that given the prospects for achieving economies of scales and the possibilities of specialization based on comparative advantage, industrialization within a wider regional market will be more efficient than when confined to each national market.⁹

If the criterion for gain in the traditional theory of customs union is applied to the typical less developed countries it would be concluded that opportunities for gain are small. The static effects of economic integration are relatively short term when compared with the dynamic effects. Such dynamic effects which include economies of scale, external economies, investment flows and income effects which are related to increases in productivity as a result of the creation of a large economic area, are of greater importance to developing countries.¹⁰

External economies result from general progress in the industrial environment and include specialized skills, machinery, communication facilities, trade knowledge, the use of a common pool of resources and the spread of technological and organizational

skills and specialization.¹¹ A larger regional market provides incentives for foreign and local investors to promote the expansion of production and meet the likely increases in demand. The rationalization of production and increase in productivity also result from integration as inefficient producers are forced to compete with efficient industries. Among developing countries the distribution of benefits from integration and the rationalization of production and industrialization are central political issues.¹²

Regional groupings among underdeveloped countries reflect an absence of the conditions necessary for the functioning of a customs union as stated in the traditional theory of integration. Therefore the benefits to be derived are likely to be smaller and even different from those of the traditional theory, since markets are limited and trade is directed mainly towards the production and consumption patterns of industrialized countries rather than the regional partners.¹³

(iii) Regionalism and Development

Developing countries, because of the nature of their economies and the factors affecting development, do not fit the developmental model of industrialized countries as expressed in the traditional theory of integration.

Axline indicates that the goals of economic integration are different for developing countries and hence the consequences of integration are different.¹⁴ This implies that the analysis and evaluation of results of regionalism among developing countries are likely to be different. He states that the -

"...principal political objective of underdeveloped countries involved in regional integration schemes is development itself, the betterment of economic and social conditions and a redressing of the unequal relationship between the industrialized countries and themselves with respect to the distribution of economic and political power in the international system."¹⁵

Integration makes it possible to exploit economies of scale and the difference in comparative advantage in the production of commodities on a reciprocal basis, and ensures a widening of the market size.¹⁶ Further, "...integration schemes among underdeveloped countries aim to use the processes of economic integration to create new economic structures and to fundamentally change the existing patterns of economic relationships."¹⁷

In the post-1950 period industrialization for development was perceived as compatible with economic integration since such a scheme would attract the necessary foreign investment thereby alleviating the scarcity of local capital, skills and technology in the Third World. The larger market was to provide incentives to attract investment and hence accelerate the development process.

Economic integration was therefore expected to facilitate import substitution policies by increasing the possibility of regional trade through larger markets, permitting the expansion of capital goods through the pooling of increased foreign exchange earnings, encouraging the efficient use of resources at a regional level and promoting increased investment and real income.¹⁸ However, a large gap remains between the aspirations and achievement of regional integration among developing countries.

The distribution of benefits is an important issue for negotiation particularly where integration involves the grouping of countries at different levels of development. The result is that market forces may direct the benefits of integration mainly towards the more advanced members thereby creating "poles of growth" and "poles of stagnation", to the detriment of the less developed members.¹⁹

Economic integration can also alleviate some of the problems of terms of trade by giving the region control of a larger share of exports and encourage an increase in investment opportunities as a response to the expansion of internal markets.²⁰ However,

"...given the relative economic size of any regional grouping of underdeveloped countries, such a short term effect is unlikely. Rather the improvement in terms of trade will more likely be the result of the long term dynamic effects of structural transformation whereby the composition of regional exports changes."²¹

The potential for success of the integrated scheme will be determined by the interaction of individual member states with each other and with countries outside the region. The economic objectives of regional integration, like the political objectives can be achieved by the maintenance of close links with other countries. Strong links with countries external to the movement are certain to affect the process of regional integration in much the same way that they affect the domestic economy.²²

There is a general feeling that if economic growth is to be accelerated among these countries, external links must be substantially supplemented by strengthened intra-regional links.²³ A reduction in external economic dependence is viewed as a necessary condition for the development process and the attainment of some degree of economic autonomy.

(iv) Economic Integration and Dependence

Any theory of regional integration among developing countries must consider the important reality of the 'dependence' of these economies and propose the need for structural transformation, since such transformation is a critical stage of the development process.²⁴

Dependency theorists have noted that the development process in these countries is intimately tied to their relations to external actors, mainly industrialized countries, and have therefore drawn attention to the importance of such actors in the activities of developing countries, individually and collectively.

The colonial relationship determined that these countries were basically exporters of primary products for use by their respective 'mother' countries.²⁵ The international system that superseded this relationship tended to be based on similar principles and hence international trade, finance and investment reflected a relationship of dependence. Further, the soaring foreign debts of these countries in recent years may even suggest an increase in such dependence.

The emergence and expansion of the Transnational Enterprise (TNE) allowed for a new form of dependent relations. Vertically integrated firms left Third World countries with few forward and backward linkages. As an external actor, transnationals had an important role in shaping the patterns of consumption and demand in the host countries.²⁶

With respect to the Commonwealth Caribbean, McIntyre distinguishes between structural and functional dependence. Structural dependence is -

"... the dependence that arises because of the size and structure of the economy and cannot be helped; [while] ... functional dependence [is] the dependence that arises as a result of the particular policies chosen and can therefore be avoided if alternative policies are pursued..."²⁷

Since structural dependence was viewed as an inherent aspect of the nature of these societies and therefore impossible to deal with, greater emphasis was placed on functional dependence.

Thomas sees the crucial weakness of present integration efforts in the Caribbean as a result of their conception within a framework of constitutional independence, and the partnership (dependency) of national capital with imperialist capital.²⁸ This kind of dependence was perceived as a function of structural (size) and functional (policy) constraints within the Caribbean and was related to its trade relations with industrialized countries. However, such dependence was later defined in terms of external structural relationships within the international economy. In order to understand the process of regional integration in the Caribbean, it was necessary to include external actors in the analytical framework since such actors were part of the environment within which integration efforts were introduced. According to the theorists "... dependency has destroyed the national capacity to act as an autonomous unit because the power to exercise economic control and influence employment, growth, prices, and development, inter alia ... are (sic) external to society."²⁹ If this argument is

extended to the regional level it would be recognized that the dependency of these countries has shifted from the nation state to the regional organization. When a group of highly dependent states establishes a regional scheme the result is likely to be an integration scheme that is itself in a state of dependence and certainly subject to the same external pressures as the individual member states. Thus, while there may be an initial sense of greater 'independence' among the countries in the regional scheme, the fact is that they are now together in a scheme that is subject to external influences and dependent on external sources of support for its progress. The external influences operate in the political economy of individual countries as well as that of the regional scheme. The reduced capacity to manipulate the operative elements of a regional scheme will constrain the evolution of an internal dynamic for the development process.

External dependence constitutes a major obstacle to the goal of development within the Commonwealth Caribbean. Any development policy for the region must include arrangements to reduce the negative effects of direct foreign investment and the control of important sectors of the national and regional economy by external agencies. Axline argues that "... there are no necessary theoretical or policy contradictions between regional integration and reduction of dependence, but that they are closely tied to each other."³⁰ Despite their attempts at regionalism the Caribbean

countries have continued to be in a state of dependence. Such dependence became a visible aspect of their scheme for regional cooperation when it became clear that its viability was subject to international economic conditions, as well as the trade, aid and investment policies of the metropolitan powers, particularly the United States. The regional scheme had become increasingly dependent on external sources for its continued existence and progress.

(v) The Politics of Regional Integration

Since integration schemes are intended to contribute to the development process of member countries it is assumed that some kind of political authority will be necessary at certain levels although integration among developing states tends to be more concerned with collective viability than with the subordination of national identity.³¹

It is often a matter of national economic interest and continued domestic political support to ensure that national goals are not undermined by regional decisions.³² The desire for tangible immediate gains from an integrative process is often of crucial importance to the establishment of the scheme and external actors can be very effective by providing the necessary incentives

for integration that would reduce the necessity for extreme sacrifices by some member states.

In constructing a theoretical framework as the basis for analysis of the politics of regional integration among developing countries, Axline suggests that the various actors involved are likely to take different positions on different integrative measures, with the position of each actor being determined by its perceived interests.³³ Since the process of regional integration involves a great deal of negotiations the position of each actor is likely to be made clear in the packages of deals which it negotiates. Hence the type of integrative process that results is a reflection of the interaction of various actors in the negotiating process and the number of different package deals around which they converge. All actors involved in the process would seek to achieve their own goals or at least to initiate compromise positions that would provide the greatest benefit.³⁴

The two broad issues for consideration by the various actors are the opportunity cost of participation and the distribution of benefits.³⁵ The concept of opportunity cost "...involves a calculation of alternative policies and gains foregone by not being pursued."³⁶ The achievement of a viable integration scheme will depend on a number of factors, including the political and economic

conditions of the member states involved. The policies of an external actor can affect the alternative opportunities of member states by offering a more or less attractive option than that proposed in the regional arrangement.

Integration schemes often consist of actors at different stages of development and hence their power positions and ability to bargain will depend on the respective attributes of each actor and will influence the perceived opportunity cost of participation.³⁷ The success of the integration scheme will therefore depend on the degree to which each member is assured that the package of deals offers benefit greater than it would receive outside of the scheme.

While Axline recognizes the importance of external actors and the kinds of external actors that are likely to enter the calculation of opportunity costs and suggests their negotiating positions, he does not provide a basis for predicting some of the most important external influences. The actors' perception of development, their prevailing ideology and the 'time span' conceived for the integrative measure will determine the kinds of packages that are negotiated and therefore the type of movement that would be established.

The distribution of benefits in an integration scheme will be a crucial issue for negotiation. Unless policies are accompanied by measures for redistribution, weaker states are likely to be very reluctant to participate in an integration scheme. The outcome of the negotiating process on such issues as a common external tariff will influence the nature and composition as well as the level of the integrative process.

Measures implemented to reduce the problems of unequal distribution of benefits can be either compensatory. "...which provide for redistribution of the gains of integration from those who benefit more to those who benefit less or suffer net losses - or corrective, which "represent an attempt to create conditions of industrialization and development in the areas of stagnation."³⁸ Compensatory and corrective measures are intended to counteract the effects of unequal gains and polarization. Such a package allows for the redistribution of gains. Yet given the reality of unequal development among these countries, the promotion of development and industrialization of the weaker states, demands the sacrifice of scarce resources by the more developed countries. The introduction of corrective mechanisms would therefore allow for a more viable integration scheme since they should reduce the extreme disparities among member states. However, the more developed countries are often reluctant to share scarce resources. External actors may be of crucial importance in this respect since they may

provide the resources for the development of the less developed countries. However, such a situation may have a negative impact on the integration scheme if the weaker countries begin to link their development process to an external actor. Further, the absence of corrective measures would render the integration scheme less attractive to the less developed countries.

Theoretically, the free movement of factors is expected to extend benefits to the entire region but given the reality of the economies in developing countries this is likely to become an issue for negotiation in the distribution of benefits.³⁹ Labor will tend to migrate to poles of growth thereby increasing the levels of unemployment or directing skills away from smaller states. External actors have an important effect on the migration of labor since the developed states often provide a strong pull factor for labor from developing countries. Thus the regional scheme can be hampered by its inability to compete with the developed countries for the skills available in the region. Further, with a large percentage of its population migrating to a developed country a member state may be more inclined to acknowledge stronger ties with the developed country than with the region.

The flow of capital is also considered an important issue during the negotiations given the fear that capital will be redirected from the less to the more developed countries.⁴⁰

Regional development planning and measures designed to reduce the dependence of member states will determine the kind of investment policy which will be adopted. These may include policies to ensure the control over extra-regional capital flows, which the weaker states are likely to dispute given their extreme dependence on foreign investment. The policies of the extra-regional actors will therefore be important to the outcome of the negotiations since smaller states will be reluctant to sacrifice bilateral relations which promise massive investment capital for the prospects of regional benefits. External actors could help to promote a viable integration scheme by allocating funds and investment to regional projects.

The freeing of trade is one of the more easily observable effects of integration and is therefore likely to provide the basis for bargaining and trade-offs among the member states of an integration scheme.⁴¹ However, given the nature of the economies of developing countries, the mere freeing of trade is likely to have limited effects on the integration process. This problem is further aggravated by the fact that the productive sectors of these economies are often controlled by external agencies. Therefore, even the benefits likely to occur from the free trade may go to external actors rather than the member states. Free trade policies should thus be combined into effective distributive and dependence reducing measures if they are to have an impact on the development process of these countries.

Regional integration is not only perceived as a development strategy for these countries but also implies the need to replace existing relationships with metropolitan countries by a new pattern of interaction with regional member states. The dependent relations of Third World countries reduces the possibility of success of any integration scheme among them unless such a scheme includes measures designed to reduce dependence. The fact that regional integration itself has a tendency to promote industrialization, increase the ratio of regional to external trade, shift exports in favor of the manufacturing sector and increase the bargaining power of the region should help to alleviate the problem of external dependence. However, where the productive sectors are owned and controlled by external actors even the process of regional integration may not bring the required benefits.⁴²

Repatriation of profits, payment for technology and manipulation of intra-company trade are among the many ways that benefits could be transferred from the region. External actors may also have an impact on the political and socio-cultural structure of these countries and could use their dominant economic relations as leverage to influence political decision-making. These actors may object to state intervention in the economy given their preference for market mechanism and they are likely to be supportive of a laissez-faire type of integration scheme which

could give them access to larger markets and allow them to reap the benefits from free trade especially since external actors are often better equipped than indigenous enterprises to take advantage of such schemes. A failure^u to devise mechanisms to eliminate dependence would therefore reduce the possibility of success in the integration scheme.

Regional planning is an important feature of cooperation among developing countries and implies the active involvement of the member states in decision making. Efforts must be made to ensure that external actors do not influence the process by elevating their interests above those of the region. This would not be easy to achieve since the openness of these economies and the presence of powerful interest groups who see their interests as linked with those of external actors, will certainly have an impact on regional decision-making. Local entrepreneurs will have to be assured of benefits within the regional system that would allow them a better chance to compete with foreign interests, in order to win their support for the regional scheme.

The role of the private sector is often second only to that of member states within an integration scheme.⁴³ The importance of this sector in the politics of individual member states, its control of physical and infrastructural resources and the likelihood of its direct involvement in the negotiating process

of the integration scheme grants it the potential for a great deal of influence. However the private sector - as is evident in the Commonwealth Caribbean - tends to have strong links with external agencies. It will probably be opposed to compensatory and corrective measures since it is likely to place emphasis on the operation of the free market mechanism. Given the dominant role of the state which recognizes the need for distributive mechanisms, conflicts are likely to arise between the two sectors. Such conflicts may be exploited by those external actors who are opposed to state intervention.

The model allows for an appreciation of the roles and positions of various actors in the politics of regionalism but there are some limitations. Axline limits the negotiating positions of relevant actors to a two-actor model representing the more developed countries and less developed countries of the regional system.⁴⁴ In fact, there are a number of other actors in a regional integration scheme among developing countries. Apart from the internal regional actors such as labor unions and non-governmental organizations, there are also a number of external actors including third countries, international organizations, MNE's, inter alia, that can affect the negotiating positions in an integration process. These actors should be included in an analytical model if a more accurate perception of the kinds of interaction and negotiating positions that are part of the process

of regional cooperation is to be acquired. Consideration should be given to the positions of members in the international system, the linkage between decision-making groups at the national and regional levels, and the relationship between these countries and the extra-regional actors, all of which would have an impact on their negotiating position. The negotiating positions of these actors are elaborated solely in terms of opportunity costs of participation as affected by various integrative measures. Whether aid, trade, investment and other benefits relevant to economic development will be more favourable within an integration scheme than outside it, will depend both on the extent of involvement of external actors in the region and on the perceived needs of the member states vis-a-vis the regional scheme.⁴⁵

The exercise of leverage in economic and political bargaining with the rest of the world may bring results that are not considered in the theory of economic integration. Smaller states may be willing to lose some degree of autonomy in foreign policy decision-making if there is a chance of obtaining greater benefits from regional bargaining, while a stronger state may prefer to 'go it alone', particularly if it possesses an important world resource that enhances its bargaining power. Smaller states may also show a preference for continued dependence on a metropolitan power rather than take the risk of forming new regional relationships, although the reality of their dependence

has often forced these countries to participate in a regional scheme. Integration among underdeveloped countries⁴⁶ has proven to be much more seriously affected by non-regional actors than those of developed countries.⁴⁶ The role of external actors is particularly crucial to schemes among developing countries since the trade, aid and investment policies of developed countries "... play a large role in defining the alternatives to regional integration and thus in determining the opportunity costs of participation for member governments."⁴⁷ Further, since integration does not take place in an autonomously functioning area, it is necessary to move away from explanations that are based solely on the internal dynamics of an integration scheme without recognizing the interaction between the internal and external actors which determines the outcome of the scheme.

A study of the process of regional cooperation in the Commonwealth Caribbean must recognize the peculiar political economy of the region which, according to Gittens, includes:

"...domestic classes in a constant process of formation and dissolution depending on the role of the economy in global production; ruling classes whose survival is tied to the performance of the metropolitan economies and the state of the global economy ... production processes which are locked into the production dynamic of metropolitan capital and hence vulnerable to the fluctuations of those metropolitan economies; a domestic state which both mirrors and perpetuates this dependence as a political agent responsible for the reproduction of the dependence of the society; and a dominant culture which devalues local and regional

cultural traditions, places a premium on the consumption of metropolitan products, reinforces the economic dependence of the domestic economies by a correlative cultural dependence and thereby constitutes a further disaggregation of the Region."⁴⁸

While the scope of this thesis does not allow for an examination and discussion of all these variables, it is important to recognize that external actors have influenced every facet of Caribbean society and that the scheme of regional cooperation was established within this context.

The nature of regional politics in the Commonwealth Caribbean is a reflection of the "...contentiousness, rooted in the outward looking orientation ..." of these countries, and results in their great difficulty in adopting a regional perspective.⁴⁹ The tendency of regional politics to manifest itself in spurts of conflict and cooperation can partly be traced to its reaction to external stimuli - either in the changing international economic conditions or in the policies of a third country.

(vi) External Actors and Integration Movements

A survey of the literature on integration theory would reveal that emphasis has generally been placed on internal variables while external actors are treated, as ceteris paribus conditions, thereby reducing an overall understanding of the

process of integration among developing countries where these actors tend to have an overwhelming influence and even condition the existing internal structures. Little or no attention has been given to the impact of external actors on the various members and hence on the integration process itself. External factors may be defined as those influences - issues, policies, institutions - outside the membership of the organization under study. Kaiser argues that the role of superpowers in integration schemes have hardly been examined despite the fact that the international environment in which integration schemes have been established, was decisively shaped by events involving these powers.⁵⁰ In some cases an outside factor has had an important role in the formation or later evolution of integration schemes. Thus the European Community partly owed its development to direct American help at the inception and later to the existence of the Soviet threat.⁵¹ Further regional integration schemes tend to affect each other by providing a stimulus or example to the establishment and growth of other such schemes. The European Community provided the impetus for integration schemes in other parts of the world despite the fact that the existing conditions for those schemes were vastly different from those of the Community.

With respect to the countries of the Commonwealth Caribbean, Payne states that their concern over Britain becoming a member of the European Community "... has worked consistently to unite the

region and give impetus to the integration movement. The transmutation of CARIFTA into CARICOM ... owed a lot to the successful conclusion to which British negotiations were brought in 1972."⁵²

An interesting aspect of Kaisers' analysis is the tendency of countries in a subregion with a superpower to try to achieve greater autonomy by forming a regional organization and he attributes the move toward integration in Latin America to the desire for such autonomy.⁵³ Yet the impetus to integration is not always provided by the urge to escape dependence and even if this is the case at the inception, it is often forgotten or demoted as the exigencies of managing the integration scheme takes priority.⁵⁴

External factors which can affect an integration scheme vary from the international system and other regional subsystems to attitudes of foreign governments, international organizations, multinational enterprises and the activities of private foundations and other organizations. The environment within which the integration scheme exists is crucial to its outcome. A hostile environment can have a positive impact by forcing countries to come together in an integration scheme since it reduces the possibility of alternatives to cooperation. It may also have a negative and destabilizing effect on the regional arrangements. Retaliatory tariffs, trade quotas, and import restrictions which are the result

of policies of third countries can also have a negative effect on integrative efforts. External actors also include international lending agencies and private foreign investors who may discriminate in their disbursement of capital to the integrating countries. Such organizations may also dampen integrative efforts by the promise of large infusions of capital to specific member states or their refusal to provide capital for regional projects.

Nye divides external factors into two categories, namely, passive and active factors.⁵⁵ According to Nye -

"Some of the external factors that affect an integration process are of such a broad and general nature that whether they exist or not is a matter of historical fortune. Others are more the result of deliberate external action."⁵⁶

Passive factors which may influence the promotion of an integration scheme would include geographical location of member states, the nature of the international economic environment and the position of these countries in the international system. Active factors would include policies of foreign governments, international organizations, private foundations and foreign investors. The effects of these agencies on an integrative process would be due to deliberate decisions taken by them on whether or not to support the scheme. It should be noted, however, that any policies implemented by these agencies, although not specifically

related to the integration scheme, may have an effect on the scheme. Policies that are directly related to member countries or the regional scheme by these agencies would have a more direct and visible impact on regional integration. Nye recognized the need for accommodating external actors in the theory of regional integration and suggested the introduction of the concept of catalyst which "... may be almost a necessary condition for integration in underdeveloped areas."⁵⁷ Such a catalyst may be the policy of an outside power, use of military force or the disbursement of economic aid to underdeveloped areas.

Etzioni accommodates external elements in his theoretical framework in the form of the 'common enemy'. He also recognizes a role for external elites in the evolution of integration and submits that "... the manner in which functions of the external 'elite' are 'internalized' by the integration group is of great importance for the evolution of integration."⁵⁸ Thus, the influences of external actors can be so internalized within the integrative process as to make them difficult to distinguish.

In his work on economic integration, Green acknowledges the importance of external actors by noting that -

"... the progress of economic cooperation and integration in Africa, has been and will continue to be heavily influenced by the policies of governments and firms ... [and] ... while their influence can no longer

create economic unions opposed by African states ... they can materially assist in the continuation of the creation of African economic groupings."⁵⁹

Any decision by these agencies not to offer economic assistance for regional projects or invest in regional markets can severely limit the formation and continued existence of regional groupings. Domestic public investment programs in these, as in other developing countries, are heavily dependent on foreign loans, grants, and technical expertise and personnel, any of which can be used in an exercise of leverage against them. Implementation, and often the formulation of development plans are also heavily influenced by external agencies, while the economic community is usually dependent on foreign investment. Thus, Green concludes that -

"... the more private industrial capital, expertise and personnel ... is attracted, the faster African economic integration can become a reality. The more foreign economic groups oppose the effectuation of economic integration, whatever the reasons, the more difficult it will be."⁶⁰

Since the initial status of economic integration may fail to provide large gains to sustain the interests and efforts of participating states, external agencies, by their support, financial and otherwise, may provide the necessary stimulus. Previous economic commitments between member states and third countries, or new commitments outside the regional body, whether

public or private, also provide scope for involvement by external actors and can affect efforts at regional integration. The vitriolic accusations of former Prime Minister Eric Williams, with respect to Venezuela's intentions in the Commonwealth Caribbean and his criticism of his colleagues "pilgrimages to Caracas", is a case in point.⁶¹

The provision of foreign aid may also work for or against regional cooperation. Foreign aid can work in favor of an integrative process if post-economic grouping aid is larger than what member states could have gained individually. Unless this is the case, potential members are likely to opt for the more effective assistance received outside of the economic grouping and would therefore be reluctant to join.⁶² The general implication is that donors who are interested in promoting economic integration among developing countries must be prepared to increase assistance to the scheme above the levels previously granted to individual member states.

In her examination of the United Nations as a catalyst to regional integration in the East African Community, Susan Gitelson comments that:

"External sources of funds and technical expertise can most easily be active catalysts for regional integration, especially in countries which are highly

dependent upon foreign aid, by helping to supply the political will for bridging discontinuities which might arise in the integrating process."⁶³

She concluded however that the ability of an international organization, like the United Nations, to promote integration among these countries was severely limited by the political and economic conditions and competition among the aspiring or existing members of the regional grouping.⁶⁴ Thus, while external factors can have an impact on integration processes, the effects will vary depending on the actors ability and capacity to influence member states. It is less likely that an organization like the United Nations, given its membership and variety of interests and activities, would have the same kind of effect on member states as would the governments of third countries on whom they are dependent.

It is clear from the above survey that external actors can, and do have an impact on integrative processes among developing countries although the degree of influence varies depending on the actors involved. In the case of the Commonwealth Caribbean, geopolitics has been important in determining the kinds of external actors which are involved in the region. This group of states forms part of a regional subsystem of which the United States is the superpower. The growing dependence of these countries on the United States has been a crucial factor in their development process.

Having recognized the significance of external actors in regional integration, it is necessary to establish a framework which could adequately provide for such variables to which the analysis of regional cooperation can be related. This will contribute to the search for a more relevant theoretical framework for assessing the evolution of regional cooperation among developing countries, and provide a better understanding of the interaction between internal and external factors which determine the state of the regional scheme.

Since regional organizations among developing countries comprise states that are economically underdeveloped and militarily weak vis-a-vis other states in the international system, the 'outside forces' are likely to have a greater impact on these countries, than they individually or collectively, would have on the external environment. Thus, external factors are likely to have a significant influence on "... the pattern of regional cooperation by directly affecting the costs and benefits of cooperation for the region as a whole, and the distribution of perceived opportunity costs for each of the participants."⁶⁵

The structure of the international system, which is determined by the ideological position of the superpowers and their geopolitical confrontation is likely to have an impact on regional

cooperation, particularly in areas demarcated as the "spheres-of-influence" of each superpower. When these areas become the center of the international crisis between the superpowers, regional integration schemes within the area become subjected to the global policies of the superpowers, which may not necessarily be compatible with the desire by member states to promote regional cooperation. The security interests of the superpower are likely to take precedence over the goals and strategies introduced by developing countries to promote development.

At the regional or hemispheric level the emergence of dominant states and actors can also affect the process of regional cooperation, as these states attempt to achieve their own interests within the area. Thus regional cooperation among developing countries can be affected by the pursuit of national interests of powerful states at both the global and the regional/hemispheric levels.⁶⁶

Apart from the actions and policies of other states, regional cooperation among developing countries can also be affected by non-state actors including multinational corporations, intergovernmental and non-governmental organizations. The influence of such actors is likely to be limited depending on the variety of interests and activities, as well as the mandate of such organizations with respect to regional schemes among developing

countries. This is not to suggest that international organizations cannot make a significant contribution to regional cooperation - as the activities of the United Nations' regional bodies have shown - but rather that the effect of these organizations is likely to be less than those of governments of third countries.⁶⁷

The different external actors are also likely to have different interests with respect to the regional group. Such interests may vary from the purely economic to the political and strategic. These would be determined by accessibility to markets, guaranteed supplies of crucial resources and investment opportunities as well as aid, trade and investment policies. Politically, these interests would be determined by the desire to maintain traditional spheres of influence, diplomatic support on international issues, and support of sympathetic regimes, while "strategically the region may be important militarily or in an ideological conflict in a global confrontation or regional jockeying for power."⁶⁸

The policies and actions of these external actors can determine the success or failure of an integration scheme. An investment policy of an external actor which proposes increased investment activity in the region, may make a positive contribution to regional integration by making more funds available for regional projects. However, such a policy can also prove to be negative, if

such investment is concentrated in activities that could hardly contribute to the development of the region, although it may improve the status of the private sector or provide benefits to individual countries. Similarly, a policy which insists on channelling aid through bilateral programs for projects that do not contribute to regional development, or the availability of bilateral aid which could increase the cost of participation in a regional movement, can have a negative impact on the organization. However, aid which is channelled through regional institutions and projects, and aid which increases the benefits of participation in a regional program can in fact contribute to the promotion of regionalism. It should also be noted that policies of external actors which are not directly related to an interest in the organization but are designed to achieve the broader purposes of the actor, can also have an effect on the regional organization. Immigration policies of the external actor as well as any kind of intervention in the affairs of member states are certain to influence the process of regional cooperation.

It is not enough, however, to merely identify the kinds of external actors, their interests and policy positions which could affect regional integration. It is even more important to establish the link between these factors and the actual integration scheme. The concept of perceived opportunity costs is the important link between external actors and the process of regional

cooperation.⁶⁹ These perceived opportunity costs must be considered within the context of the socio-political, economic and historical conditions of the countries involved. Opportunity costs are therefore not determined by purely economic issues. As Axline stated, "...while the positions of member states towards policies of regional cooperation will be determined by their perceptions of the costs and benefits to them of these policies, the costs and benefits themselves are subject to external forces."⁷⁰

Generally, the policies of external actors can affect the politics of regional cooperation in two basic ways: "...by influencing the costs and benefits of specific regional options, and by influencing the costs and benefits of alternative policies for individual member states."⁷¹ Given the size and dependent nature of the economies of developing countries, which in most cases, have been extensively penetrated by external actors, the impact of these external actors in the negotiating process must be taken into consideration. Indeed, external actors can have either positive or negative effects on both the opportunity cost of participation and the distribution of benefits in an integration scheme. Trade, aid and investment policies, as well as direct political and, occasionally, military intervention in the domestic affairs of one or more member states can have an immediate impact upon the entire integration scheme. It can also influence the costs of regional cooperation by placing emphasis on bilateral

relations. The actor may encourage regional cooperation by providing financial and other assistance to the regional institutions and thus assist in reducing the cost of participation of member states. Such policies would encourage support for regional plans even by member states that are not likely to gain directly from such policies. Thus, within the Commonwealth Caribbean, an aid policy by an external actor that provides benefits to the Less Developed Countries is likely to gain the support of the More Developed Countries since they would not need to carry the full weight of financial support for the regional scheme. The prospects for agreement on regional policies would therefore be enhanced.

Policies of external actors may also provide more viable alternative opportunities to member states by offering a more attractive package of benefits than is possible through regional cooperation. Bilateral agreements which may be threatened by participating in a regional organization may raise the costs of participation for individual member states thus reducing the likelihood of successful cooperation.⁷² Different policies of external actors will affect the opportunity costs of participation in various ways, but the actual policies that may reduce or increase the cost of participation will depend on the specific regional scheme, and the particular areas in which regional policies are proposed. The different policies of actors that can

affect regional integration can be categorized depending on the type of policy and whether it increases or reduces the cost of participation.

The following analysis is not an attempt to propose general theoretical principles but rather to provide an analytical framework for looking at a specific example of an external actor - its interests, policies and actions - and the kinds of influence it can have on the process of regional integration. It is hoped that the findings of this particular case study will provide scope for building a more generalized theoretical model which will incorporate the role of external actors in integration movements. The specific example chosen for this study is the integration movement among the Commonwealth Caribbean countries. The single external actor is the United States administration and the policies it pursues which have, in some way, influenced the process of regional cooperation in the Caribbean.

The kind of impact that a third country could have on an integrative process will depend on the size of the country, its level of development, position in the international system and its possession of greater configurations of military and/or economic power as compared with that of the member states. The pursuit of ideological and geopolitical interests of the third country can also affect an integrative process among developing countries.⁷³

Specific policies of third countries that will be most relevant will depend on the particular integration scheme and would include foreign aid, investment, commercial agreements, immigration policies, military alliances and diplomatic cooperation on specific issues.⁷⁴ The United States is the dominant global and hemispheric power involved in the Commonwealth Caribbean and its policies and actions in the region are likely to reflect these interests.

For its part, the regional movement in the Caribbean comprises states that are relatively underdeveloped economically, newly-independent politically and militarily weak. In recognition of these characteristics as well as shared cultural and historical links and their vulnerability in an international system controlled by developed countries, these Caribbean states felt the need to establish a regional cooperation scheme. The main activities of these countries in seeking to achieve regional cooperation are bargaining and negotiations, trade-offs and package deals as they attempt to assess the distribution of perceived opportunity costs of particular regional policies. In an effort to achieve its interests in the region, the United States exercises diplomatic influence and formulates a number of policies which influence the benefits and costs of participation in the regional movement by individual states and the introduction of particular regional policies.

The period under review extends from 1968 to 1983, which represents the establishment and growth of the Caribbean Free Trade Area and later the Caribbean Community and Common Market. It also covers four administrations of the United States under Presidents Johnson, Nixon, Carter and Reagan. Generally the period to 1980 will reveal that particular United States policies influenced the costs and benefits of specific regional options. The Reagan Administration, with its Caribbean Basin Initiative offered an alternative to regional cooperation and hence influenced the costs and benefits of alternative policies for individual member states.

(vii) Conclusion

Having established the general theoretical framework for the analysis of the effects of United States policies on the process of regional cooperation in the Commonwealth Caribbean, it is useful to present an outline that would focus attention on the kinds of policies to be discussed and the types of effect which are likely to result. Since Caribbean member states generally tend to view their relations with the United States mainly from an economic perspective, and the effects of such policies are likely to be more visible in their relations, this thesis will deal specifically with the United States aid, trade and investment policies to 1980, and the Caribbean Basin Initiative since 1980. Such policies are likely to affect the distribution of benefits within the regional

scheme and hence the nature of the scheme itself; the alternatives to regional cooperation, and the evolution of a particular type of regionalism.⁷⁵ However, before presenting the empirical evidence, it is necessary to provide background information through a synopsis of the history of Caribbean regionalism and United States attitudes to regional cooperation and interests in the region. These will be the subject of the next chapter.

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- 75 It is recognized that United States policies have influenced every area of Caribbean society. The flow of migrants from the region to the United States and the influence of the United States media and communication systems have contributed to the "Americanization" of Caribbean societies. The lack of participation of the masses in Caribbean regionalism has also made it possible for United States influence at this level to have a negative impact on regionalism. The scope of this thesis does not allow for an examination of the effects of the "Americanization" of the Caribbean society on regional integration.

CHAPTER III

THE UNITED STATES INTERESTS AND CARIBBEAN REGIONALISM

(i) The Political Economy of the Commonwealth Caribbean and the History of Regional Cooperation

The Commonwealth Caribbean is the term used to describe the former colonies of the British West Indies and includes the states of Anguilla, Antigua, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts-Nevis, St. Lucia, St. Vincent and Trinidad and Tobago.¹ In the seventeenth and eighteenth centuries these countries were the pawns in the rivalries of European powers, and by the nineteenth century Britain had gained effective control over them which led to a long period of British colonialism. The achievement of political independence by these countries - Jamaica and Trinidad and Tobago in 1962, Guyana and Barbados in 1966 and more recently the smaller islands in the 1970's and early 1980's - signalled the end of British colonialism.² The major problem for these countries was that political independence did not guarantee economic independence or development.

The most important issue facing these countries at the time of independence was how to achieve economic development. Some had gained their political independence at a time when import substitution industrialization was viewed as the most viable development strategy for Third World countries.³ While this strategy led to increased growth in the region, these countries

continued to experience serious underdevelopment and dependence on the metropole. As a result, a new body of theory was developed which viewed the underdevelopment of these countries as part of a historical process.⁴ The basic proposition was that countries of the Third World had been actively underdeveloped in the course of a process that led to the development of other states. Thus dependency theory turned its attention to historical relationships - especially in economic matters between these countries and the developed world - for its explanation of their state of underdevelopment.⁵ The internal characteristics of these countries were the result of an exploitative relationship that had existed between them and the metropolitan countries. Although they had achieved political independence these countries were locked into a position of economic dependence, a situation which was further aggravated by the inflows of direct foreign investment and the influx of multinational enterprises to the region. The movement towards regional cooperation was proposed in an environment of continued dependence on the industrialized metropolitan countries.

In assessing the political economy of development in the Caribbean, William Demas stressed that small size is the major obstacle to development.⁶ This view has since been challenged by some writers who argue that 'smallness' does not necessarily place

economies at a disadvantage in the exploitation of their resources.⁷ Both size and the long history of economic dependence continue to be important issues in the debate over the appropriate development strategy for the Commonwealth Caribbean.

In its 1972 Report, the Commonwealth Caribbean Secretariat described the regional economy in the context of "...growth without development, growth accompanied by imbalances and distortions, ...growth resting on a foreign rather than indigenous base and growth accompanied by imported consumption patterns."⁸ Several serious weaknesses are evident in the development process of the Commonwealth Caribbean.

First, the domestic agricultural sector which provides products for the home market has been in poor shape in most Caribbean countries and is manifested in the large and growing volume of food imports which the region now requires. In many states the export agriculture sector has been contracting while the traditional products are becoming increasingly vulnerable to price fluctuations on the world market.

Secondly, the two main growth sectors in the region since World War II have been manufacturing and tourism, but they are both

heavily associated with a strong dependence on foreign capital, technology and inputs with the consequence that profits and dividends are transmitted overseas.⁹ The lack of effective linkages between these sectors and the rest of the economy has resulted in polarization. Further, growth of these sectors has occurred in the context of heavy governmental subsidies and protection offered to attract foreign investment.

Thirdly, the region has been so penetrated by external actors, that for most of the period, a high degree of control of the economy, particularly in the mineral sector, has been exercised by multinational corporations.¹⁰ The natural resources of these countries continued to be owned and controlled by foreign enterprises even after political independence. It should be noted, however, that some Caribbean governments - Guyana, and to some extent Jamaica - have introduced measures that would give the public sector greater control of their economies.

The level of unemployment and underemployment in the region is still very high and ranges from an estimated twelve percent in Trinidad and Tobago in 1979 to over twenty-three percent in some of the other member states. High wages paid to the mineral sectors had the effect of attracting people away from agriculture, while the imported capital-intensive technology merely served to aggravate the unemployment problems in these labor intensive countries. Thus, despite some improvement in general living standards over the last two decades, the economies of the region remain underdeveloped, fragmented and dependent on external sources.

Apart from industrialization by invitation, regional cooperation was also pursued as a development strategy. The idea of regionalism has had a relatively long history in the Commonwealth Caribbean dating from the Royal Commission to Dominica 'Closer Union' Debate of 1894, the Wood Report of 1922 and the 1930 Moyne Commission Report.¹¹ These Commissions proposed that a federation was the ideal policy for small states, particularly those of the Windward and Leeward Islands. Prior to World War II, proposals for changes in the Commonwealth Caribbean originated mainly from Britain and were intended to serve British interests. During World War II, however, British and American interests in the colonies became linked and have continued except that the United States has become the dominant actor.¹² The Anglo-American Caribbean Commission, established in 1940, merely consolidated American influence in the region but made no contribution to the solution of social and economic problems in the region.¹³

The history of integrative action in the Caribbean has been characterized by a lack of popular enthusiasm, fragmentation, isolation and a high degree of insularity. Despite these underlying features the Commonwealth Caribbean seems almost compelled to proceed with regional cooperation. The failure of the West Indian Federation in 1961, is a constant reminder of how fragile their integrative process can be.

The Federation that was established by treaty in 1958 was conceived essentially as a colonial arrangement and comprised the countries of Antigua, Barbados, Dominica, Grenada, Montserrat, St. Lucia, St. Vincent and Trinidad and Tobago. As conceived, the Federation was a political union which lacked the institutional capacity to deal with matters of economic development on a regional basis. The rivalry of Caribbean leaders and the greater importance given to national independence by Jamaica and later Trinidad and Tobago were among the factors responsible for the demise of the West Indian Federation in 1962. Further, the inherent dualism at the island and regional levels in the Caribbean development process is a constant source of tension.¹⁴ The United States support for the federal arrangements was more a response to British policy than to the specific needs of the Commonwealth Caribbean countries. Thus the earliest efforts at regional cooperation were initiated from outside the region with little or no recognition given to the specific problems of underdevelopment facing these countries.

The first major attempt at regional cooperation by politically independent Caribbean countries, came with the establishment of the Caribbean Free Trade Area (CARIFTA) by Treaty in May 1968.¹⁵ This had been preceded by the formation of a free trade area among three countries of the region - Antigua, Barbados and Guyana in 1965.¹⁶ In addition to these members of the original group, membership of CARIFTA included Dominica, Grenada, Jamaica,

Montserrat, St.Kitts-Nevis-Anguilla, St.Lucia, St.Vincent and Trinidad and Tobago.

CARIFTA was in essence a free trade area, with tariffs removed to allow the free flow of exports from one member state to another. There were some quantitative restrictions which included twenty-two products in the Agricultural Marketing Protocol.¹⁷ The mere liberalization of trade among these countries with different levels of development resulted in tensions within the movement and polarization between the more developed countries and the less developed countries. However, arrangements were made to reconcile the interests of the smaller states.

Despite the formation of CARIFTA these countries continued to experience serious economic problems, which were due to a fundamental deficiency in the regional economy, namely, the lack of structural transformation. Demas identified several elements of a process of structural transformation which were not promoted by the free trade area.

"These are the capacity to transform as determined by political and social processes and attributes; the unification of the national market for goods and services; the shift of production of labor as between primary, secondary and tertiary sectors of the economy; the development of an increasing degree of interdependence among domestic industries and activities; changes in the importance and composition of foreign trade; the reduction of dualism in the economy; and the development of appropriate institutions."¹⁸

Although CARIFTA permitted an increase in intra-regional trade, a regional scheme that merely liberalizes trade cannot be expected to correct the fundamental deficiency of Caribbean economies. It has been recognized that the development process in the Caribbean must be accompanied by structural transformation of the economies at the national level and the integration of production at the regional level.

Institutions associated with the Caribbean Free Trade Area included the Caribbean Investment Corporation and the Eastern Caribbean Common Market - later the Organization of Eastern Caribbean States, (OECS) - comprising the countries of the Windward and Leeward Islands.¹⁹ Also of significance for these small countries was the establishment of the Regional Development Agency which was the result of a conference held in 1963 between the then President of the United States and Prime Minister of Canada. The agency was to provide economic and technical aid for these economies.

The genesis of the Caribbean Development Bank was also part of the Tripartite survey of the Eastern Caribbean in 1966, which proposed an initial capitalization of US\$50 million, sixty percent of which was to be provided by the Caribbean member states and the remainder by the United Kingdom, Canada and the United States.²⁰ While Canada and the United Kingdom agreed to participate as full

founding members, the United States chose to make its share available in the form of loan capital, to be established as a special fund.²¹ Among the goals listed for the Caribbean Development Bank were -

"...the promotion of regional development, the financing of multinational projects that would increase public and private investment, the provision of technical assistance, and through the Special Fund ... [the provision of] ... capital grants and loans on a concessionary basis for infrastructure and other projects and pre-investment and technical assistance in development planning."²²

The formal agreement to establish the Bank was signed on October 18, 1969 and included all member states of the Commonwealth Caribbean along with Britain, the British Virgin Islands, British Honduras, Canada, the Cayman Islands and Turks and Caicos Islands.²³ The Caribbean Development Bank has since made a significant contribution to the process of regional cooperation in the Commonwealth Caribbean.

The deepening of the process of regional cooperation was evident in the change from the Caribbean Free Trade Area to the Caribbean Community and Common Market established by the Treaty of Chaguaramas on July 4, 1973.²⁴ The Treaty emphasized a broader area of concern beyond the purely economic and included:

- "(1) Economic integration through the Caribbean Common Market;
- (2) Functional cooperation in non-economic fields and in the establishment and operation of common services, including health, education, shipping, air transport; and
- (3) The coordination of the foreign policies of the independent member states of the region."²⁵

With respect to trade liberalization within the region, substantial progress had been made up to 1977 when balance of payments difficulties and foreign exchange shortages led to the imposition of trade restrictions by Guyana and Jamaica, and a subsequent decline in intra-regional trade. The effects of balance of payments problems on the integration process has since become an issue on the CARICOM agenda. Further, within the Commonwealth Caribbean recognition has been given to the special problems of the smaller countries but despite the creation of a Special Regime for these Less Developed Countries, polarization and the problems of distribution have continued to plague the Community. The Group of Experts on the Caribbean Community reported that "... although the mechanisms' participation in CARICOM has been of undisputed benefit to the LDC's, it is widely accepted that they have not made as much progress as was expected."²⁶ Clive Thomas attributes this failure to the "... universalistic pressures of capitalist free trade..."²⁷, while Trevor Farrell argues that the LDC's "...are too poor in resources and structurally weak to show appreciable gains from the level of programmes designed to discriminate in their favour."²⁸

The Treaty establishing the Caribbean Community was signed just prior to the major increase in oil prices and the related increases for imported manufactured goods. It was also followed by a decline in prices for Caribbean products on the world market. As a result, all Caribbean countries - with the possible exception of Trinidad and Tobago - experienced serious balance of payments difficulties, compounded by decreasing foreign exchange earnings, high interest rates and acute problems of inflation and unemployment.²⁹ Further, Naraine states that "...acute external political pressures have risen which compounded with a global economic depression have seriously aggravated the structural vulnerability of CARICOM's small and disarticulated economies with dire consequences for the professed desire for economic, if not political, unity."³⁰

The increasing problems have had a drastic effect on the Caribbean Community resulting in stagnant intra-regional trade and falling or negative growth rates for member states. In 1981, per capita gross national product in the CARICOM region fell by 2.7 percent, and unemployment ran at forty percent.³¹ In light of such difficulties, Caribbean member states resorted to national rather than regional solutions as was evident in the fact that only two Heads of Government Conference (the top decision-making body in the region) were held in a nine-year period.³² National policies took

precedence over regional policies and provided scope for third countries to have a greater impact on decision-making in the region. Economic stagnation and decline has led to an increase in social unrest and challenges to the political and economic systems, and has increased the significance of these countries in United States' policymaking.

To date the most successful aspect of Caribbean integration has been in the area of functional cooperation including common services, shipping, health, higher education and technical assistance. It must be recognized, however, that harmonious functional cooperation will persist only as long as the economies of the region function to support the principle.

In a notable departure from the traditional concerns of regional integration, Caribbean states proposed the coordination of foreign policy as the third pillar on which the Treaty of Chaguaramas was constructed.³³ This proposal seemed reasonable at the time, since Caribbean states held similar ideological positions and were able to coordinate their response to issues. A unified policy orientation was intended to give these countries a more effective voice and a stronger position in international negotiations. Regional coordination of foreign policies was concerned mainly with economic issues and was based on the reality

of the geopolitics of the Caribbean countries vis-a-vis other states in the region.³⁴ During the decade of its existence, the independent member states of CARICOM achieved relative success by arriving at a common position on issues at the United Nations African-Caribbean-Pacific Forum, and the Organization of American States and on specific issues including normalization of relations with Cuba, the Panama Canal, Law of the Sea, Southern Africa and the territorial problems of Guyana and Belize.³⁵ By 1979, however, with the changes in ideological perspective of some countries, it became increasingly difficult to coordinate policy positions. Ideological pluralism led to a diversification in foreign relations. Critical economic conditions also forced some countries to reinforce bilateral relations, while others sought to establish special relationships with third countries.³⁶ This tendency was likely to be detrimental to the process of regional integration.

In the field of foreign economic policy, the record reveals a mixture of coordination and fragmentation, with the Lomé Convention being the most notable issue of cooperation.³⁷ On issues of economic aid and foreign investment, the tendency towards bilateralism rather than regionalism is still evident in the policies of Commonwealth Caribbean states.

Despite the various programs of regional cooperation, Caribbean economies are facing increasing difficulties and do not

seem any nearer to economic development or the reduction in their dependence on the metropolitan countries than a decade ago. The list of problems facing the region in the 1980's includes a large and mounting food import bill; a heavily undiversified and specialized structure of production with dependence on a single crop; corresponding dependence on a wide range of imports of capital and intermediate goods; decline in the agricultural sector; and low levels of national savings and alarmingly high levels of unemployment.³⁸

The desire to achieve economic development and to reduce dependence on the metropolitan countries are the key features of the history of regional cooperation in the Commonwealth Caribbean. The fact that a decade after the deepening of the integration process the region seems to be no nearer to achieving these goals requires an examination of the process of regional cooperation.

(ii) External Actors and the Commonwealth Caribbean

The countries of the Commonwealth Caribbean have always been affected by diverse outside influences including those of the 'mother' country. The impact of these influences and their significance for development of the region have varied throughout the period. The small size of the Caribbean states has made penetration by external forces easier to accomplish especially

given their overwhelming economic dependence. The socio-cultural, political and economic history of the Commonwealth Caribbean is due mainly to its interaction with external actors. The major question that continues to face these countries is how to eliminate or at least reduce this kind of dependence while developing a more constructive and mutually beneficial relationship with the metropolitan countries, private foreign investors and multinational enterprises. Although regional cooperation has been one of the strategies used by these countries it is clear that regional decision making has also been influenced and conditioned by the policies of external actors in much the same way that domestic policies have been influenced.

The United States has been involved in the affairs of the region since the turn of the nineteenth century when the establishment of the Panama Canal made "strategic importance" the password of United States-Caribbean relations.³⁹ Despite changes in military strategy in an age of nuclear weapons, the Caribbean has continued to hold its position of strategic importance. The ideological conflict of the Cold War era is often manifested in the United States policy interpretation of events in the Caribbean, and thus attempts at social change and development have become issues for scrutiny by the United States. Socio-economic and political changes in the Caribbean continue to be on the agenda of United States policymakers as they seek to ensure that vital United States

interests are not threatened by policies of Caribbean governments. However, the United States is not the only external actor in the region.

In several of his works Anthony Payne notes the different kinds of external actors involved in the affairs of Commonwealth Caribbean countries.⁴⁰ Prior to the achievement of political independence of these countries which began in 1962, Britain was the dominant state actor. The colonial administration was responsible for the day-to-day activities of government subject to instructions from the Home Office, and they had no influence on the decision making process.

British withdrawal from the region which began in the 1960's left a power vacuum which it was assumed would be filled by the United States, particularly since these countries were geographically situated in the 'American lake' and were expected to fall into the traditional model of American economic and political hegemony.⁴¹ Despite its predominance, the problems of Vietnam, Watergate and the continuing world economic crisis temporarily turned the United States attention away from the region, a situation which was soon to change because of the presumably growing influence of Cuba.

The periods of neglect by the United States allowed the involvement of new actors in the region. Payne identifies these as

the Latin American powers of Mexico and Venezuela, and the Communist powers, Cuba, China and the Soviet Union.⁴² The involvement of these powers was based on their perceived regional and ideological interests. While Venezuela and Mexico used their oil revenues to improve their status in the region, Cuba welcomed efforts by the Caribbean states that would reduce its isolation. Cuba found willing friends in the governments of Guyana and Jamaica under Prime Ministers Forbes Burnham and Michael Manley respectively, and was no doubt encouraged by the 'winds of change' sweeping across the Caribbean in the late 1970's which culminated in the Grenadian 'revolution'. The Soviet Union and China seemed to have minor roles in the region particularly since the majority of Caribbean governments are suspicious of 'communist' presence.

Apart from the state actors mentioned above, the Commonwealth Caribbean has been exposed to a number of non-state external actors including private foreign investors and the multinational enterprises. In fact the role of the transnational enterprises in the region seem secondary only to that of the United States. Despite recent attempts by Caribbean governments at wresting ownership and/or control of the productive sectors from transnational corporations, the countries continue to remain dependent on foreign investment, marketing and other services. Their treatment of the multinational corporations can have a negative effect on their development process particularly in cases where these corporations can influence the policies of their 'home'

countries. International organizations such as the various agencies of the United Nations, the World Bank and the International Monetary Fund have had a great influence on Caribbean development and Caribbean regionalism.

(iii) United States Policy Towards Regional Organizations

As the most important external actor in the region and a global and regional power, the policies of the United States - even those not directly related to regionalism - are likely to affect the regional integration scheme. The general attitude of this external actor to regionalism and the nature of the specific regional scheme will determine the kind of impact that it will have on the regional process. If the regional scheme allows scope for the extensive involvement and influence of external actors, then the impact of such actors is likely to be greater than it would be in a scheme where there is a great degree of "regionalist" fervor, both in policy formulation and orientation.

The concept of regionalism has been an important instrument of United States foreign policy although the goals and policies implemented varied with the specific regional scheme. The Monroe Doctrine of 1823 which linked the interests of Latin America with those of the United States was developed from a regionalist perspective although no attempt was made to form a regional organization or pursue an active regional policy.⁴³

At the global and hemispheric levels, United States policies toward regional organizations were based on military and security matters as indicated by its membership of the North American Treaty Organization (NATO), the South East Asia Treaty Organization (SEATO), and the Organization of American States (OAS).⁴⁴ By the mid-1950's the United States was likened to a "... switchboard for most of the regional and joint efforts in the free world."⁴⁵

By the 1960's the setting for regional organizations was beginning to change. The process of decolonization led to an increase in the number of Third World countries with their emergent problems of underdevelopment. The desire for regional cooperation among these countries was based on the assumption that it was the most viable strategy for promoting development and reducing their dependence. Economic development now became the chief reason for regional cooperation. This change in the basis for regional cooperation seemed to be accompanied by a change in United States policy since the Johnson Administration was now actively supporting the building of regional institutions and regional cooperation in Latin America, Asia and Africa as well as Europe.⁴⁶ Such support was increasingly subject to heated debates as a number of countries in the region "... advocated a more consistent policy for autonomous regional organizations without direct United States membership."⁴⁷

Although United States policies toward regional organizations have varied over the years, these organizations have been important to United States policy formulation. The four major clusters of interest which have been served by its participation in and/or cooperation with regional organizations since World War II, include hemispheric influence, containment, economic development and conflict prevention and management. With respect to the general Caribbean region each of these areas of interest has been evident in United States policy.

The Caribbean region, because of its geographical location falls within the United States sphere of influence. The Organization of American States (OAS) was established with direct United States participation to maintain its dominance in the region and such direct involvement allowed it to exercise its influence and use its power to condition the reactions of member states to issues affecting the region.⁴⁸ Thus, the United States tended to use the regional organization for the promotion and achievement of its hemispheric interests.

The United States is not likely to support or allow the establishment of a regional organization whose goals and policies run counter to its interest. It is also in a position to exploit the conflict of interest which is likely to arise when states are members of more than one regional organization, particularly when

the United States is itself a member of one of the organizations. In the Commonwealth Caribbean, many of the states are members of the Organization of American States, the Caribbean Community, and for the smaller islands, the Organization of Eastern Caribbean States.⁴⁹ The conflict of interests that is likely to result from their participation in various organizations can affect their position in each of the organizations.

While it has used several instruments, including direct military intervention, to contain communism, the United States tends to prefer economic and functional organizations especially in cases where the professed non-aligned positions of some states make "... bilateral and regional military alliance with outside powers unpopular."⁵⁰ Despite an OAS resolution on the Caribbean in 1979 which stressed that support for the principles of ideological pluralism and peaceful coexistence are essential to peace, stability and development in the region,⁵¹ and the positive recognition given to the existence of ideological pluralism in the region by United States Ambassador to Barbados and the Eastern Caribbean, Sally Shelton, in 1980,⁵² it is clear that ideological pluralism is still perceived as a threat to United States interests.⁵³ The United States may be hesitant to fully support a regional organization - like the Caribbean Community - which operates on the principles of ideological pluralism particularly when some member states implement policies that seemingly conflict with United States interest and its concept of development.

United States economic policies since the 1950's have often clashed with the economic interests of Latin American and Caribbean countries, and this economic orthodoxy led to the 'cool reception' given to Latin American regional economic organizations.⁵⁴ The successful Cuban revolution of 1959, provided the impetus for the reappraisal of United States policy towards regional organizations since it forced United States policymakers into the realization that the economic underdevelopment of these countries could prompt revolutionary activities.⁵⁵

The first test of its policy towards an economic integration scheme in the region came with the treaty establishing the Central American Common Market in 1958.⁵⁶ The immediate reaction of the United States to the proposal was one of 'cold indifference' but later became conditional support as outlined in the 1959 meeting of the Organization of American States.⁵⁷ The question of economic integration without United States membership then became an important issue in United States-Latin American relations. The conditions which the United States outlined for the establishment of the Central American Market are as follows:

- (i) Regional market arrangements should aim at trade creation and increased productivity and not simply trade diversion;
- (ii) A specific time period should be set for the elimination of barriers to trade;
- (iii) The arrangements should be in accordance with GATT principles Article 24;

- (iv) Regional arrangements should increase the degree of competition within the area and special privileges should not be given to regional industries; there should be encouragement to inflow of foreign direct investment; and
- (v) There should be the free flow of all factors.⁵⁸

As outlined in the theory of integration among developing countries greater benefits are derived from the trade diverting effects of integration than from trade creation and a preferential zone for manufactured products of industries already in the region is important to intraregional trade. The time span for the achievement of regional goals should be negotiated by participating member states rather than be dictated by the external actor. Article 24 of the Generalized System of Tariff and Trade (GATT) remains the guiding principle for the establishment of free trade areas and is a reasonable condition on which to base support for a regional organization.

Regional integration schemes among developing countries need to include concessions to encourage the development of regional industries without exposing them to competition from well established industries of third countries. To allow such competition at too early a stage in the development of these industries is to open the way for continued dependence, dampen local regional initiatives and thwart the process of development.

Although there is no question that the ideal regional integration scheme would incorporate the free flow of factors, the general characteristics of these economies - underdeveloped, lacking local capital, high unemployment, inter alia, - have made it impossible for these factors to work purely in response to economic forces, particularly since the result is likely to be the development of poles of stagnation and poles of growth. United States insistence that its support for an integration scheme among developing countries would depend on the above conditions reflects a lack of understanding of the problems of developing countries. Thus in the conditions set out for its support of Central American integration, the United States sought to reorder the goals and abandon some of the essential elements of a regional organization among developing countries.

Support for regional integration became an accepted United States policy after the 1961 Charter of Punta del Este, that launched the Alliance for Progress.⁵⁹ In addition to its support for Latin American economic integration, the United States has experimented with, and accepted membership of, regional economic institutions, including the Inter-American Development Bank which provides the opportunity for channelling funds to these organizations. Such contributions would be useful to promoting an integration scheme, but the United States has been known to use its position in such institutions to block or withhold funds for regional projects of member states. The use of a regional

institution to disburse the necessary aid resources may also provide the recipient countries with a greater sense of independence than is likely in bilateral aid relationships.

Since United States support for regional economic integration in Central America was partially inspired by its desire to prevent the spread of the Cuban model of development, its contribution to regional cooperation within the region should be studied in a geopolitical context rather than one based on over-riding concern for the economic development of these countries.

In his assessment of the United States as an external actor in the integration of Latin America, Denham argues that while the United States has performed many functions which are conducive to the Latin American Free Trade Area (LAFTA), less attention has been given to the institutional requirements.⁶⁰ The United States insisted on channelling funds to the region through its own organizations rather than the Latin American regional institutions

With respect to the issue of private investment, the State Department declared in 1967 that:

"... the United States will only support a common market that is commercially outward looking and receptive to foreign investment on reasonable terms ... the common market will be reviewed as an important part of the negotiations to any United States contribution to such a fund."⁶¹

There is no suggestion that this policy has been changed in recent years, and the issue of direct foreign investment remains crucial to the negotiation process of regional cooperation among developing countries. The kind of reaction expected from the United States will depend on the outcome of the negotiations.

Although the United States is the dominant power and is therefore likely to affect policy options in the region, any analysis which focuses exclusively on the United States would lead to a partial and incomplete picture of its effects on decision-making. It is among the ruling elites of many countries that the United States has its most faithful allies. These elites often seek United States support and tailor their policies to meet its requirements, even if this means adjusting the objectives of a process of regional cooperation. The support of the United States would therefore be crucial to their continued participation in a regional organization. In the Commonwealth Caribbean it is clear that some governments and private industrialists - the ruling and business elite - tend to view their interest as incorporated with those of the United States and hence are likely to put United States interests before those of the regional organization. Other governments in the region stress the need to reduce their dependence on the United States. The conflict of views of member governments certainly affect the progress of regional cooperation and these countries may need to find a balance between their desire

to be independent and the reality of their dependence on metropolitan countries. The direction that the regional integration movement takes with respect to the United States will often depend on the number of governments supportive of the United States policy position. In some cases a compromise position has been reached, but it would probably be true to say that the United States has generally enjoyed the support of Caribbean Governments.

(iv) U.S. Interest and the Commonwealth Caribbean

United States interests in the Caribbean were evident before the achievement of political independence by these countries but its overwhelming presence in the region was a result of the withdrawal of British political and economic interests. The period since British withdrawal, although characterized by integrative efforts of the Commonwealth Caribbean countries, has also been perceived in terms of a deteriorating security situation for United States interests. Guyana under Burnham and Jamaica under Manley established close friendly relations with Cuba, while the governments of Oliver Seraphin and John Compton of Dominica and St. Lucia respectively were considered leftist, and Grenada installed a socialist regime under Maurice Bishop.⁶² Despite this, the immense political, economic and military power of the United States, has made it the single most important external actor in the region. By the late 1970's the Caribbean was increasingly being described as a

"circle of crisis" which suggested the need for more active involvement by the United States.

Dominguez distinguishes between the objective and subjective interests of the United States in the region. Objective interests are defined as "... reasonably identified concerns related to the United States and to target countries and regions, that are observable and verifiable by many people, at least in principle ... [while] ... Subjective interests are much more difficult to observe and verify in ways that generate agreement."⁶³ Objective interests arise out of a particular external condition that is of concern to the United States and thus directly involves the interaction with other countries or regions. These interests may include such issues as the movement of people from these countries to the United States, their economic relations, and the changes in voting patterns in international organizations as a result of the achievement of political independence of these states. These issues are viewed as 'objective' interests since by their very nature they do not originate in or are confined specifically to United States policymaking, but are a result of its interactions with other countries. Since the United States is not in a position to unilaterally determine the inclusion of such issues in its policy formulation for these countries, they are in this sense objectively determined.

Subjective interests are often those issues which "...are imputed by the United States on external phenomena."⁶⁴ These interests are essentially the principles and ideas that are perceived to be an inherent feature of the political and economic system of the United States. As the leading global and hemispheric power, the United States assumes the responsibility for ensuring that these principles are adhered to within the area of its 'third' border, since failure to do so would be perceived as weakness on the part of the major external actor in the region. These subjective interests may include such issues as democracy and human rights, ideology, the defence of capitalism and regional stability. These interests are considered subjective in the sense that while they are part of the general concern of United States policymakers, their inclusion in particular foreign policy programs and the fervor with which they are promoted will depend on the specific administration. Thus, some of these issues may form an essential aspect of United States foreign policy for the region, or they may be ignored altogether. Further, the insistence that countries adhere to its foreign policy position and the penalties for failure to do so will also be determined by the particular administration. The interpretation of the response of any country to these issues is also left to the United States administration. In the case of the Carter Administration, the relations with the Caribbean and Central America were defined in terms of their performance on human rights and political order. The Reagan

administration has, however, chosen to emphasize ideological homogeneity and thus its relations with these countries are based on their conformity to the capitalist free enterprise system. Thus, while 'subjective' interests can cover a broad spectrum of issues, the fact is that their prominence in policy formulation will depend on the perceptions of the particular administration. The distinctions made here are important to an assessment of the United States as an external actor in the region since it is recognized that some policies may be persistent throughout the period under study; while others may vary with the different administrations. It is also clear that a single administration may vary its policies over a period of time. Further, a change in policy by any Caribbean government, although it may not have a direct effect on United States objective interests, may in fact be imputed with ideas that conflict with United States subjective interests. The construction of the airport in Grenada, which was intended to help with the expansion of its tourist industry, was imputed with major military and security implications for the United States.

The primary supposition of the United States is that the Commonwealth Caribbean is an area of strategic importance for the maintenance of its national security.⁶⁵ Policies toward the Caribbean are formulated within the context of hemispheric security and the security of the United States.

The involvement of the United States in Caribbean affairs is viewed as a matter of necessity, rather than choice, arising out of the geopolitical situation of these countries. Its objective interests in the region arise out of its relations with these countries based on population movement, changes in international organizations, Cuba's objective importance and matters of economic development. According to Vaughan Lewis, the United States now shows increasing interests and concerns in the migration of Caribbean people.⁶⁶ The flow of immigrants from the region to the United States has been far greater than within the region and conditions within the region as well as the lack of formal agreements on the movement of labor, has made it impossible for the regional integration scheme to compete with the United States in retaining skilled labor. Within recent years, it has been recognized that the 'brain drain' to the United States has aggravated the problem of lack of skilled personnel in the region and must have affected regional planning and development. Thus United States immigration policy will continue to have an impact on Caribbean development.

The changes evident in the voting pattern in international organizations are due to the increasing membership of newly independent countries of the Third World and are based on the principle of equality of nations.⁶⁷ The proposed coordination of foreign policy positions which is listed as one of the goals of

regional cooperation in the Treaty establishing the Caribbean Community is also likely to be of tremendous interest to the United States. The United States would prefer to have the support of the regional organization when it votes "en bloc" and it is therefore likely to exercise leverage in order to acquire that support.

Also of objective interest to the United States, particularly in relation to the Caribbean, is the position of Socialist Cuba. The United States expressed its 'concern' when four Commonwealth Caribbean countries took the initiative to establish formal relations with Cuba in 1976.⁶⁸ That concern was changed to panic and a declaration of the Caribbean as a circle of crisis when it appeared that Caribbean governments were being influenced by Cuba, as the events in Grenada in 1979, were interpreted to be by United States policymakers. Although Cuba is not a member of the Caribbean Community, the United States was concerned that its activities in the individual countries could radiate and 'spread the 'virus of communism' through the region. United States policies toward individual countries and the regional grouping were intended to deter countries from continued relations with Cuba - no matter how limited - and to pressure some Heads of State to introduce policies supportive of the United States system and ideological position, into regional agreements. Thus attempts by 'Tom' Adams, Prime Minister of Barbados, and Edward Seaga, Prime

Minister of Jamaica, to have the CARICOM Treaty changed to include issues of human rights and free elections as the basis for continued membership, aimed at removing Grenada from the regional grouping, was presumably inspired by President Reagan in his meeting with the two Heads of State prior to the CARICOM conference in 1981. Further, the actions of the United States administrations to countries friendly to Cuba - its destabilization programs against Jamaica under Manley, and Grenada under Bishop, as well as tactics such as the veto of an Inter-American Development Bank loan to Guyana - also increased tensions among the member states of the Caribbean Community.⁶⁹ The Community tended to become polarized between those states which, for economic and other reasons, were ardent supporters of the United States and those that were presumably hostile to United States interests. Relations with Cuba thus became an important issue in United States relations with the Commonwealth Caribbean after 1976.

Although economic relations with the Caribbean countries are often cited as crucial to the United States, this is better understood from the viewpoint that a large proportion of its seaborne commerce passes through the Caribbean Sea. The Caribbean constitutes an important transit area and hence the United States would want to ensure the uninterrupted conduct of its trade in the region. There is some dispute among United States policymakers and analysts over the strategic significance of these countries and zones in the hemisphere, but Lewis draws the normative conclusion

that "... the large physical and/or economic size of the United States from which is derived special global responsibilities" results in all other countries acquiring basic security significance or insignificance.⁷⁰ For these small countries operating within the framework of United States dominance in the region, security, diplomatic and economic relationships become closely intertwined.

Among the subjective interests of the United States in the Caribbean are the promotion of democracy and human rights, political order, and regional stability, the prevention of ideological conflict and the defense of capitalism. More recently the United States has developed an interest in curbing international terrorism and thwarting the trade in narcotics in the region.⁷¹

The Commonwealth Caribbean states generally share the political values of the United States and popular elections continue to be the centre of political order in the region. However, Grenada became the focus of United States vehemence and verbal attacks after the overthrow of Eric Gairy in a peaceful revolution of 1979. The failure of the Bishop government to hold popular elections was interpreted by the United States as undemocratic and a violation of human rights. The hostile reaction of the United States administration to Grenada also influenced the

reaction of other Caribbean states. While these countries generally seem to pass the test of democracy and human rights, the United States government, will seek to ensure that these are not thwarted by any group or institution attempting to change the socio-economic and political order. Generally these countries have displayed a great degree of political order which is considered important to United States interests since it is felt that political disorder breeds communism, and gives Cuba and the Soviet Union an opportunity to promote their interests.

The United States has proven to be less tolerant of ideological pluralism in the region as is evident from Article 1 of the Treaty of the Organization of American States which declares that "... the adherence of any member of the Organization of American States to Marxism-Leninism is incompatible with the American system."⁷² Although a survey of the region by OAS officials in 1979 led to the conclusion that ideological pluralism can be tolerated, it is clear from subsequent events that Article 1 still governs United States position on ideological pluralism in the region. Member states of the Caribbean Community had accepted that ideological pluralism could be accommodated within the regional arrangements. The subsequent change in positions of some member governments on this issue could be partly attributed to the influence of the Reagan Administration.

The defense of capitalism is also an important subjective interest of the United States, particularly with respect to the expropriations of property of United States firms and the increased role given to the public sector in some of these countries.⁷³ The policies of some Caribbean governments conflict with the economic orthodoxy espoused by the United States Administration. As the dominant power in the region, the United States maintains an interest in preserving stability, and will continue to use its position to restrict the activities of states which are likely to change the regional order.

United States policies in the region are essentially based on four premises. The fundamental premise is that the United States still retains primacy in the region and will do so regardless of changing administrations.⁷⁴ The United States continues to influence the internal politics of these states. As Dominguez says "... the habits of history turn Caribbean politicians toward the United States. Across the entire ideological spectrum 'what the Yankees will do' is often the starting point for political discussion."⁷⁵ This is not to suggest that there is no local initiative for policy discussions but rather that United States policies are of crucial importance to Caribbean decision-making.

A second premise is that most United States policies in the region are likely to succeed most of the time although there has been some evidence of Caribbean opposition to some United States policies.⁷⁶ The concentration of military, political and economic power in the United States is an extremely effective tool that ensures its ability and capacity to persuade or force countries to adhere to its policy positions. The recent experience of Grenada, where the United States won the support of other Caribbean countries to invade the island and restore 'political order', is a stark reminder of the power of the United States to achieve its goals in the region. United States policies in the region are also likely to succeed because the ruling classes and the private sector of many of these countries tend to see their interests as linked with the United States, and hence their very survival as being dependent upon their response to United States policies. Dependence is a major factor in determining the likelihood of success of United States policy since often the benefits of adhering to the United States policy positions far outweigh the costs which could include the overthrow of a government.

Thirdly, the weakened position of Cuba in the region due to changes of governments among member states and the increasing United States influence has reduced the desire of Caribbean States to devise new strategies for development based on the Cuban model and has moved them closer to the United States. Yet, unless the

United States is prepared to deal realistically with socio-economic problems of the Commonwealth Caribbean countries, the Cuban model may continue to be an alternative solution.

The fourth premise arises out of the need for the United States to understand the changes taking place in the region and to implement policies that deal with the real problems of Caribbean societies.⁷⁷ The defense of United States hegemony must be accompanied by policies that will help to promote economic development in the region.

(v) Conclusion

The issues discussed in this chapter were related to the historical development of Caribbean regionalism and its political economy, the external actors in the region and United States policy towards regional organizations and its interest in the Commonwealth Caribbean. It is clear that while regionalism has brought benefits to the region, it has failed to provide the stimulus for the kind of economic development envisaged by its supporters. The problem seems to lie in the extreme dependence of the region on external actors, rather than in the process of regionalism. The United States continues to be the dominant power in the region and to affect socio-economic and political developments. For its part, the United States tends to view the Caribbean states as generally

incapable of achieving development without being tied to external actors.

The process of regional cooperation among the member states of the Commonwealth Caribbean was undertaken within the context of their geopolitical proximity to the United States and their economic dependence on that country. Given the reality of their situation, it was quite likely that a decision to proceed with a scheme of regional cooperation would be affected by the policies of the dominant actor in the region. The reaction of the United States to regional integration in Latin America and more specifically to the Central American Common Market must have been a source of encouragement to these countries, although the immediate impetus to their scheme for regional cooperation was provided by the possibility of Britain joining the European Economic Community. Having established their regional scheme in 1968 and "deepening" the process with the establishment of the Caribbean Community in 1973, it was clear that the success of the process of regional integration was more likely to be affected by external factors including the general international economic environment and the aid, trade and investment policies of other countries, than by internal factors. Since the United States is the dominant external actor in the region, it would be instructive to examine how its policies - aid, trade and investment, and later the Caribbean Basin Initiative - have affected the process of regional

integration in the Commonwealth Caribbean. It may be that the difficulties encountered in the process of regional cooperation among these countries would have been decreased had they acquired the full support of the United States and its commitment to the process of regional cooperation. The actual effect of these policies on the process of regional cooperation among the countries of the Commonwealth Caribbean will form the basis for discussion in the remaining chapters.

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Footnotes

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CHAPTER IV

**CARIBBEAN INTEGRATION AND UNITED STATES POLICIES -
TRADE, AID AND INVESTMENT**

With the establishment of the Caribbean Free Trade Area (CARIFTA) in 1968 and later the Caribbean Community and Common Market (CARICOM) in 1973, the countries of the Commonwealth Caribbean set in motion the process of regional cooperation. During the period since CARIFTA, two general attitudes seem to characterize United States policy toward the region. The first, from the beginning of the integration process to around 1980, was marked by a recognition of the distinctiveness of the Commonwealth Caribbean and hence a policy approach that gave specific consideration to the efforts of cooperation among these countries. This is not to suggest that these countries were no longer included in the broad Latin American policy of the United States, but rather that even within this broad context, specific attention was paid to the states of the Commonwealth Caribbean. The aid, trade and investment policies of the United States were likely to affect the opportunity cost of participation in the regional scheme by influencing regional options.

The second attitudinal position of the United States towards the Commonwealth Caribbean was evident after 1980 when the main

aspect of United States policy was its orientation toward a broader definition of the Caribbean Basin. Thus the countries of the Commonwealth Caribbean were henceforth, to be considered as part of the entire Caribbean Basin - including Central America and the mainland countries of South America - for the purpose of United States policy making. This change in United States policy orientation had, at least, an immediate demonstration effect of reducing the significance of the Commonwealth Caribbean as a separate entity in the eyes of United States policy-makers, and even among some Caribbean politicians and planners. The Caribbean Basin Initiative was certain to have an effect on the process of regional cooperation in the Commonwealth Caribbean by offering an alternative policy which could detract from the pursuit of regionalism among these member states.

Regional cooperation in the Commonwealth Caribbean was undertaken within the context of a dependent relationship. It was assumed that the maintenance of existing economic relations with non-member states would not seriously affect the regional program, and that the "...external environment would be favorable and stable, and would not have a major impact on the integration process itself..."¹ Progress toward regional cooperation and the anticipated benefits were apparently to be determined mainly through the outcome of regional initiatives. It was therefore only necessary for Caribbean states to fit their external relations into

the framework for regional cooperation. The organizations that were established were characterized by a loose and flexible structure - that emphasized limited market integration, and later some functional cooperation and attempts at coordination of foreign policies - while member states were relatively free to pursue their economic and other arrangements with non-member states. The CARICOM Treaty, therefore, "...remains compatible with a variety of external economic pursuits, including third country purchases that may conflict with a serious program of regional self-sufficiency..."². Despite the stated goal of coordination of policy at various levels of activity, CARICOM member states continue to place emphasis on national planning and development, as opposed to regional planning, a common industrial policy and greater harmonization and coordination of national policies. Thus the very nature of the CARICOM Treaty and the behaviour of its member states provide scope for the influence and activities of external actors, that may not necessarily be conducive to the promotion of regional cooperation.

Despite the previous assumptions it is clear that external factors continue to have a significant impact on the process of regional cooperation in the Commonwealth Caribbean. Soon after the signing of the CARICOM Treaty in 1973, the external environment was to have a drastic effect on the CARICOM economies with the sudden increase in oil prices and the inflation that followed. Caribbean

dependence on the United States economy placed these countries - and hence the regional movement - in a situation where they were vulnerable to the policies of the United States government. In order to gain an appreciation of the kind of impact that United States policies have had on the process of regional cooperation, the following sections will outline the nature of Caribbean dependence on the United States, and the effect of United States policies, particularly in the areas of trade, aid and investment.

(i) Caribbean Dependence and The United States
Response to Caribbean Regionalism 1968-1980

The countries of the Commonwealth Caribbean are dependent on external trade, capital and technology to stimulate their development. The general thrust of the program for regional cooperation among the Commonwealth Caribbean countries was intended to achieve two primary goals: to reduce the dependence on the metropole and to maximize the utilization of local resources for regional development. Given the fact that these countries had very few, if any, economic relationships with each other, most of the external constraints to development were the policies of the industrialized countries. Such policies included trade restrictions and protectionism, unfavorable demonstration effects, controls over capital export and reduction of the real value of aid to the

recipients by requirements that purchases be made in the donor country.³

The Caribbean economies are dominated by the production of a few primary products that are mainly sold in the United States market, and hence any attempt to reduce dependence would require diversification of the productive sector as well as greater access to new markets. Despite the fact that the regional scheme has been in effect for over a decade, the Caribbean is still heavily dependent on United States trade, aid and investment, and hence the policies of the United States in these areas continue to have a major impact on the countries of the region both individually and collectively. Rather than permit greater self-reliance, integration among these countries seems to have led to increased trade and aid dependence on the United States, although it did result in an increase in intra-regional trade. The foreign capital dependent relationship between these countries and the United States has increased the development gap between them.⁴

Caribbean dependence on the United States must also be placed within the framework of ideological and political interaction which mark their relations. United States influence in the area has had an impact on the entire social structure, particularly the ruling classes. Thus, United States policies have found ardent supporters among some Caribbean governments who are themselves willing to introduce domestic policies that would

not conflict with those of the United States government. Thus, while regional cooperation was intended to reduce the dependence on these countries, it is true that many of the policies of Caribbean governments have actually led to increased political and economic dependence on the United States.

Despite its recognition of the importance of the Caribbean to United States security interests, and the awareness that it is the weak, unstable and dependent nature of these countries that present the greatest possibilities as security risks, the United States has done relatively little to help the Caribbean territories overcome their serious economic problems. These countries have never really been able to resist the encroachment of external powers, nor to undertake the process of regional integration and development without the assistance of external actors. For the United States policymakers domestic political changes and bilateral relations seem to take precedence over fundamental socio-economic changes and efforts at regional cooperation.⁵ A serious United States policy designed to promote regional integration will promote development in the region. Whatever the policies of the United States, they will have an impact on the Commonwealth Caribbean. At the 93rd Congress of the United States, Aaron Segal noted that:

"As they grope towards regional and sub-regional awareness and cooperation, what the United States does

or does not do about a host of issues, immigration, energy policy, trade, aid, international monetary agreements, scientific research, will be critical to determining the options at their disposal."⁶

The United States policy positions have been characterized by three types of responses, namely, verbal, material/financial and symbolic support. An examination of United States policy towards the Caribbean will serve to highlight the various responses and their impact on the process of regional cooperation.

The verbal response to regional cooperation may be represented by formal statements and policy objectives by United States government officials indicating their position on the issue. Support for regional cooperation among the Commonwealth Caribbean countries was evident in speeches made by high level government officials from as early as the formation of the Caribbean Free Trade Area. After acknowledging that the Caribbean Development Bank had become a reality, President Johnson, in his discussions with Prime Minister Barrow of Barbados, noted that "...like the Central American and the Andean Groups, the Caribbean Islands are now taking their places in an historic march toward regional economic integration."⁷ Meanwhile, in a statement by Secretary of the Treasury Department made on October 28, 1968, President Johnson was quoted as saying that "...in a climate of peace... we here will do our full share in support of regional cooperation."⁸ Thus the establishment of the Caribbean Free Trade

Area in 1968, had received the verbal support of the United States government. Speaking a year later on the United States-Latin American special relationship, President Johnson stated that

"... we have placed our weight and financial support behind Latin American economic regionalism and integration....But all our efforts in the Alliance and Inter-American programs will succeed only if Latin America achieves the goal of a truly integrated economy."⁹

For the United States policymakers of this period, regional cooperation was perceived as the basis for development at both the regional and sub-regional levels. The United States therefore seemed to have a positive, if not enthusiastic attitude toward regional cooperation among these countries.

Among the major issues of United States foreign policy discussed by Secretary of State Rogers to the Senate Committee on Foreign Relations, April 14, 1969, was that:

"It will be the policy of the United States to place the highest priority on our close and friendly relations with our Latin American friends ... In this relationship our policy will be first to encourage increased regional cooperation."¹⁰

The high priority accorded to regional integration among these countries was enhanced by the allocation of foreign assistance to the sub-regional lending institutions including the Caribbean Development Bank. It was noted that while the United States was

not a member of the Bank, its policy was to assist such organizations through United States development loans.¹¹ Thus the Caribbean Development Bank, which is the main financial institution of the Caribbean Free Trade Area, and later the Caribbean Community, was recognized by the United States policymakers as a channel for its development loans. A senior official acknowledged United States support for these institutions when he stated that in order to support of economic integration in Latin America, "...the United States has reiterated its offers for financial assistance to the Andean Group, the Caribbean Free Trade Association and the Central American Common Market."¹²

The quest for regional cooperation among the countries of the Commonwealth Caribbean was acceptable to the United States as part of its broad policy of support for regional cooperation in Latin America. By this time, the major countries in the Commonwealth Caribbean - Barbados, Guyana, Jamaica, and Trinidad and Tobago - had achieved their independence and quickly established diplomatic links with Washington. The only visible ideological persuasion evident among the government of these countries was that based on the free market system and capitalist enterprise. Regional cooperation therefore meant free trade, the expansion of the market and the promotion of import substitution industrialization. United States multinationals also exercised great

influence on policy decision-making in the region and Caribbean development was affected by the policies of these firms. Apart from the concessions offered by these countries, the benefits to be derived from regional integration among these countries must have been partly responsible for the support given by the United States. Regional integration was also viewed as an instrument for stable development and modernization and it was felt that an economically viable Commonwealth Caribbean would preserve a stable and secure environment for the exercise of United States power, as well as a measure to reinforce these countries against the influence of Cuba and the Soviet Union.¹³ United States policies toward the Commonwealth Caribbean have always been set in terms of security and political goals and any support for economic development in the region must be viewed as compatible with these goals. It was hoped that both the interest of the United States and the Commonwealth Caribbean would be achieved by this political-security-economic equation.

The United States also verbally emphasized the need for 'self-help' in the region and the promotion of indigenous techniques to development. Thus, among the approaches for development outlined by President Nixon, at an Annual Meeting of the Inter-American Press Association in 1969 were:

"...respect for national identity and national dignity, in a partnership in which rights and responsibilities are shared by a community of independent states.

... a firm commitment to continued U.S. assistance for hemispheric development, and

... a belief that the principal future pattern of this assistance must be the U.S. support for Latin American initiative, and that this can best be achieved on a multilateral basis in the Inter-American system."¹⁴

Economic development, the administration of aid, regulation of trade, as well as tied loans and regional economic integration were identified as the important economic issues in United States relations with the region. The Nixon Administration acknowledged that the extent and timing of the process of regional cooperation was to be determined by the member states, who were assured of the United States support and willingness to help, when such assistance was requested.¹⁵ Given the dependent nature of the Caribbean states on the United States economy, such support for regional cooperation was a practical necessity. However, while the United States claimed to support indigenous institutions, it was often the case that any attempt at national or regional autonomy was viewed as a threat to the United States national interests. The countries of the region are often caught in the dilemma of dependence on the United States, of trying to introduce indigenous development strategies and of having them rejected or overruled by policies promoted to serve United States national interests.

An even more important and valuable aspect of United States response to regional cooperation in the Caribbean is expressed in

the form of material/financial support, particularly through trade policies, financial aid policies and technical assistance programs. As will be seen later, United States aid programs, especially through the Agency for International Development, have made some contribution to regional cooperation. However, there is still the tendency for United States bilateral aid programs to be given prominence over regional programs, and for bilateral aid to surpass regional development aid.¹⁶ In some instances the regional institutions have been bypassed, thereby affecting the legitimacy of these institutions in the decision making process for regional development in the Commonwealth Caribbean.

A third aspect of United States response to regional cooperation can be classified as 'symbolic' support, evident in the visit of senior administration officials to the region for meetings with regional officials. Despite visits by United States officials to the region since 1968, it is notable that there were seldom any meetings to discuss regional cooperation and development planning. These visits were often made within the context of bilateral relations and hence domestic policies took precedence over regional issues.¹⁷ In cases where a number of government officials from member states were invited to talks with United States officials, the subjects for such discussions were often United States security interests and goals rather than regional cooperation among these countries. Participating members of the Central American Common

Market were aware that it was in their best interest to join the regional scheme, particularly since the United States financial assistance and its support had increased the benefits of participation. Within the Commonwealth Caribbean there was no equivalent to the United States organized Regional Office for Central America and Panama, which offered financial assistance as well as consultative services to the newly established Central American Common Market.¹⁸ This is not to suggest that the excessive United States influence in the Central American Common Market, was desirable as a stimulus to regional cooperation in the Caribbean, but rather that a more positive and tangible United States commitment to the regional scheme would certainly have reduced the costs of participation in the scheme. Thus, while verbal support for regional integration was forthcoming, the material and symbolic support were limited in the case of the Commonwealth Caribbean. These limitations were certain to have an impact on the process of regional cooperation.

United States policy during the Carter Administration was designed to "...address critical, short-range economic problems that threatened several countries [and] to encourage greater cooperation and interdependence among the countries of the Caribbean in the economic and development areas."¹⁹ According to John A. Bushnell, Deputy Assistant Secretary of State, the major achievements of United States policies during the Carter Administration included:

"the establishment, in conjunction with the World Bank and other major international financial institutions, of the Caribbean Group for Economic Cooperation and Development, a multinational consultative group consisting of both donor and recipient countries, with the objective of both rationalizing and increasing assistance flows to the Caribbean..."²⁰

The contribution of the United States inspired group to regional cooperation in the Caribbean will be discussed in the section on financial aid and regional cooperation.

The Carter Administration also took credit for the establishment and funding of the Caribbean Development Facility (CDF) in 1978. The CDF is a "...mechanism for generating aid and directing assistance flows where needed in order to help governments continue the process of development at the same time they are facing austerity measures required by agreements with the IMF or similar undertakings."²¹ The US\$116 million in new assistance generated by the Caribbean Development Facility during the first year of its operation provided recipient governments with balance of payments benefits while helping them to continue important development projects.²² The assistance given to the governments of Guyana and Jamaica, both through the Caribbean Development Facility and bilateral programs allowed these countries to survive critical balance of payments problems but was not effective enough to enable them to change their policies of restricting CARICOM based imports, as part of their measures to cope with the problem, a factor that

seriously threatened the regional movement. The administration did encourage a sense of cooperation among the smaller states of the Caribbean Community by supporting the formation of the Organization of Eastern Caribbean States and by providing funds for the development of common services among these countries.

The above survey was intended to highlight the dependence of the Caribbean on the United States, and its response to regional integration. The next section will deal specifically with United States trade, aid and investment policies and the effects on regional integration.

(ii) United States Trade and Regional Cooperation

The external relations of the Commonwealth Caribbean countries are based mainly on their trade relations with the United States and the European Community. Table 1 shows the comparative data on Intra-CARICOM Trade and trade with the rest of the world 1967 and 1978. (See Appendix I). While there was a marginal increase in intra-CARICOM trade during the period, the Caribbean countries continued to depend primarily on their external trade relations. International trade with the United States is one of the most important activities between the Caribbean countries and this external actor. In Table II the export structure reveals that by 1975 the United States was the most important trading partner for

Barbados, Jamaica and Trinidad and Tobago, and only second to the United Kingdom in the case of Guyana. (See Appendix II). It was hoped that the wider regional market created by the free trade area would help to reduce the trade dependence of these countries on the United States, and that a regional approach to trade would give the Caribbean countries greater bargaining power in their negotiations.

The United States has continued to grow in economic importance to the Caribbean. Two-thirds of the United States requirements for bauxite and alumina come from the Caribbean, while one-fourth of its petroleum imports are refined or transhipped in the Caribbean.²³ Other exports from the Commonwealth Caribbean to the United States include citrus fruits, sugar, bananas and spices. For its part the United States exports about US\$2 billion worth of goods annually to the Commonwealth Caribbean.²⁴ The major exports include machinery and spare parts, transportation equipment, manufactured goods, processed foods, chemicals and telecommunications equipment.²⁵ The United States supplies the largest share of value of the imports of the region and provides a market for the major share of its exports. In 1982 over forty-nine percent of all Caribbean exports went to the United States.

An examination of the commodity structure of the United States-Caribbean trade relations would show that it has essentially remained the same despite regional integration. Raw materials,

particularly bauxite, petroleum, and sugar, have continued to be crucial to Caribbean trade, and to the contribution to gross domestic product, foreign exchange and government revenues. While sugar continues to be the basis of many of these economies and the principal agricultural export, the United States has not been a major importer of this commodity from the Commonwealth Caribbean.

The Commonwealth Caribbean has not been a major beneficiary of the United States Generalized System of Preferences (GSP), implemented in 1976, which was designed to offer easier access to the United States market for manufactured goods from developing countries.²⁶ The GSP allows duty free access of some manufactured goods from developing countries to the United States but for products to be eligible the value added in the developing country must be thirty-five percent or in the case of a country which was a member of a free trade association, fifty percent. The manufacturing sector in the Caribbean has been relatively small contributing sixteen percent of the gross domestic product of Jamaica in 1975, eleven percent in Barbados, seven percent in Trinidad and Tobago, and five percent in Guyana.²⁷ The provisions of the Generalized System of Preferences should have encouraged an expansion of the manufacturing sector within the region, and increase the benefits of participation in the regional movement. However, given the other policies of the United States - financial

aid and investment - which tended to place more emphasis on the development of national manufacturing sectors, and the private sector in individual countries, rather than on regional programs for the rationalization and expansion of the manufacturing sectors, the regional scheme was not in a position to acquire significant benefits from the Generalized System of Preferences.

One of the most visible aspects of Commonwealth Caribbean trade with the United States is the tourist industry which continues to be vulnerable to economic conditions and policies of the United States. The relations of the United States with the host countries can have a significant impact on the tourist industry in the Caribbean.²⁸ Since the tourist industry operates on a seasonal basis, governments of member states dependent on tourism are often careful to ensure that they pursue the best relations with the most powerful external actor and the country from which the largest number of tourists originate. A single bad tourist season could result in balance of payments problems and affect the developmental plans of these states. Thus their dependence on the United States economy restricts the ability of the Commonwealth Caribbean states to act autonomously in decision making and regional planning and development.

As suppliers of a few agricultural products and industrial raw materials, the Caribbean countries find that their commodity

prices are determined externally. Yet these countries are forced to engage in trade with the United States because of their need for foreign exchange and capital goods which are important to their development plans.²⁹ Further, these commodities face a number of tariff barriers, quota regulations and other obstacles to trade which are part of United States trade policies.³⁰ According to a former Minister of Foreign Affairs in Jamaica -

"These tariff and other barriers discriminate against our exports of manufactured goods condemning the developing countries to a permanent role as primary producers."³¹

Thus, even in areas where regional cooperation has allowed a widening of the manufacturing base both nationally and regionally, United States trade policies have weakened the resolve to further progress.

The Commonwealth Caribbean has increased its dependence on external food supplies during the past few years. Except for Guyana, due to its large agricultural base and its government policies, all countries of the region have continually experienced a deficit in their trade in agricultural and food products.³² Among the development problems facing the region, Demas listed the large food import bill, which for the English speaking Caribbean amounted to nearly US\$0.5 billion or about US\$80 per head of population in 1980.³³ The United States is one of the main

suppliers of food to the region and unless regional food sources are developed in the future to satisfy local and regional tastes and preferences for food, the United States is likely to remain the major source of Caribbean imported meat and grain. ³⁴ It has been acknowledged by Caribbean leaders that the reduction of its massive food bill requires a regional approach. Thus, a Regional Food Plan has been developed with the support of all member states of the Caribbean, but to date there has been no commitment by the United States to support such a plan.

The Commonwealth Caribbean countries depend on the United States for most of their machinery and transport equipment and increasingly for managerial and operational skills partly because many of their skilled personnel have migrated to the United States and other developed countries. If regional cooperation is to succeed in the Caribbean, these countries will need to seriously consider the prospects of developing their own technology on a regional basis particularly if they intend to reduce their dependence on the United States.

The trade policies of the United States are important to regional cooperation since the accessibility of the United States market for regional products would contribute to the expansion of trade in the region. It would also encourage serious regional planning for the restructuring and diversification of the

productive sectors. Caribbean countries would be guaranteed a reliable market for traditional products, as well as for new products that may be introduced through the greater cooperation within the regional productive sectors.

It is clear that the Caribbean has a high degree of trade dependence on the United States, although such dependence, by itself, does not constitute economic dependence. Economic dependence is often reflected in the structure of Caribbean economies which possess a dominance of raw materials and semi-processed goods in its trade, and is not in a position to influence world market prices. Further, industries in the Caribbean tend to be more integrated with extra-regional sources than intra-regionally. The dependence of the Caribbean countries on the United States has been a major obstacle to regional cooperation.

(iii) United States Aid and Regional Cooperation

For the states of the Commonwealth Caribbean, the flow of external aid is crucial to the pace of development and the process of regional integration. Bilateral aid has always been important and it was expected that such aid would not be reduced as a result of the establishment of a scheme for regional cooperation. However, these countries were aware of the fact that if their

integration efforts were to succeed it was necessary to seek financial commitments from sources external to the movement. Caribbean dependence on economic assistance is evident in the fact that between 1976 and 1977 Barbados obtained US\$7.57 million in export credits from the member countries of the Development Assistance Committee compared with allocations to Guyana of US\$25.18 million; Jamaica US\$41.58 million and Trinidad and Tobago US\$5.87 million.³⁵ In the period 1975-1977 the U.S. Export-Import Bank Authorizations to these countries totalled US\$710.81 million. Private bilateral flows to the region from the Development Assistance Committee amounted to US\$244.8 million in 1981 and official bilateral flows to US\$425.7 million, while the Caribbean Regional Support fund was granted \$27.1 million for the same fiscal year.³⁶

According to Mytelka, foreign aid "... can be used to promote regional integration ... and can play a significant role in encouraging and facilitating the task of integration once an integrative system has been brought into existence."³⁷ For such aid to be effective in the promotion of regional cooperation, however, it would have to be channelled through regional institutions and projects that will contribute to regional development. While it may be argued that the development of individual member states will contribute to the development of the region as a whole, this is not likely to be the case in an integration scheme among states at different levels of development since there is always the danger of creating and reinforcing poles of growth and poles of stagnation.

Foreign aid to an integration movement may also increase the available resources to member states thereby making the task of distribution easier since each state is likely to gain more than originally anticipated. Thus aid from external sources can reduce the cost of participation in the regional scheme.³⁸ It should be noted, however, that the regionalization of aid need not contribute to an enlargement of the available resources for distribution, particularly if the aid granted to the regional scheme is less than that which member states would normally receive through bilateral aid programs.³⁹ If such aid is concentrated within individual member states it could adversely affect efforts to introduce compensatory and distributive mechanisms.

Despite financial assistance to these countries, Demas has noted that there is generally a "... gross inadequacy of financial resources for funding integration and economic cooperation schemes among Third World countries."⁴⁰ The problem is manifested in two forms, namely, the tendency to have a "... shortage of funds for the financing of integration or regional physical projects ... and secondly...[the existence of]...a liquidity gap - a gap in the provision of external liquidity to sustain and increase intra-regional flows in economic integration and cooperation groupings."⁴¹ United States aid policies to the Commonwealth Caribbean regional cooperation reflect a deficiency in both areas.

United States policy towards the Commonwealth Caribbean has been mainly expressed through foreign aid programs. All countries of the Caribbean are dependent on the United States as a source of aid, not only for project development, but increasingly to assist with balance of payments problems and debt servicing.

In 1969 President Nixon announced that the Caribbean Free Trade Area would be among the regional schemes that would receive United States financial assistance and that the United States was going to shift from its reliance on bilateral exchange to multilateral groups.⁴² Despite this statement, however, United States policy orientation has continued to emphasize bilateral exchanges which reinforces the tendency for member states in the Caribbean to resort to national policies and projects as solutions to their problems.⁴³ While these policies may contribute to national development they are not necessarily the most efficient and effective solution to regional development. It may be that the United States finds it easier and more effective to negotiate aid packages with individual member states than with a regional body, but, according to Mytelka, such an approach limits the -

"... development of mutual comprehension, mutual predictability, a spirit of compromise, a decision making style suitable to reaching a compromise and other factors commonly associated with a pattern of integrative behaviour."⁴⁴

The degree of impact that bilateral aid can have on regional cooperation depends on the extent to which it is used to finance regional projects. This has not really been practised among member states of the Caribbean Community, nor has it been encouraged by the United States in its relations with specific countries.⁴⁵ The United States contribution to regional cooperation among the Commonwealth Caribbean countries would be most effective if its financial assistance is channeled through the necessary regional institutions for the promotion of regionally approved plans.

The total United States aid to the Commonwealth Caribbean under the Carter Administration increased from \$96 million in 1977 to \$184 million in 1980.⁴⁶ Part of this aid was in grants and the rest through development bank loans, project and program loans from the Agency for International Development and other credits. United States aid tends to be highly concentrated in specific countries, particularly the more developed countries of the region.⁴⁷

Among the regional programs identified for financial assistance by the Agency for International Development in 1978-79 were the revitalization of the agricultural sector with emphasis on the small farmer and increased productivity in labor intensive enterprises. The financial resources for this plan were provided by a US\$8.4 million loan with a US\$1.4 million companion grant which was to "... provide credit and technical assistance for expansion-

and creation of labor intensive industrial estates and small-to-medium sized business enterprises."⁴⁸

In the areas of functional cooperation, United States policy was to provide aid that would allow access to education, health facilities and family planning services in the region. The United States therefore initiated a US\$9.8 million grant project to support these programs.⁴⁹ A US\$4 million training grant to upgrade the managerial and developmental skills of both the public and private sector was also provided.⁵⁰ These regional projects supported and encouraged the establishment of common services among the member states.

Given the serious economic problems encountered by Commonwealth Caribbean countries after the 1973 oil crisis, there was need for an energy policy that would allow for greater efficiency in the use and conservation of fuel resources. To assist in this program, the Agency for International Development approved a project plan for a US\$7.6 million grant for the development of alternative energy systems.⁵¹

Generally for the fiscal year 1979 United States allocation to regional development was around US\$26 million while the request for the fiscal year 1980 was estimated at US\$37.7 million.⁵² Although these may seem to be miniscule figures, they were a vast

improvement over the US\$8 million a year average between 1974 and 1977.⁵³ Overall AID assistance to the Caribbean has grown substantially from a 1975 level of about US\$32.3 million to a request for US\$155.2 million, including development assistance and Public Law 480 which provides assistance for the purchase of food for the fiscal year 1980.⁵⁴ Generally, United States AID was concentrated in the areas of functional cooperation and common services and it should be noted that to date the Caribbean Community has achieved its greatest success in the area of functional cooperation.

The less developed member states of the Caribbean Community required extensive infrastructure and transportation facilities if they were to benefit from regional programs. A long range regional program designed to strengthen the institutional base for development among these countries was necessary to their development. In recognition of this fact, the Treaty of Chaguaramas included a Special Regime for the Less Developed Countries (LDC's).⁵⁵ Essentially, the special regime for the LDCs sought to provide for an increased flow of resources and to reduce the cost to, and possible adverse repercussions of their participation in regional policy coordination.⁵⁶ Unfortunately, United States aid policies towards the region to 1979 did not give special attention to these countries but were concentrated in the more developed countries thereby contributing to a widening of the

disparities between member states of the region. During 1979, however, the United States developed a new policy of providing development assistance to the Less Developed Countries when it provided US\$10 million as an interim measure to support the establishment of projects such as the modernization or construction of school and health facilities as well as other public sector facilities.⁵⁷

The regional assistance of the Agency for International Development which was channelled through the regional institutions is outlined in Table III. (See Appendix III). The Table shows the broad spectrum of regional projects - from the financing of infrastructural, agricultural and industrial activities to provision of funds for education facilities - which have benefitted from funds made available by the Agency for International Development. Projects were designed for long term implementation and were to be administered mainly through the Caribbean Development Bank, and also through the Caribbean Community Secretariat and the Eastern Caribbean Common Market.⁵⁸

The establishment of the Caribbean Group for Cooperation in Economic Development was one of the more important events for Caribbean regionalism.⁵⁹ The United States in conjunction with a multinational consultative group and international and regional organizations envisaged a program that would attack the short and

long term problems, as well as the structural problems affecting development in the region. The overall goal of the Caribbean group was to assist in the comprehensive and coordinated development of the Commonwealth Caribbean countries.⁶⁰ The ad hoc Advisory Committee of the Group, which consisted of both donor and recipient countries was established to provide systematic coordination of technical and financial assistance and policy decision-making by member states.⁶¹ Other achievements of the Caribbean Group included:

"... the establishment of a Task Force on Private Sector Activities to stimulate the private sector, the furthering of export promotion, as well as special efforts in agricultural marketing, and in the energy, tourism, and transportation sectors."⁶²

Special attention was paid to the needs of the Less Developed Countries of the Caribbean Community including the provision of common services and a pool of experts to the Eastern Caribbean Common Market.⁶³

Apart from being the initiator of the Caribbean Group, the United States also provided financial assistance at both the bilateral and regional levels. According to Valdez the United States as a donor country "... must consciously design its bilateral programs within a regional context and encourage other donors as well as Caribbean governments and regional institutions

to do the same in planning their assistance programs."⁶⁴ Despite an awareness that if aid is to be effective in promoting regional cooperation, it must be geared towards regional development planning, the United States aid policies continue to show a bias towards bilateral relations. If integration aid is small in relation to bilateral aid, it can provide no further incentives for Caribbean governments to progress towards the deepening of regional cooperation.

While the Caribbean Group has done well in the mobilization of funds to the Caribbean, it must be admitted that it has done little with respect to the promotion of economic integration in CARICOM itself.⁶⁵ According to Demas "... the group has been trying to promote loose forms of cooperation between the countries of the wider Caribbean Archipelago ... It has promoted cooperation in the tackling of common problems, rather than integration itself."⁶⁶ If the Caribbean Group is to have an effective impact on the promotion of regional cooperation, it will have to redirect funds to support the process of regional cooperation - regional planning and projects - which goes beyond seeking to find solutions to common problems of the member states.

The main source of funds from a multilateral agency which addresses itself to financing regional projects in the Commonwealth Caribbean is the European Development Fund.⁶⁷ While funds for the

financing of projects from the United States have been minimal, the United States has been a generous source of funds for programs of external technical assistance and support to the Caribbean Technology and Energy Unit.⁶⁸ The programs provide vital services to member countries of the Caribbean Development Bank, particularly the Less Developed Countries.⁶⁹

One of the problems with United States aid programs to the region is that it is geared to specific activities. Thus, rather than channel assistance to the Special Development Fund of the Caribbean Development Bank for disbursement by the experts, funds are channelled directly to specific programs under the five funding categories of the United States.⁷⁰ This situation limits the authority of the Caribbean Development Bank to program effectively its resources and complicates the planning of regional development projects. The result of this is usually a waste of scarce talent in the Caribbean Development Bank, delays in project preparation and implementation and at times the prevention of funding to projects of high priority.⁷¹ If the promotion of regional cooperation among these countries is an important objective of United States policies, there needs to be a much greater degree of coordination of financial assistance. The CARICOM member states need also to establish a mechanism for the coordination of all external assistance - both bilateral and multilateral - to the region.⁷² It is clear that bilateral assistance to member

countries should continue since there will always be scope for national projects which may not have a direct impact on regional cooperation.

Apart from financing physical infrastructure or providing funds for projects, an important aspect of the financing of integration is the provision of external sources of foreign exchange for the purpose of financing increases in intra-regional trade flows.⁷³ The Commonwealth Caribbean has had relatively little of this kind of support. Although the United States did make special arrangements to assist Guyana and Jamaica with their balance of payments problems, it was not with the specific intention that these countries should change their policies of restricting imports from the region, or to help to ease the problems of intra-regional trade which resulted. Demas noted that there has been only one instance where a particular contribution of bilateral aid has had the effect of increasing intra-regional trade and that was through a Canadian aid program.⁷⁴ The availability of funds for financing intra-regional trade is an urgent need in the Caribbean Community particularly since it has become necessary to revitalize the CARICOM Multilateral Clearing Facility.⁷⁵ A United States commitment to provide such aid would certainly be a positive contribution to regional cooperation.

If the United States intends to be an active supporter of regional cooperation in the Commonwealth Caribbean, it would have

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to alter its aid policy towards the region. United States integration assistance has not only been minimal, but its bilateral assistance program has tended to work against integration. Project financing seems to be concentrated on projects designed for national development without any consideration for the impact on regional cooperation.

United States policy has generally been oriented toward bilateral relations. Speaking on United States-Latin American and Caribbean relations in 1973, Under-Secretary of State William Casey, noted that "... the United States is prepared to work with each nation of Latin America on a one-to-one basis to improve the flow of trade and technology and capital, both private and public, to accelerate ... development ..."76 Secretary of State Rogers confirmed this position when he commented that "... first we are going to deal with each country separately, as a sovereign nation, on equal terms. We are going to respect your nationality. We are going to respect your nationalism ... Second, we are going to encourage regional development, whether the United States participates in any particular regional grouping or not."77 There appears to exist a conflict between the United States commitment to its bilateral relations with these countries and its desire to support regional integration. This conflict is yet to be resolved in United States-Caribbean relations, and it does seem that for the moment national development objectives have been given priority over regional development within United States policy making.

While there may have been no regional alternatives to some of the national development loans, the political pressures to orient loans toward national and autarkic development can have a negative impact on regional cooperation.⁷⁸ In some instances the Caribbean Community and its several institutions which are responsible for regional development have been bypassed in favor of national governments. Further, the hesitancy of Caribbean governments to give serious consideration to the impact of national development projects on the scheme of regional cooperation has made the task of providing assistance to regional projects even more difficult.

Foreign aid and investment seem to support the continued development of parallel rather than complementary productive structures and have reinforced extra-regional links.⁷⁹ United States investment policies which offer concessions for private sector investment in the region also contributes to this development pattern. According to Grunwald "...a regional integration philosophy for foreign assistance would require that official aid and private capital be geared to foster industries producing for multinational rather than limited national markets."⁸⁰

Foreign aid may be used as an instrument in the exercise of leverage by the donor countries. In the case of the United States,

a bilateral aid policy may be preferred to a regional one since it allows the United States to maintain political and economic leverage over the recipient countries, as well as making its contribution to national development of individual member states more visible. Such aid may be used to keep countries from adopting extreme ideological positions, protect private economic interests or institute internal policies that the United States perceive to be crucial to economic growth.⁸¹ Within the Commonwealth Caribbean, the failure of governments to work out a regional policy on aid and investment has merely served to encourage the type of aid policies adopted by the United States. In fact, until the member states of the Caribbean Community seriously consider the achievement of regional development as a top priority and recognize that it is crucial to their own development, United States aid policies will continue to be acceptable. Caribbean governments need to be aware that their domestic policies contribute to the ability of the United States to influence the program of regional cooperation.

The most effective contribution that the United States can make to regional cooperation in the Caribbean is to provide aid for regional objectives. A United States aid program that continues to be biased in favor of bilateral aid cannot provide a significant impetus toward regional cooperation. As long as these bilateral programs continue to offer more to individual member states, these

countries may view the regional scheme as much less important than their continued relations with the United States.

Assistance to regional institutions responsible for coordinating programs may be just as important to the region as project aid. Such assistance should consist of contributions to special regional funds to provide for balance of payments assistance and finance intra-regional trade; loans for the construction of a more diversified economic base regionally, and funds for the training of personnel to participate in regional programs and projects. Since regional integration is considered to be a crucial element in the development of the Commonwealth Caribbean, any efforts to overcome the obstacles to integration would benefit the region. External integration assistance will continue to be necessary to stimulate and supplement regional efforts.

(iv) United States Investment and Regional Cooperation

The basis of United States relations with the Commonwealth Caribbean also rested on the large volume of private investment to the region. Direct investment by the United States to the four more developed countries of the region between 1966¹⁹⁶⁵ and 1976 grew from US\$0.5 billion to US\$1.3 billion.⁸² In Trinidad and Tobago alone United States direct investment accelerated from US\$280

million in 1972 to US\$713 million in 1976, while that for Barbados increased from US\$3 million in 1966 to US\$20 million in 1976.⁸³

The bulk of foreign capital in these countries is in the form of finance capital owned by foreign banks, holding companies and insurance agencies. The United States is an important source of private official direct investment (PODI) in the Commonwealth Caribbean as shown in Appendix IV.

United States direct investment to the region rose by 106 percent between 1970 and 1976.⁸⁴ Such investment and other foreign capital are concentrated on specific activities including petroleum and related industries, mining and smelting, banking, tourism and manufacturing.⁸⁵ The financing of economic activities in these countries is dominated by private international banks, a situation which reduces the control of the decision-making process of these governments, since the banks are involved in such activities as balance of payments obligations, international reserves, imports and development projects.⁸⁶ These banks can and do influence policy decisions and the direction of development in the Caribbean. In many instances the reaction of these banks to government policies can influence the behaviour of other donors which determine to a considerable extent the direction and sectoral allocation of bilateral and multilateral aid.

During the last decade many of the Caribbean countries have paid more attention to foreign corporations and investment policies in the region. There has been general dissatisfaction with the relatively minimal contribution that such investment has made to development. The perception of the problem in Trinidad and Tobago is typical of the response of other governments in the region: "... vital economic decisions affecting the country's economy have been taken externally ... by metropolitan governments and metropolitan producers ... In short, the economy has been acted upon, with the local governments and people playing a passive dependent role in the process."⁸⁷

In their attempts to rearrange the balance between national and regional interests and private corporate interests, Caribbean governments have introduced a number of programs ranging from complete nationalization of all foreign owned assets - as in Guyana with the nationalization of the Demerara Bauxite Company in 1971, and the Reynolds Mines in 1975 - to the more popular joint ventures evident in Jamaica and Trinidad and Tobago. This response from Caribbean governments was certainly a contrast to their earlier policies of encouraging and supporting the inflow of private foreign capital as was reflected in their domestic and regional policies in the 1960's and early 1970's.⁸⁸ It was not surprising that the United States gave its support to the program for regional cooperation established in 1968 since it accommodated the interests of United States private investors and foreign policy.

The changes in the domestic policies of some of these countries toward direct investment have affected their relationship with the United States, since they conflict with its policy on direct investment. For many of these countries the private sector was no longer seen as the backbone of economic development and the state began to expand its influence in economic decision making. This strategy was also contrary to United States policy which placed great emphasis on private sector dominance in economic activity.

Caribbean governments were soon to learn that the mere acquisition of foreign owned assets, or shares in those assets was not enough to reduce significantly their dependence on the metropole, particularly since they continued to produce the same primary products for a vertically integrated multinational corporate structure.⁸⁹ What was necessary was the integration of the primary industries into both the local and regional economies thereby providing new intra-regional linkages. Although government has a greater role in the decision making process these countries continue to be exposed and vulnerable to external sources on which they depend for long-term finances. Since the United States is a major participant in many of the international lending agencies, it is in a position to influence the process of development and regional cooperation among these countries.

United States direct investment continues to be important to the development policies of CARICOM member states particularly the smaller Eastern Caribbean states.

The main thrust of United States policies toward investment in the region is to ensure a "safe" climate for private foreign investment. Thus, the United States recognizes a vigorous and pivotal role for the private sector in Caribbean development. As the United States Assistant Secretary of State, Terence Todman noted in 1977:

"The volume of investment required and the need for functional, long-term relationships and institutions in the development process both point to the indispensable role of private sector activity.

The individual decisions of American businessmen and companies to become involved in industry or tourism in one of the Caribbean nations, to engage in import or export trade, to open a plant, to invest in local enterprise, to arrange financing, to cooperate with a Caribbean government or company in a joint venture - these are the kinds of activities which, as a whole, will affect the economic future of the Caribbean..."⁹⁰

United States-Caribbean relations are certain to be affected by the activities of these private investors.

In an effort to promote a safe climate for investors in the region, the United States pays particular attention to the

political process and often uses the leverage of its bilateral relations to influence domestic policies. Those member states that offer a significant role to the private sector and special concessions to investors are often treated more favorably with respect to United States financial and other assistance. While private direct investment may contribute to the development of individual member states it is hardly likely to provide the stimulus for regional development. Even within individual member states, such investment tends to be concentrated in specific sectors of the economy - often the major foreign exchange earning sectors - and this limits the autonomy of governments in policy planning and decision-making.

Given the strength of the private sectors in some of these countries, it is likely that they have a great influence at the decision-making level of the individual countries. The private sector can therefore influence government policies which are reflected at both the national and regional levels. Foreign investors in the Commonwealth Caribbean are usually more interested in acquiring quick profit for the corporations particularly since they have access to cheap and available labor supply and are often granted special concessions. They thus welcomed the move toward the freeing of trade which meant that given their capacity for expansion they were in a position to reap greater benefits. These investors are naturally less supportive of a policy which advocates

the formulation of a common investment code or seeks to restrict and/or regulate the flow of investment. Given their importance to the economy of member states - particularly those of the less developed countries - the foreign private investors have been able to influence the decision-making process at both the national and regional levels.

While direct foreign investment is important to individual member states it has not had a positive impact on regional cooperation.⁹¹ This is because such investment concentrates on national rather than regional projects and is often governed by domestic policies of member states. Since foreign investment also tends to concentrate in the more developed countries of the region, it increases the possibility of division into 'poles of growth' and 'poles of stagnation'.

Regional cooperation is likely to increase investment opportunities as a result of the greater bargaining power acquired by these countries. Measures will have to be introduced to control foreign investment and the transfer of technology as well as to determine which sectors should be made available to foreign private participation. Since the Draft Agreement on Foreign Investment and Technology was proposed, Caribbean member states are yet to make a firm commitment to the regulation of investment and its concentration in regional projects.⁹² Such an investment policy

has been a source of conflict within the regional group particularly since the Less Developed Countries (LDCs) which have a greater dependence on investment flows are hesitant to commit themselves to such regulations. The More Developed Countries (MDCs) with their greater productive capacity and ability to generate local savings are in a better position to attempt to regulate investment and have tended to support such a policy. These governments are also aware that foreign investments tend to concentrate in 'pockets' of economic activities thus making their task of development planning more difficult.

The conflict that has arisen as a result of the different positions taken by these countries is reflected in their inability to implement a common investment policy. In the absence of a coordinated regional program, the United States has been able to promote its policies of free and practically unfettered investment in the region particularly through its bilateral relations. The United States government has made it clear that it would not approve any policies which reduce the scope for foreign investors in the region and investment is therefore concentrated in those states with which it has close relations and whose domestic policies accommodate United States policies on the private sector and foreign investment. Thus, given the lack of a firm commitment to a regional investment policy, Caribbean states have continued to formulate national policies on investment, and have been influenced

by the foreign investors within the member states as well as the broad United States policy directives.

United States policy in the region is therefore more concerned with making the environment safe for investors than it is with the promotion of regional cooperation. The dominance of United States direct investment in the growth points of the region underscores its economic and by implication, its political role. Any United States policy seriously committed to the promotion of regional cooperation would seek to assist in the formulation of a common investment policy which regulates the flow of investment and concentrates on the development of regional projects that would make an overall contribution to Caribbean development. A policy which insists on the major role of the private sector and foreign private investment cannot adequately provide the impetus to regional cooperation.

(v) Implications for Regional Cooperation of the United States-Caribbean Policy

Regional cooperation became one of the more important instruments used by the countries of the Commonwealth Caribbean as they sought to overcome the problems of small size, economic fragmentation and extreme dependence on extraregional markets and suppliers of resources.

The increasingly difficult economic conditions which afflicted the region soon after the formation of the Caribbean Community in 1973 were to place these countries in an even greater state of dependency on the United States and hence make them more vulnerable to its policies. Balance of payment problems, an expanding foreign debt, declines in gross national product and general standards of living, as well as increases in unemployment became characteristics of these countries. It was in these circumstances that the promotion of regional cooperation in the Commonwealth Caribbean had to be undertaken.

The United States became increasingly concerned about the lack of economic development within the region and more so about the social and political instability that resulted. The economic difficulties experienced by these countries and their dependence on the United States, forced them to pay close attention to United States policy requirements for both domestic and regional programs. Thus, their autonomy in decision-making at both the national and regional levels was significantly reduced. Since the capacity for participation and the willingness to be involved in a scheme of regional cooperation is conditioned by the prevailing economic conditions within member states and the attitudes and policies of the external actors, it was not surprising that the Caribbean regional group could only register modest gains in more

than a decade of cooperation. Countries were forced to look inwards for solutions to national economic problems rather than seek regional strategies, while their dependence on the United States have made them more willing to emphasize their bilateral relations with this country rather than regional cooperation with other member states. Their serious economic difficulties hindered their capacity to continue to commit themselves to the progress of regional cooperation especially since it could not promise the benefits of a bilateral relation with the United States which had become even more important and necessary given the economic conditions that prevailed after the formation of their regional movement.

Given the different levels of development of these countries and the difference in degrees of dependence on the United States, it was likely that United States policies would have a different impact on each member state. As a result of this it was difficult to achieve a common response to United States policies - particularly in the areas of aid, trade and investment. Those member states that had experienced a decline in United States investment were anxious to formulate an investment code that would seek to control and coordinate the flow of investment to the region. This proposal was likely to be rejected by those member states - particularly the Less Developed Countries of the region - that had a higher dependence on United States investment. As they

sought national, rather than regional solutions to such problems the process of regional cooperation was severely affected. The attempts at national solutions only served to reinforce the United States policy of giving priority to its bilateral relations. The emphasis which these countries place on economic development leads to a dominance of such issues as the basis for their relations with the United States. Caribbean countries are therefore extremely sensitive to these economic relations particularly since they are aware that as the dominant hemispheric and global power the United States can find other sources for the economic transactions that it has with them.

Regional integration among these countries is not only hampered by the fact that United States policies cannot be ignored in their own policy decision-making but even more so by the fact that their relations with the United States tend to be closer than their relations with each other despite the commonality of culture and history. Again, economic issues took precedence in the determination of their relationships with external actors. Regional policies, particularly with respect to the issues of trade, aid and investment have to be made within the context of United States-Caribbean relations and more specifically United States bilateral relations with individual member states. Further, United States interest in the region is also associated with maintaining its position as the political and ideological example

to the Caribbean countries. Thus, its influence on regional cooperation goes beyond the purely economic issues to the political and socio-cultural aspects of Caribbean life. According to Frank McDonald, the "...axiom holds that the politics of ideology of the trade union movement will affect the policies of the regional governments and that the more receptive Caribbean labor is to the presence of American investment and management patterns, the more so will be the regional politicians."⁹³ While the leadership of labor unions may be supportive of regional policies, they are likely to prefer the more immediate and short term benefits of bilateral relations with the United States. Although a regionwide labor union may be able to exert greater influence on the regional governments to become engaged in regional cooperation, the fact is that the Caribbean Congress of Labour is made up of representatives of a large number of local unions with different views and interests. The capacity of the United States to influence regional cooperation is reinforced by the fact that its policies are likely to offer more immediate and visible benefits to the membership of unions than does the regional program.

The reaction of Caribbean leaders to United States policies both at the national and regional level, has been mixed, varying from serious reservations to complete support. According to Valdez,

"... concern still existed particularly among the Eastern Caribbean countries, as to whether the regional approach was the best mechanism for addressing individual economic needs ... [However] ... Despite expressing desires to enter into a bilateral development program with the United States, the Eastern Caribbean countries agreed during the past year [1979] to participate in a number of U.S. financed regional development projects."⁹⁴

The member states that had adopted a 'leftist' development strategy were often in the forefront of the criticism of United States policies in the region, while other governments seemed more willing to consider and even support such policies. Thus, the conflict and lack of consensus among Caribbean leaders with respect to their response to United States activities and policies certainly weakened the process of regional cooperation. The different levels of development of these countries and different degrees of dependence on the United States affected the decision-making process and hence regional planning and development. Tensions developed within the movement as each member state tried to defend its position vis-a-vis the United States. These tensions were then exploited by the United States government as was evident in its verbal attacks on Grenada, Jamaica and Guyana and its strategy of withholding financial assistance to these countries. Caribbean governments, already in conflict over their response to economic issues, were now forced into a position of political and ideological conflict that was influenced by the policies of the United States.

A conflict of interest developed between those states that were willing to make special deals with the United States for financial and technical assistance and investment and those that were insisting on joint ventures and nationalization. CARICOM member states seemed unable to deal with the United States on a unified basis as they had with the European Economic Community through the Lome Convention. Their failure to identify and seriously promote regional programs and projects, was also likely to have a negative impact on the process of regional cooperation. Thus while collective bargaining power is an incentive to regional cooperation, its effect is severely reduced when all the member states find themselves in a particular kind of dependent relationship on a major external actor.

United States financial assistance to the region has not been extremely supportive of regional cooperation.⁹⁵ Such assistance was often directed to national rather than regional programs and tended to be concentrated in the more developed countries of the region, thus widening the gap between the more and less developed countries and reducing the incentives to participation. Further, since these recipient countries are forced to depend on a single major source of economic assistance, particularly when such assistance is offered within the context of bilateral relations, they are likely to view this particular relationship as more important than a regional scheme in which the

benefits are not so visible. The disbursement of financial assistance also has a negative effect on regional cooperation when it is used to reward the actions of member states which are consistent with those of the United States. Thus, the United States insistence that its aid for the rehabilitation of the island-states after the hurricane in 1979, though channelled through the Caribbean Development Bank, should not go to Grenada is an obvious case of the donor trying to dictate regional policies and to accord special treatment to some countries.⁹⁶ It must be remembered, however, that financial assistance can also have a positive impact on the process of regional cooperation if it is used to support regional programs and policies.

Caribbean governments were careful to ensure that their economic and financial relations with the United States were not adversely affected by their participation in a scheme of regional cooperation. Having been conditioned to dealing with the United States on an individual basis rather than through the regional scheme, these countries have shown an inclination to place national interest and bilateral relations with the United States above deepening the process of regional cooperation. Increasing economic difficulties have forced these countries to engage in short-term planning in an effort to improve their national economic conditions. Thus, regional planning - with its inherent long term solutions - has been relegated to the position of "second best" as

countries seek to gain as much short term assistance as possible. There is also a lingering question of whether the scheme of regional cooperation in the Caribbean is compatible with the free trade policy of the United States and with its interests and goals in the region. Caribbean governments must realise that the tendency to divisiveness in the region can only serve to reinforce the emphasis placed on bilateral relations by the United States. Thus, while regional cooperation among the Commonwealth Caribbean States may have the formal support of the United States, there have been inconsistencies in United States attitudes and policy goals. United States support of regional cooperation among these countries is affected by its deep commitment to continued bilateral relations.

(vi) Conclusion

According to Abraham Lowenthal, United States relations with the Commonwealth Caribbean is of great importance given the fact that:

"No regional solution is possible in the Caribbean, an area more 'Balkanized' than any other, without the support of the United States, the power which bounds and even defines the Caribbean ... American power, private and public can be used either to keep the Caribbean territories fragmented; or to help the Caribbean units work together. A passive U.S. government role ... would have the effect of reinforcing fragmentation and dependence."⁹⁷

An active United States government role which recognizes and supports local regional initiatives, and which perceives regional cooperation among the Commonwealth Caribbean countries as essential to the development of these countries would certainly have a positive impact on the process of regional integration. It was in this context that many Caribbean governments welcomed the Caribbean Basin Initiative proposed by the newly elected President of the United States in 1981. They were soon to recognize, however, that an active role by the United States which failed to give priority to regional cooperation, could have a greater negative impact on the process of regional cooperation than previous United States policies. The impact of the Caribbean Basin Initiative on regional cooperation in the Commonwealth Caribbean will be the subject of the next chapter.

Footnotes

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CHAPTER V**THE CARIBBEAN BASIN INITIATIVE AND CARIBBEAN REGIONAL COOPERATION****Introduction**

The serious socio-economic problems faced by the Commonwealth Caribbean countries throughout the 1970s had a severe impact on the process of regional cooperation. Balance of payments disequilibrium, inflation, stagnant productive sectors, rising unemployment and fiscal deficits, as well as difficulties in satisfying social needs were characteristic features of these economies.¹ Governments of these countries were so preoccupied with seeking solutions to these problems that short-term stabilization policies became more important than long-run development policies. The year 1980 brought no real improvement in the economic performance of Caribbean countries. The consequence of this situation for the Caribbean Community included stagnant intra-regional trade, and falling growth rates for most of the member states.

The report by the Group of Experts who assessed the performance of the regional organization during the 1970s, noted that while there had been relatively modest gains in the area of functional cooperation and even less in trade, there had been practically no progress in other fields.² However they concluded

that the foundations for the regional movement were still intact since the institutional framework had remained and there was some intergovernmental dialogue, while regional trade and functional cooperation had shown some degree of resilience to the many problems facing the region.³ While the Commonwealth Caribbean countries began the decade of the 1980s in the throes of economic difficulties, a new administration was elected in the United States. As was expected, the policies of the new administration were certain to affect the economies of these Caribbean countries as well as their program for regional cooperation. The economic difficulties encountered by these countries resulted in a change of the environment in which the idea of regional cooperation was conceived and the nature of the circumstances in which Caribbean integration was to be pursued.⁴ It was at this point in the regional process when the movement seemed to be at its most vulnerable that the United States' administration announced its policies for the region; policies which were later seen to have no orientation towards the promotion of regional cooperation among either group of states which it covered.

(i) Caribbean Basin Initiative: Purpose and Goals

In October 1981 President Reagan announced that the United States together with Mexico, Venezuela, and Canada, was committed to developing "... flexible, imaginative and cooperative programs

linking trade, investment, finance and foreign assistance, and private sector activities to "help the nations in the Caribbean..."⁵ Thus the Caribbean Basin Initiative which defined the entire Caribbean as a single unit and was clearly a convenient mechanism for promoting United States strategic interests rather than encouraging cultural, social, or economic links among countries in the region, was formally proposed. As a unit of analysis the Caribbean Basin Initiative included all the countries of Central America and the Caribbean as well as the mainland South American countries; a classification which had nothing to do with the regional programs of the countries involved.⁶

This broad definition of the Caribbean adopted by the United States was likely to reduce the visibility and specific needs of the countries of the Commonwealth Caribbean and the movement for regional cooperation. The Caribbean Community had served to focus international attention on the region and to strengthen its bargaining position in negotiations with other regional and extra-regional groups. It had also offered some measure of net economic gain comprising market access, aid and joint services and managed to collectively mobilize a larger volume of external capital.⁷ With the announcement of the Caribbean Basin Initiative, the member states of the Caribbean were offered the alternative of increased bilateral relations with the United States. Thus, within the broad policy framework, the Caribbean regional cooperation

process (CARICOM) lost its position as a focus for international attention and with it the ability to strengthen its bargaining position with extra-regional actors. United States policies were aimed at highlighting and addressing the problems of specific countries rather than the regional group.

Given the problems facing the Commonwealth Caribbean countries in 1980 and the new definition and policy orientation of the Reagan Administration, it was not expected that the United States would give more than verbal and minimal financial support to the efforts at regional cooperation among these countries. For the United States, the 'community spirit' of its Caribbean Basin Initiative was the ideal concept for regional cooperation since it brought together all the countries of the region eligible for economic assistance except Cuba, Grenada and Nicaragua.⁸ Thus, the United States response to the crisis in the Commonwealth Caribbean was not to strengthen the regional integration movement, but rather to change the focus of the specific regional problems by expanding the definition of the region and placing emphasis on bilateral relations.

The United States State Department, Bureau of Public Affairs explained United States policy in terms of having to deal with Soviet-supported Cuban subversion and in this context spoke of the need to "... help overcome longstanding social, economic and

political problems as part of our opposition to attempts at shifting the strategic balance against the United States."⁹ Given the strategic security context in which the Caribbean Basin Initiative was conceived, it was not likely that such a policy was genuinely geared to the promotion of economic development of the countries in the region, and certainly not to the promotion of regional cooperation.

An examination of the major components of the overall United States-Caribbean policy for the 1980's would show that little recognition has been given to the regional movement and its problems. United States firms were encouraged to invest in specific countries as opposed to a policy that would channel funds through the Special Development Fund of the Caribbean Development Bank which would contribute to the financing of regional projects and hence reinforce the process of regional cooperation. As it developed, the program of the Caribbean Basin Initiative was a lot less concerned with promoting regional cooperation than it was with strengthening the relations between the United States and individual Caribbean countries.

The East-West focus of the Caribbean Basin Initiative removed any notion that it was geared to, or that it was likely to assist in the promotion of regional cooperation among the countries of the Commonwealth Caribbean. As Lowenthal stated, the "...

allocations for assistance suggest that obtaining aid from the United States will depend more on a country's attitudes toward Cuba, U.S. foreign policies, and U.S. private investment than on a country's economic need or development prospects."¹⁰ This focus was particularly problematic for the countries of the Commonwealth Caribbean since they had only recently accepted the reality of ideological pluralism in the region and committed themselves to ensuring that it did not hamper the regional process.¹¹ Yet, United States interest in military security, political loyalty and advantages for the United States firms rather than for long term regional development was to expose the fragility of this commitment. By seeking to isolate Grenada and to some extent Guyana, the policies of the United States had the effect of promoting intra-CARICOM polarization.

The exclusion of Grenada has affected the regional scheme in a number of ways. The island economy took a more radically nationalist position which reinforced its links with Cuba, thereby further affecting its position in the Caribbean Community.¹² Secondly, member countries that are beneficiaries to the Caribbean Basin Initiative were forced to choose between maintaining their relations with countries that are perceived to pursue policies hostile to the United States and those that are not. Further the deliberate exclusion of a member state of a regional organization from a package that presumably takes seriously the task of development of the countries in the region, can be conceived as a

threat to the regional organization. When it was clear that the Caribbean Basin Initiative included exclusive criteria which would discriminate against a member state, the protests raised were weak and far from unanimous.¹³ It seems therefore that the Caribbean Basin Initiative was going to be used as a political tool against those countries that pursued policies inimical to United States interests regardless of their status in the region. Military and economic support were to be granted to those countries that pursued policies compatible with United States interests and governments of such countries were encouraged to introduce economic policies based on an assessment of their needs by the United States government. Further, it was likely that the beneficiaries of United States assistance would seek to adopt a higher regional profile among themselves to the exclusion of those states that were not beneficiaries and this was certain to affect the distinctiveness of the Caribbean Community. It was probably in recognition of this threat to their regional grouping that Caribbean governments reaffirmed their commitment to the Caribbean Community at the Third Heads of Government Conference in Ocho Rios in 1982.¹⁴

It cannot be argued that the United States administration was unaware of the existence of the Caribbean Community and its regional institutions. In fact, the United States President issued one policy paper that indicated that the member states of the Caribbean Community were to be treated as one community for the purpose of the Generalized System of

Preferences. The request for such treatment was based on the following:

- (1) The request of CARICOM that it be designated as an association of countries which is contributing to comprehensive regional economic integration among its members through appropriate means, including, *inter alia*, the reduction of duties;
- (2) The level of economic development of the member countries of the association, including their per capita gross national product, the general standards of their populations, the levels of health, nutrition, education and housing of their population, and the degree of industrialization of the countries;
- (3) The fact that [the President] will urge other developed countries to treat this association as one country under the generalized tariff preference schemes; [and]
- (4) The fact that this association provides the United States with equitable and reasonable access to the market.¹⁵

It is unfortunate that the Caribbean Basin Initiative did not allow for the support of regional cooperation as outlined for the Generalized System of Preferences particularly when similar conditions existed. The Foreign Minister's Conference did propose that CARICOM be designated as an association of countries contributing to the development of regional cooperation for the purpose of the allocation of funds under the Caribbean Basin Initiative.¹⁶ Had the Caribbean Community been treated as a unit under the Caribbean Basin Initiative, the contribution to regional cooperation in the area might have been significant.

It was the United States insistence on excluding some countries from the Caribbean Basin Initiative that was partly responsible for the withdrawal of the other donor countries. Meanwhile, at least two of the participating donor countries - Canada and Mexico - had already negotiated agreements with these countries on the basis of a regional unit.¹⁷ Instead of such a policy, the United States proposed that each donor be free to choose the countries with which it would cooperate and the ways in which such cooperation would be manifested. Thus, from the inception, and even with the participation of other donor countries, the Caribbean Basin Initiative was not intended as a support mechanism for regional cooperation.

Since the Caribbean Community provides the United States with equitable and reasonable access to its market it was expected that the United States would be encouraged to support a more viable and stable regional system. The fact is, however, that given the Caribbean dependence on the United States, the demand for imports would be great with or without the regional movement. The relatively small size of the CARICOM market makes it unlikely that these countries would be able to absorb larger quantities of United States imports without major structural changes in their economies. Congressional interest in encouraging regional economic integration among the developing countries as a means of fostering political and economic viability and fulfilling their development

goals was not evident in the presentation of the Caribbean Basin Initiative and this was certain to have an impact on the process of regional cooperation.¹⁸

(ii) The Caribbean Basin Initiative: Bilateralism vs Regionalism

As originally proposed by the President, the Caribbean Basin Initiative had three main components - trade, investment and concessional aid - with which it was hoped to generate foreign exchange, create new employment and raise production levels in these countries. The centerpiece of the Caribbean Basin Initiative was identified as the offer of one way free trade with the elimination of duties on all imports from the Basin except textiles and apparel items subject to textile agreements, although sugar was to continue to be permitted under the specified quotas. The Initiative also included an extension of the ten percent tax credit that applied to United States domestic investment to any such new equity investments in the Caribbean Basin.¹⁹ To qualify for such benefits, however, a country had to be prepared to enter into a bilateral executive agreement with the United States for a period of five years in the exchange of information for the purpose of tax administration.²⁰ A supplemented appropriation for the fiscal year 1982 foreign assistance was also included in the Initiative, to the sum of \$350 million in emergency economic assistance.²¹ Such assistance was geared toward specific countries, particularly the

Central American States, and was to help finance critical imports to Caribbean Basin countries. An examination of the list of countries that were to receive such aid and the amounts to be granted would serve to emphasize the bilateral nature of the United States Initiative and the prominence given to strategic and security interests. The allocations were made as follows:²²

	US\$ Million
El Salvador	128
Costa Rica	70
Honduras	35
Jamaica	50
Dominican Republic	40
Eastern Caribbean	10
Belize	10
Haiti	5
Latin American Regional/ American Institute for Labor Development (AIFLD)	2

Although it was recognized that investment to the Eastern Caribbean had dried up and this inhibited their development, the sum allocated for these countries was a mere US\$10 million as compared with the US\$128 million for El Salvador.²³

The other conditions set out in the Caribbean Basin Initiative included the negotiation of bilateral investment treaties with interested countries; working with multilateral development banks and the private sector to promote development; the establishment of insurance facilities to supplement the risk

insurance coverage for United States investors of the Overseas Private Investment Corporation and the expansion of protection of the United States Export-Import Bank. The United States Initiative also proposed the development of private sector strategies for each country in conjunction with the governments and private sectors of 'interested' countries. These strategies were supposed to coordinate and focus the development efforts of local business, United States firms, private voluntary organizations, and the United States government and seek new investment and employment opportunities as well as the removal of impediments to growth.²⁴ A key principle of the Caribbean Basin Initiative was to encourage a more productive, competitive and dynamic private sector in these countries and to establish the conditions under which such a private sector could flourish.²⁵ According to the President of the United States, most countries of the Caribbean Basin were aware that "... they must reform many of their economic policies and structures in profound and sometimes painful ways in order to take advantage of the new economic opportunities offered in this program."²⁶ The United States was prepared to offer whatever assistance and support was necessary to help these countries change their previous policies.

Free trade was a major facet of the process of regional cooperation within the Commonwealth Caribbean and hence was emphasized in both the Caribbean Free Trade Area and the Caribbean

Common Market. However, given the openness of these economies and their dependence on trade relations with the United States, their intra-regional relations were severely limited. Trade relations among member states of the Caribbean Community have also been affected by currency devaluations and the tendency of some private entrepreneurs to trade goods from outside the region as CARICOM products.²⁷ The problems facing intra-regional trade are outlined in the following statement:

"Regional commitments ... have been crippled from one end of CARICOM to the other by domestic payment problems. These have virtually sealed off Guyana as a market and drastically barricaded the Jamaican market, with the help of severe exchange rate complications. In Trinidad and Tobago, the fences have been going up swiftly in an attempt to stem the outflow of foreign reserves.... Barbados has managed to keep a perilous balance without resorting to significant protectionism, but the smaller Eastern Caribbean islands are faced with a situation where they can no longer sell to the larger islands and [cannot] afford to buy either. [Further] the Multilateral Clearing Facility, which smoothed regional payments has not been reactivated since its suspension in April 1983..."²⁸

It was in the critical situation as outlined above that the United States introduced its Caribbean Basin Initiative, with free trade as its centrepiece. It was hoped that a program linking trade, investment, finance, foreign assistance and private sector activities would help to promote development of these CARICOM member states. However, since eighty-seven percent of the exports

from the region already entered the United States market duty free, the Initiative hardly opened the way for increased trade in the products that are crucial to the economies of these countries. Further, important products such as textiles, apparel, and sugar were still to be subject to non-tariff quotas and there was a provision in the Initiative that all protections now available to United States industry, agriculture and labor against disruptive imports would remain. According to Sidney Weintraub, for the "... trade and tax incentives of the CBI to have meaning, the countries of the region must expand exports of goods for which tariffs now are imposed, or the incentives must stimulate new investments."²⁹

The one-way free trade area proposed under the Caribbean Basin Initiative was intended to encourage representatives of the United States private sector to invest in the region given the incentive of obtaining duty free treatment for twelve years or the 'pay-off' lifetime of their investments.³⁰ The United States government also proposed to discuss 'self-help' measures with each country, and to grant more liberal quota arrangements to 'immediate neighbours'. It is interesting to note that in the light of actual policy statements the United States Representative, Mr. Stephen Lande, should state that President Reagan "... very much supported the efforts of the Caribbean Community ... to develop the region and establish adequate markets and production facilities in the area," and that the preamble to the Caribbean Basin Initiative legislation would

make it clear that one of the planned objectives is "... increased regional integration in terms of development goals."³¹ Subsequent events were to prove that regional integration through the Caribbean Community was to remain very much a part of the preamble to the Caribbean Basin Initiative but did not manifest itself in actual policy implementation.

The United States Ambassador to the Commonwealth Caribbean conceded that Washington had not acceded to regional requests with respect to certain 'commodity arrangements'.³² Thus, even in cases where the participating countries had made proposals with respect to the trade arrangements of the Initiative, they were not in a position to determine the actual outcome of those arrangements.

The Caribbean Basin Initiative was designed to encourage investment industries that would provide exports for its market. The United States therefore sought to implement an export-oriented strategy and determine priorities for investment, as well as the kind of exports and the markets for such exports. There were no provisions in the Initiative for the investment in regional projects and hence no programs geared to the maximization of regional initiatives. Caribbean governments who really need United States support and assistance tend to hold to their regional commitments only insofar as these do not interfere with the benefits accruing from bilateral relations with the United States.

The trade and aid provisions of the Caribbean Basin Initiative were not likely to have any major positive effect on the program of regional cooperation. The problem for the Caribbean Community may not be so much a lack of markets but rather the inability of these countries to implement structural changes in their economies at both the national and regional levels. The Caribbean Basin Initiative did not include provisions that were likely to contribute to structural changes in these economies and thus were not likely to have a dramatic effect on Caribbean development. The temporary aid support package announced for the Basin, shows that CARICOM states will obtain twenty percent or US\$70 million, of which fourteen percent went to Jamaica. While Jamaica was likely to acquire some financial and other benefits, the remaining CARICOM member states were less likely to benefit from the Initiative, and there were no provisions for any of the CARICOM regional institutions. The Caribbean Basin Initiative was viewed as an attempt to aid Caribbean economies by supplementing existing United States trade and foreign aid programs, but since it came at a time when the fragility of intra-regional trade was being felt, it was likely to prove detrimental to the regional process as member states sought to take advantage of whatever benefits were likely to accrue from the external trade relations with the United States.

The Caribbean Basin Initiative also proposed that individual countries should be encouraged to negotiate bilateral investment

treaties with the United States. Such treaties were expected to include such conditions as granting investing companies the same status as local companies, the right to repatriate earnings and prompt settlement locally of disputes by host governments. The package also includes investment incentives and assistance to be provided by the United States government to firms investing in the region. It is significant that the twelve-year period for duty free treatment is closely linked with the incentives granted to investors since, as President Reagan stated "... new investors will be able to enter the market knowing that they will receive duty free treatment for at least the pay-off life time of their investment."³³ Any industries established to supply the United States market that can reach a 'pay-off' time within twelve years are probably not large by United States standards and in cases where investment outlay is large, the industry is likely to be capital intensive and technology oriented with only marginal links to the local economy and hence have little impact on such areas as employment, income or domestic savings.³⁴ According to the Director of Financial Institutions in Trinidad and Tobago "... neither of these types of investment provides scope for the long-term improvement in the host economies."³⁵ Further, the Caribbean Basin Initiative ignores the lack of absorptive capacity of the smaller CARICOM member states for investment projects. Thus even with an Initiative that encourages investment, the lack of the proper conditions to facilitate such investment will certainly

deter possible investors. Therefore it would be necessary for financial assistance to be provided to the public sector, to ensure that basic infrastructural needs are met. Within the Commonwealth Caribbean it has been recognised that foreign direct investment often led to uneven development with its concentration on primary products and a few secondary manufacturing products, and the creation of pockets of wealth within countries and between countries. The Caribbean Basin Initiative does not address itself to any of these problem areas in the region, thus making the possible benefits more imaginary than real.³⁶ Further the bilateral nature of the investment agreements is unlikely to favor Caribbean interests or protect Caribbean private investors.³⁷

The provisions for private investment pose great difficulties for the CARICOM member states not only in terms of their relevance to their development strategies, but also due to the fragmentation that such measures are likely to engender in the process of regional cooperation. The Initiative proposes that these economic relations be conducted at a bilateral level, an approach that will have serious ramifications for the Caribbean Community's stated objective of a coordinated program for development.

Instead of placing emphasis on regional cooperation and offering support for the promotion of intra-regional trade and

investment in regional projects, the United States policy was geared to encourage further penetration into the region particularly through its emphasis on the role of foreign investment in these member states. Since the Caribbean Basin Initiative depends on the "magic of the market and ... greater levels of international penetration to expand trade and serve as the 'engine of growth'..."³⁸ it is hardly likely to solve the overwhelming socio-economic problems of the region. Its emphasis on dealing with these countries on an individual basis also provides scope for increased conflict among the member states and the Caribbean Basin Initiative may better be understood as "... an effort by the United States to break down regional cooperation, diversification of trade, and more autonomous development by reinforcing the crippling bilateral trade policies of the past and reinforcing more dependent relations upon the United States."³⁹

Caribbean governments were aware of the possible dangers to the regional movement given the United States insistence on bilateral trade agreements but since they were not in a position to dictate the conditions for implementation the governments were forced to accept bilateral agreements. Nevertheless, the Fourth Meeting of the CARICOM Heads of Government reiterated that "... regional interests offered the best prospect for economic and social development of each Member State" ... and expressed "... its conviction that participation in the benefits under the CBI should

be open to all CARICOM States."⁴⁰ The Conference also agreed "... that member states in their bilateral discussion with the United States Administration on trade aspects of the CBI should press for simultaneous designation of all Member States of CARICOM as beneficiaries so as to preserve the integrity of the regional Common Market Arrangements."⁴¹ Despite this stated position of the CARICOM member states, the United States was able to prevail in its policies of bilateralism. Thus, within the context of the CBI no role was envisaged for the Caribbean Development Bank, which has proven to be the most active promoter of development projects on a regional basis.

The Caribbean Development Bank has had a major role in the mobilization of funds for both the public and private sectors and has been especially important to the development of the Less Developed Countries of the Caribbean Community. The fact that the Caribbean Basin Initiative has shifted emphasis away from the Caribbean Development Bank to the private sector organization - the Caribbean Association of Industry and Commerce - will mean that these organizations will now compete for the funds which flow to the region.⁴² With respect to United States policies the Caribbean Association of Industry and Commerce will be in a better position to attract funds from that source particularly since the general policy position of the United States has been to reduce its overall contributions to multilateral aid institutions by about twenty-five

percent.⁴³ According to Wiltshire-Brodber such competition will

"... impair the capacity of the [Caribbean Development Bank] ... to raise money on the international market, while the limited resources and the private sector orientation of the Caribbean Association of Industry and Commerce will limit its capacity for success. The strong bilateral focus contained within the Caribbean Basin Initiative is also likely to damage the progress made towards the harmonization of fiscal incentives."⁴⁴

During the formation of the Caribbean Free Trade Area and the Caribbean Community, the process of regional cooperation was given impetus by the relative balance of power among member states, particularly the more developed countries.⁴⁵ The balance of power in the region has been affected by the close ties which have developed between Jamaica and the United States, and manifested itself in the preferential treatment given to this particular member state under the Caribbean Basin Initiative. It has even been suggested that Jamaica's attempts to include Haiti and the Dominican Republic in the regional program were based on the persuasion of the United States Administration.⁴⁶ The position of "showpiece" of the Caribbean accorded to Jamaica was likely to have serious implications for the regional movement since it was the first time that a United States administration had openly favored a CARICOM member state with 'special treatment' as part of its foreign policy, although the United States Ambassador to the region suggested that the special relationship could be extended to other states.⁴⁷ The attitude of the Jamaican government to the regional

scheme was made clear in a comment by the Prime Minister in May 1984 when he stated that the Grenada crisis solved "...by accident two of CARICOM's major problems - the unanimity rule and the inability to expand beyond its present English-speaking Caribbean membership."⁴⁸ Apparently, the intention is to construct a community of Caribbean nations that are supportive of United States policies in the region. Thus, the special treatment accorded to Jamaica under the Caribbean Basin Initiative and the attitude of the Jamaican government which followed, were not conducive to harmonious relations within the scheme for regional cooperation. Even the impetus of a balance of power among member states had changed and was being exploited by the United States administration as its national interests took precedence over those of the Caribbean Community.

Most of the CARICOM member states had anticipated a multilateral assistance program that would make use of their regional organization and institutions. Instead they soon found that bilateralism was the emphasis of the Caribbean Basin Initiative with United States policymakers having a decisive role in determining which countries should benefit as well as the kinds of assistance necessary and the time span for achieving the stated development goals. As a regional scheme that represents an attempt to find collective solutions to the many serious economic problems of the region - including unemployment, falling production and a

high food import bill - the Caribbean Community was totally ignored in the formulation of the Caribbean Basin Initiative. The bilateral bias of the Initiative was also likely to alter whatever advantage these countries had gained in their bargaining strength and negotiating positions with extra-regional actors. Further it threatened to increase competition among these generally weak economies, while undermining the very institutions that had been created to help these countries overcome the disadvantages of size and dependence, and promote conditions for greater stability through regional cooperation. With each Caribbean member state being forced into a position to bargain for its own agreements, the smaller states of the region were certainly at a disadvantage and were not likely to gain as much as the larger states. Thus the conditions attached to the Caribbean Basin Initiative were likely to increase the inequality in levels of development among these states and hence make attempts at increased regional cooperation even more difficult. Further it was likely to reinforce the poles of growth and poles of stagnation within the regional grouping thus making negotiations for package deals that include compensatory and redistributive measures more difficult to achieve.

The fact that the Caribbean Basin Initiative was introduced at a time when the Caribbean Community was experiencing some of its greatest difficulties also placed the regional movement at a disadvantage. CARICOM member states which were trying to cope with

the difficulties of economic problems that had resulted from international external conditions, were particularly vulnerable to a scheme that seemed to offer so much at a time when the regional group no longer seemed as attractive as it had been. Thus, for some member states the cost of participation in the regional movement had increased, particularly with the advent of the Caribbean Basin Initiative. It was not surprising therefore that some CARICOM member governments were willing to ignore their commitment to Caribbean regionalism, in an effort to gain the immediate benefits promised by the Caribbean Basin Initiative. Any policy that weakened the regional institutions and challenged the commitment to regionalism cannot foster stability within the region nor the promotion of regional cooperation. On the contrary, it forces competition among member states and threatens the survival of a viable scheme of regional cooperation.

(iii) The Caribbean Basin Initiative: Private Sector
Emphasis and Regional Cooperation

United States policies, generally, are based on the idea that a free enterprise system offers the best prospects for development and that private foreign investment and technology can play a tremendously valuable role in the development process of these countries. According to the Administrator of the Agency for International Development,

"This [Reagan] Administration believes that AID and the private sector can and must work together in order to generate the kind of long-term development in the less developed countries (LDCs) that results in strong and sustained economic growth and human progress."⁴⁹

The Foreign Assistance Act makes it mandatory to encourage private sector activities. Thus the United States has made the establishment of a relationship between its private sector and the private sector of developing countries, one of its major policy goals, since it is felt that economic development among these countries hinges on the interaction between local and foreign private investors.⁵⁰ Among the criteria listed for selecting beneficiaries to the AID funds under Caribbean Basin Initiative was the existence of an active and inventive private sector which was recognized and supported by the host government. Further, it was expected that there would be an "... important role for the United States private sector movement, either as a joint partner or as a source of technology, marketing and managerial skills or other mutually advantageous arrangements."⁵¹

The policies of the Agency for International Development have been geared towards encouraging and supporting the expansion of the private sectors in these countries by promoting the establishment of local private development banks and providing capital to develop private sector enterprises. Thus the Agency has been working with the private sector in the region to establish a

privately owned development bank for the Eastern Caribbean.⁵² Its policies also seek to increase support for managerial and technical training oriented to the private sector and stimulate investment through the development of investment opportunities.⁵³

United States foreign aid policies under the Caribbean Basin Initiative are therefore designed to help the private sector which it views as the 'engine of growth' in the development process of these countries. The Caribbean Basin Initiative is therefore pushing these countries into a development strategy that had proven to be inadequate. Emphasis placed on the private sector and foreign direct investment during the 1960's had led to concentration in the primary sector and a few secondary manufacturing products, and the development of 'pockets of wealth' in these economies. As a result of the inability of the private sector to adequately address itself to the development needs of the region, the state sector was forced to intervene and adopt a more dynamic role in the economy.⁵⁴ Thus the state sector has become the most important actor at both the national and regional levels of the Caribbean development process. However, the Caribbean Basin Initiative advocated a reduction in the participation of the state in economic activities and an expanded role for the private sector with national policies that would attract foreign capital.⁵⁵ Naraine notes that:

"... such conditions are also contrary to several articles contained in the Treaty of Chaguramas - for example, Article 44 on Ownership and Control of Regional Resources, states that - members should seek to increase the extent of national participation in their economies and work towards the adoption as far as possible, of a common policy in foreign investment."⁵⁶

Under the Caribbean Basin Initiative the United States can withhold assistance from any country that does not seem to be promoting a viable and active private sector. Although CARICOM leaders in their Declaration of Ocho Rios reaffirmed the right of CARICOM member states to choose their own path of social, economic and political development and considered that there can be no justification for any external interference with the exercise of that right, they were in no position to alter the policies of the United States.⁵⁷ The United States has insisted on exercising its right to determine which states are included for consideration under the Caribbean Basin Initiative. Naraine states that according to the "... commensurability of their policies with American values, states willing to adopt such a position would be able to obtain assistance, others would not."⁵⁸

The private sector in the Commonwealth Caribbean does not have a particularly active role in the process of regional cooperation, although in those states where there is a strong private sector it has influenced the position of the governments on regionalism. Further, the overwhelming emphasis placed on the role

of the private sector under the Caribbean Basin Initiative has left those countries that insist on mixed economies or state ownership and control of the economy ineligible for receipt of United States direct assistance. The United States position on the private sector will certainly strengthen that sector by increasing its opportunities for participation in the United States economy, as well as its capacity to influence the governments of the region. If the promotion of regional cooperation or development is not on the agenda of the private sector - as was evident during the 1960s - this situation could have a disastrous effect on the process of regional cooperation. The current lack of support for regional cooperation among private sectors in the region - which is partly due to the failure of the regional mechanism to produce the anticipated benefits - can only reinforce the danger to regional cooperation that results from an overwhelming emphasis placed on this sector. It seems, therefore, that both the United States policies of excluding countries that do not have a viable private sector from its assistance program, and those that are biased in favor of the private sector in other countries will have a negative impact on the process of regional cooperation. Bilateral ties with the United States that cannot be accommodated within the regional framework and the newly acquired power position of the private sector due to the support of the United States administration can create serious obstacles to regional cooperation.

The policies of the United States will also affect the process of regional cooperation since the Caribbean lacks regional economic nationalism defined by Petras and Morley as:

"... two or more countries acting in concert through a set of formal agreements to limit, reduce or eliminate direct or indirect foreign economic influence and maximize nationally anchored public and private enterprises."⁵⁹

The loose organizational structure of the Caribbean Community did not permit strong 'regionalist' fervor that led to a commitment to implement broad based regional plans. Thus member governments were free to promote national policies, including bilateral relations with non-member countries, without regard for their impact upon the regional movement although there was a provision in the regional arrangements that countries entering into bilateral ties with third countries should inform other member states. Since the chief architects of the regional organizations - the governments of member states - lacked the commitment or capacity to promote regional economic nationalism, it was hardly likely that the private sectors would be willing to do so.

The strength of the private sector in these countries has increased as the state sector found itself caught in a widening debt and trade gap. Although general consensus still exists for the active involvement of the state in the process of economic development, that position is being challenged by the private

sector, particularly with the introduction of the Caribbean Basin Initiative. Since it is the state that is the most important actor in the process of regional cooperation, any challenge to the state sector is likely to be reflected in a weakening of the process of regional cooperation. Despite this however, United States policies continue to be geared towards the strengthening of the private sector and the elimination of the role of the public sector, and in fact a 1981 report of the Agency of International Development noted that the Agency had "... developed and funded a number of projects in Latin America and the Caribbean which were intended to strengthen private sector institutions and support private financial mechanisms."⁶⁰

The general thrust of the Caribbean Basin Initiative is a re-emphasis on the private sector and foreign investment and a decreasing role of the state in the planning of economic development despite the obvious structural barriers to the success of such a strategy and the fact that it failed to produce the kind of development that was hoped for in the region. Wiltshire-Brodber states that "...the CBI private sector thrust is likely to fail because it is not based on a careful study of the historical experience of the Caribbean and what is most likely to create genuine economic growth and development, and hence a lasting stability and peaceful change within the Caribbean region."⁶¹ Bilateral relations with the United States and an active role for the private sector were the conditions set out for assistance under

the Caribbean Basin Initiative, and there were no provisions or direct operational concern for the impact of these policies on the scheme of regional cooperation in the Commonwealth Caribbean

The United States Administration viewed the Caribbean Basin Initiative as the most important and most viable regional program for the states in the region. The President of the United States noted that "... we are attempting to promote economic development in Central America and the Caribbean through the CBI. No regional objective has a higher priority than the passage of this legislation to provide trade and investment incentives to economic development."⁶² Another United States official, Thomas Enders, stated that the Caribbean Basin Initiative "... is in many ways, a model of the types of regional cooperation we seek."⁶³ The probable implication in the above statements is that indigenous efforts at regional cooperation outside of United States participation, were no longer acceptable to the administration. Hence the United States formulated its own kind of regional program, in which it determined the development strategies to be pursued by these countries. Given this position of the administration, it was not likely to support any process of regional cooperation that ran counter to the Caribbean Basin Initiative, and it was not surprising that even as the Initiative was being announced the administration also announced its policy of reducing assistance to multilateral institutions.

Presumably the Caribbean Basin Initiative was supposed to be a positive response to the needs of the countries of the region. Yet it has been stated on a number of occasions that the size of these countries and their levels of development, makes it extremely difficult, if not impossible, to achieve any significant level of development outside of a scheme for regional cooperation. It is therefore interesting to note that a program which presumes to take the interest of the Commonwealth Caribbean into consideration should be established in such a way that it ignores the regional organization and institutions and promotes policies which could prove detrimental to the process of regional cooperation.

The position of the CARICOM member states and indeed, the regional integration movement becomes clear when it is recognized that at the external level "...the wide geographic range of the CARICOM states and their proximity to the United States has always meant that they are so much subject to centrifugal forces as to centripetal ones..."⁶⁴ Jamaica to the north has reason to see its economic and trading relations with the United States as of equal or greater importance as its relations with the states of the Caribbean Community.⁶⁵ Further, the smaller islands, accustomed to the protection of the former 'mother' country, naturally sought a new protector, and if the Caribbean Community failed to provide the haven - as difficulties within CARICOM affected its ability to do - then the United States was certainly an excellent substitute.

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Since the Caribbean Basin Initiative was proposed at a time when CARICOM was experiencing some of its greatest difficulties, it was not surprising that many of the smaller states and certainly Jamaica wavered in their commitment to regional cooperation.

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Jamaica was encouraged to support the Initiative particularly since the Reagan Administration was satisfied with the policies of its government and its encouragement of private sector organizations. If the reaction of the Jamaican private sector to the Caribbean Basin Initiative is any measure of the reaction of the private sector in the CARICOM member states, it is clear that the promotion of regional cooperation is not a number one priority. According to a report of a meeting between the Jamaican private sector and United States officials held in 1983, the delegation recognized the right of the United States to attach political conditions to its proposal and one member even commented that if these measures excluded Cuba, Nicaragua and Grenada from the Initiative, it was their "tough luck."⁶⁶ It was apparent from the attitude of one of the most powerful private sector organizations in the region that Caribbean regional cooperation had become secondary to the Caribbean Basin Initiative.

Any policy that sought to promote regional cooperation in the Commonwealth Caribbean would have been designed to support regional programs and institutions, but the United States chose to

give its support to a specific interest group - the private sector - in its Caribbean Basin Initiative. Thus, the United States Ambassador noted that "... Washington was willing to pump substantial amounts of capital into the Caribbean Investment Corporation (CIC) if the regional governments relinquished control ... and turned it over to the private sector."⁶⁷ Rather than support a regional institution established within the framework of the Caribbean Community, with the regional governments as the main decision-making body, the United States made its contribution to the organization conditional upon a change in structure and function.

The Caribbean Investment Corporation (CIC) was an arm of the Caribbean Community with the role of mobilizing capital for investment in the Less Developed Countries of the region. However, the Corporation became financially starved and thus unable to fulfill its mandate. Regional governments have been discussing ways to restructure the Corporation and a report originating in Antigua in May 1982 claimed that the United States had been trying to pressure the regional governments to pass the Corporation to the private sector in exchange for United States loans.⁶⁸ These sources also claimed that the United States was seeking to acquire a seat on the Corporation's board for as long as it continued to provide financial assistance.⁶⁹ During the Heads of Government Conference held at Ocho Rios, governments of member states agreed

to instruct public sector representatives on the Board of Governors of the Caribbean Investment Corporation to pursue expeditiously the winding-up of the CIC.⁷⁰ Having recognized the conditions under which the United States was prepared to support the Caribbean Investment Corporation, the Caribbean governments had no choice but to disband the Corporation as a regional institution. Henceforth the responsibility for mobilizing funds for industrial development in the region was to be that of the Caribbean Development Bank, which as stated earlier, would be forced to compete with the United States supported Caribbean Association of Industry and Commerce.

It seemed therefore that regional cooperation in the Caribbean can only continue to exist in the shadow of the United States policies and programs for the region, and only if it does not prove a hindrance to the CARICOM member states gaining benefits from the United States. It was the United States Ambassador to the Eastern Caribbean, Milan Bush, who announced in 1982 that the first batch of United States firms likely to set up plants in the Caribbean had been identified and that representatives would visit the region 'in the first instance' to seek out locations for the businesses.⁷¹ It was clear that decisions regarding the development of the Caribbean were being taken by the United States administration without any consideration given to regional planning and development or to the policies of regional organizations.

While welcoming the Caribbean Basin Initiative, the CARICOM officials generally expressed a preference for a regional approach to the economic assistance rather than the bilateral arrangements announced by the Reagan Administration. It was felt that a regional approach would preclude the possibility of CARICOM states competing for United States assistance particularly since such competition would leave some countries in a weaker position and would widen the gap between member states apart from the conflicts engendered in such competition.⁷² Countries receiving special treatment from the United States became very vocal in their support for United States policies and in their opposition and criticism of countries that were not recipients of such assistance and whose policies had been criticised by the United States itself. Yet it was clear that the United States had the capacity to influence the process of regional cooperation positively if it chose to do so. A United States commitment to the process of regional cooperation in the Commonwealth Caribbean would have a tremendous impact on the development of the region. However, the United States insistence on placing emphasis on bilateral relations and the private sector, limits the capacity of the member states of the region to continue to pursue the process of regional cooperation. Further, the final outcome of the Caribbean Basin Initiative, namely, the Caribbean Basin Economic Recovery Act (CBERA), of September 30, 1983, may very well be misnamed since "... in quantitative terms the increase in economic activity in the region attributable to CBERA

will in all probability be miniscule [and] ... the potential contribution of the CBERA to 'economic recovery' in the region is questionable."⁷³

(iv) The CARICOM Response

According to Rosina Wiltshire-Brodber -

"... Caribbean leaders, moderate, radical or conservative, have tended to base their foreign policy and planning on the assumption that great powers share their interests once one declares oneself in their camps. For real or perceived short term favors, Caribbean leaders have demonstrated a willingness to deny one another and to destroy the fragile institutions forged in the face of immense difficulties."⁷⁴

Generally, the response has been mixed, varying from full support to cautious approval and even severe criticism. Some member states noted with reservations, the particular security and strategic perceptions which formed the focus of the Initiative especially since the states do not see their main problems as linked to the East-West confrontation but rather to the lack of economic development and its socio-political consequences.

CARICOM member governments recognized that the Caribbean Basin Initiative could have the effect of dividing the region along non-traditional lines into pro- and anti-United States camps and

therefore decided to press for across-the-board assistance. The CARICOM Foreign Ministers stressed that the Caribbean Basin Initiative should concentrate on providing infrastructural needs in key sectors such as transportation, communication and energy which are important to regional planning and development. The member states also proposed that financial flows should go to both the public and private sectors in the region.⁷⁵

Commonwealth Caribbean governments formulated the following set of principles under which the Caribbean Basin Initiative should be implemented if it was to have a positive impact on regional cooperation:

- . That participation in the program should be open to all countries in the region;
- . It should respect the "... sovereignty and integrity of states and regional institutions;"
- . It should be "... truly reflective of national goals and priority areas for development, and that the criteria used in granting aid should not be based on political or military consideration;"
- . That the program should be directed towards strengthening regional integration and cooperation and encourage more intensive cooperation in the industrial, financial, technical and trade areas; and
- . That whenever possible the program should utilize regional institutions and indigenous resources and expertise.⁷⁶

Caribbean governments therefore intended that the Caribbean Basin Initiative would provide a real stimulus to development in

the region and the impetus toward further areas of regional cooperation. These countries were very much aware of their need for economic assistance and therefore welcomed the proposal, but established principles to guide its implementation in an effort to ensure that the possible tendency to divisiveness would be severely reduced.

Deputy Premier of Antigua Lester Bird expressed the increasing frustration of many Caribbean states when he announced his scepticism of "yet another plan", and argued that the United States was failing to take account of the priority concerns and the principles set out by those who would be the beneficiaries of the Initiative.⁷⁷ Governments of member states expressed concern that the emphasis on military assistance to the region was misplaced since "... security and development in the Caribbean are not dependent on guns, but on accelerated development."⁷⁸ Thus, it seems that despite some misgivings the Commonwealth Caribbean countries had presented a common policy outline on an Initiative that was certain to affect their development.

Caribbean Foreign Ministers had also expressed their fears that any influence from the Reagan Administration on the shape of the program could only mean an extremely biased role for the private sector in the region and very little consideration and assistance for the basic economic responsibilities of the public

sector. It was felt that any assistance which showed an overwhelming preference for the private sector would affect the process of national and regional development.

Caribbean governments were also concerned that the needs of the Less Developed Countries in the regional grouping, were not given special consideration in the Initiative and hence were likely to have a negative impact on the program of regional cooperation by widening the gap between the more and the Less Developed countries. As the Premier of St. Kitts/Nevis stated:

"The CBI has great promise but its thrust is more designed to help Jamaica or Costa Rica. Jamaica in its presentation (to the Conference) was able to emphasize its infrastructure ... We support Jamaica as a CARICOM member but I am critical of the fact that the CBI has not yet indicated its flexibility in terms of the less developed countries. There must be direct aid for infrastructure. This must be urgent, early and immediate."⁷⁹

If the United States was seriously committed to regional cooperation in the Caribbean it could have devised a special multilateral plan for these countries which would include the resuscitation of agriculture and the provision of infrastructure and would be accommodated in a regional package for the Caribbean member states. Further, the United States emphasis on private investment was unlikely to be of immediate benefit to these less developed countries since they lack the sound economic base and

infrastructure to attract such private investment. It was therefore important for these countries to identify both national and regional priorities which could then form the basis of any Caribbean Regional Plan.

The plan that originated as a result of consultation and negotiation among the Caribbean member states was intended to identify their needs in terms of: "development assistance, principally by grant; increased private investment; relaxation of trade restrictions; development of tourism; development of alternative energy sources; [and] transfer of technology and emergency relief."⁸⁰ However, the United States approach to the Caribbean Basin Initiative contrasted markedly with the across-the-board approach envisaged by CARICOM member states. The regional movement found itself faced with the dilemma of needing the United States assistance but not on the terms proposed by the United States Administration. If the United States continued to maintain its position on the Initiative, Caribbean governments would eventually be forced to ignore some or all of the principles that they worked so hard to establish at the time of the proposal for a Caribbean Basin Initiative.

Prior to having established its principles for the implementation of the Caribbean Basin Initiative, the member states of the Caribbean Community had to adopt a common position on a

directive from the United States government that none of its funds to the regionally organized Caribbean Development Bank should go to rehabilitate the banana industry destroyed by a hurricane in Grenada. It was to the credit of these countries that together they rejected the directive and that the Foreign Ministers even described United States policy as economic aggression against Grenada. It was against this background that a common regional policy response of the Commonwealth Caribbean was felt necessary if the regional group was to benefit from the Caribbean Basin Initiative. It was unfortunate that as time went by the Caribbean member states seemed to lose their commitment to the regional needs and development and in fact became more willing to accept the United States conditions for assistance.

The changing response of the Commonwealth Caribbean countries was influenced by the difficulties encountered by the original draft proposal of the Caribbean Basin Initiative, including the disagreements between principal United States departments, the conflicts among the original donor countries, concern over the length of time for implementation of the program, and actions by the United States Agency for International Development which ensured little, if any, additional aid.⁸¹ In fact the office of the Special Trade Representative of the United States announced that there was to be no massive funding available to the region but rather that benefits were to be derived from

trade preferences.⁸² Caribbean governments became increasingly aware that they were really in no position to determine the parameters for assistance and that given the various sources of conflict any persistent attempt to define those parameters could cost them even the minimal benefits of the Initiative.

The withdrawal of the other donor countries seemed to be influenced by the United States determination to use the CBI as a political tool to develop only those nations that pursue political policies supportive of the United States.⁸³ Such an attitude from the most powerful external actor to the region, could only serve to polarize the member states at a time when they were trying to accommodate ideological pluralism within the framework of regional cooperation. Any United States policy that went contrary to the attempts by these countries to pursue regional cooperation regardless of their individual ideological positions could only be seen as inimical to the process.

Secondly, since the United States was henceforth to be the sole promoter of the Caribbean Basin Initiative, the characteristics of the plan were likely to be determined by United States strategic considerations rather than by any commonality of problems in the region, or the promotion of regional cooperation among the member states.

Another problem of the United States being singularly responsible for the promotion of the CBI is the fact that its intention of rewarding its close friends through the policies proposed in the Initiative could prove regionally divisive. If seeking to make Jamaica the 'model' state is achieved at the expense of the possible assistance to the Eastern Caribbean and the regional institutions generally, then the United States policy will be directly responsible for generating divisions and inter-regional instability.

Thus, while the countries of the region generally are not likely to ignore the benefits to be derived from United States assistance and the export stimulus from free entry of goods to the United States market, CARICOM member states are concerned about the possible divisive effects of the CBI on the regional movement in its bilateral approach, its selectivity and its potential for undermining programs like the allocation of industries in the Eastern Caribbean.⁸⁴ Yet, despite more than ten years of cooperation among the Caribbean countries and the fact that under the United States Generalized System of Preferences these countries were being treated as a group, the new United States Initiative was clearly intent on pursuing its policies with these countries on an individual basis and thus threatening regional cohesiveness.⁸⁵

The bilateral approach implicit in the Caribbean Basin Initiative has been attacked by Caribbean officials. According to

the then Deputy Prime Minister of Barbados, Bernard St. John, everyone including United States policymakers should understand that "...the governments in this area have taken up a tremendous amount of time and effort in building up regional institutions and had no intention of seeing them undermined."⁸⁶ Meanwhile, Foreign Minister Tull warned member states of the possibility of fragmentation in the region,⁸⁷ as each member, particularly the Less Developed Countries sought to get the best for itself within the framework of a policy designed to promote bilateralism. Dr. Basil Ince, the Minister of External Affairs of Trinidad and Tobago, also stated a preference for multilateral support.⁸⁸

Among the possible effects to these countries which could result from the United States insistence on a bilateral approach are:

- (a) The loss of control of their trade and development policies particularly when these are taken in conjunction with the several multilateral commitments.
- (b) The need to allocate scarce and valuable professional resources to ensure the proper coordination of the several bilateral agreements based on trade and other economic arrangements.
- (c) The already established resources of the regional institutions would subsequently be underutilized in bilateral negotiations and would amount to a waste of resources that the Caribbean states can hardly afford; and
- (d) Serious damage to the program of regional cooperation as a result of the effects outlined above.⁸⁹

Caribbean government officials and particularly officials of the CARICOM Secretariat and the Caribbean Development Bank were also concerned about the way in which the United States government ignored such regional organizations in its policy formulation of the CBI. Both these organizations are recognized as important to the process of regional cooperation and have been widely used by other donor countries under the Caribbean Development Facility. Caribbean governments were now in a position to assess the cost of participating in a regional movement whose institutions had been ignored in United States policy formulation for the region, or to support a bilateral policy of the United States which promised greater immediate benefits than could be gained from the Caribbean Community. Given the dependence of these countries on the United States, and their inability to influence United States policies even at the regional level, it was not surprising that some states gradually lost their commitment to a regional response to the Caribbean Basin Initiative and that their own fears of divisiveness were being realised.

The United States Trade Representative, William Brock, made it clear that the CBI was not intended to provide solutions to regional development when he announced in 1982 that the arrangement was to devise a package that is suited to the needs of the individual countries.⁹⁰ The market opportunities and investment incentives were to be available on the basis of the willingness of individual

countries to adopt policies considered important to growth and development by the United States. Such policies included "... a reduction of government interference in the market, a reduction of barriers to trade and more support of the middle class and the working peoples of these countries on the parts of the governments."⁹¹ Thus, CARICOM member states, Guyana and Grenada, with their socialist policies and a high degree of state involvement in economic activity, were not to be beneficiaries of the direct aid component of the plan. It was not surprising, therefore, that late Prime Minister, Maurice Bishop of Grenada should describe the CBI as the "biggest confidence game of the century...", while noting that the bilateral concept "...could pose a threat to, and even destroy, regional unity."⁹²

A survey of other reactions to the Caribbean Basin Initiative will help to highlight the problems that Caribbean governments experienced in attempting to adopt a common policy approach. The positive reaction by Pat Thompson, Executive Director of the Caribbean Association of Industry and Commerce, should be understood within the context that the CBI is heavily private sector oriented.⁹³ Meanwhile, the 26-member Caribbean Congress of Labour expressed its "... reservations on the apparent exclusion of Grenada, and the apparent favoritism toward Jamaica, as well as the high emphasis on foreign investment."⁹⁴ It noted that:

"So far, foreign private investment has nowhere fuelled equitable development; rather it reinforces economic disparities, political repression, concentration of wealth and social dislocation."⁹⁵

Reaction from politically oriented groups in the area was less conciliatory and the Caribbean Basin Initiative was viewed as a strategy to establish a United States military presence in the area and the strengthening of political and military links between individual Caribbean member states and the United States. The promotion or encouragement of further regional cooperation among the states of the Commonwealth Caribbean was not a part of the agenda for the Caribbean Basin Initiative. In fact the bilateral emphasis of the CBI could only serve to reinforce the promotion of individualism and national policies with the minimum, if any, consideration given to regional planning and development. The Caribbean Basin Initiative was introduced at a time when Caribbean governments, given their serious economic difficulties, needed all the support and assistance they could get to help alleviate the problems within the regional movement.

An encouraging feature of Caribbean regionalism was the holding of the first summit meeting in seven years by all the leaders of the CARICOM member states on November 16 and 17, 1982. The Caribbean Basin Initiative and its impact on the regional grouping as well as the serious struggles of regional economies

were given a high priority on the agenda for discussion. Generally the CARICOM leaders objected "... to the selected exclusionary aspect of the bill and the fact that the plan was developed with inadequate consultation ..."⁹⁶ The vulnerability of Caribbean economies in the early 1980s presented the United States with a greater opportunity, through the CBI, to have a more dominant role in the region. It has been noted that since the CBI was announced CARICOM leaders have met in one form or another more often than in preceding years, and there has been more direct dialogue and attention to concrete issues.⁹⁷ Thus, the United States policies may have acted as an indirect push factor to regional integration, forcing these leaders, to discuss the position of the regional movement in the wake of increased influence by the United States.⁹⁸ While this does not mean that these leaders are likely to seek a further deepening of the integration movement, it at least forced them to discuss such issues as policy orientation in regional economic planning, harmonizing external trade relations and fostering the improvement of relations between the various regional institutions and member states. Although the increased communication among leaders of member states could enhance the process of regional integration as suggested by Etzioni in his discussion on the role of external elites (Chapter II), this could hardly alleviate the actual effects of United States policies, but it must have given a psychological boost to the movement for regional cooperation in the Commonwealth Caribbean.

The problem of intra-regional trade and the response of the Caribbean private sector has also made it difficult for Caribbean leaders to take a united position on the CBI. The future of CARICOM has been questioned by local manufacturers who felt the need to seek extra-regional markets for exports.⁹⁹ With the United States Caribbean Basin Initiative offering access to its markets, Caribbean businessmen had found an alternative to the regional market. Thus, frustrated by the problems encountered in intra-regional trade and encouraged by the prospects of a Caribbean Basin Initiative that was biased in its favor, the private sector of Caribbean member states felt that if allowed a greater participation in economic activities it could deal with the most urgent difficulties facing the region.

The vulnerability of CARICOM countries to external solutions is noted in the statements of the Chairman of the Caribbean Council of Ministers Meeting, held in Georgetown, Guyana, in January 1984. Speaking of the actions of Caribbean member states during more than a decade of regional cooperation he noted that:

"We have ignored resolutions laboriously devised and painstakingly negotiated; we have sought relationships in contravention of the treaty establishing the community; and we have fallen prey of the lure of external agencies even at the expense of our own solidarity..."¹⁰⁰

The Caribbean Community still displayed the conflict between its 'oneness' and the promotion of 'division and discord'.¹⁰¹ In the face of the serious economic difficulties of the 1980s and the promise of some degree of relief from the Caribbean Basin Initiative, it was not surprising that some Caribbean leaders were prepared to ignore regional policies in favor of a United States bilateral agreement. The short-term interests of individual member states took precedence over any commitment to securing greater benefits for the region as a whole.

It would seem that the availability of an alternative proposal, in the form of the Caribbean Basin Initiative, has reduced the possibility of serious consideration and implementation of regional development policies. The Caribbean Basin Initiative has reduced the benefits of participation in the regional program particularly since member states have been forced to seek short term solutions to their economic problems. The search for regional solutions has therefore been thwarted by the promise of immediate assistance through bilateral relations with the United States.

(v) Conclusion

The inclusion of the Commonwealth Caribbean countries in a broad United States policy under the Caribbean Basin Initiative reduced the status of the Caribbean Community, and its visibility

and unity as these countries were henceforth to be part of the wider definition of the Caribbean Basin.

The Caribbean Basin Initiative has contributed to conflict among Caribbean member states as they felt the need to compete for benefits. It also placed security issues over the prospects of regional development and did not address itself to the promotion of regional cooperation in the region. Since integration is viewed as essential to the stability and the very survival of the member states of the Caribbean Community, the Caribbean Basin Initiative could result in tremendous damage to the regional process by hastening the fragmentation of the region. The current problems in the region demand that collective solutions to problems be fully explored and any policies that thwart attempts at regional solutions among these countries could only result in the weakening of the process of regional cooperation.

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CHAPTER VI

CONCLUSION

External actors can affect the process of regional cooperation among developing countries by influencing the costs and benefits of specific regional options and alternative policies for individual member states. The environment within which integration takes place is crucial to the outcome of the regional scheme. The policies of third countries that are related to member countries or regional agencies will have a more direct and visible impact on regional integration.

United States policies toward the Commonwealth Caribbean during the period under study have influenced both the opportunity costs of participation for specific regional options and the alternatives to regional cooperation of individual member states. Generally, United States policies between 1968 and 1980 provided a relatively favorable environment for the establishment and progress of regional cooperation, and offered some degree of support to Caribbean regionalism. This is not to suggest that there was total support for Caribbean regionalism, as was evident in United States trade and investment policies - but rather that regionalism could be accommodated within the pursuit of United States national interest in the region. Thus financial support was provided through regional institutions, specifically in

the area of functional cooperation and the United States administration was instrumental in the formation of the Caribbean Group for Economic Cooperation and Development and the Caribbean Development Facility. Member states of the Caribbean regional scheme were therefore encouraged to promote regionalism given the favorable environment and the relative support of United States policies.

United States trade policies including tariff barriers and quota regulations generally discriminated against exports from the region and reinforced the commodity structure of Caribbean-United States trade relations despite the provisions of the Generalized System of Preferences which should have encouraged the promotion of regional cooperation with its emphasis on joint agreements and arrangements. The positive effects of the Generalized System of Preferences were nullified by aid policies which concentrated on the provision of common services rather than the integration and expansion of the productive sectors and investment policies which continued to be geared toward the primary sector and national development. Greater accessibility to the United States market for traditional regional products and a reliable market for new products could have contributed to the expansion of trade and encouraged regional planning for the restructuring and diversification of the productive sectors. Further, Caribbean trade dependence on the United States could itself weaken the

resolve for the promotion of intra-regional trade at a time when the difficulties encountered by member states were likely to have a serious impact on such trade. United States policies did not include assistance for the promotion of intra-regional trade although this would certainly have been a positive contribution to Caribbean regionalism.

Generally, United States aid policies to 1980 reduced the cost of participation in the regional scheme particularly in the area of functional cooperation. The funds made available in 1979 for the provision of common services among the Less Developed Countries were certainly a boost to Caribbean regionalism and made the distribution of benefits easier to achieve. Regional assistance through the Agency for International Development also covered a wide range of areas, specifically common services and the provision of financial and technical assistance through regional institutions. It is interesting to note that functional cooperation has been the most successful aspect of regionalism among the Commonwealth Caribbean countries. While the Caribbean Group for Economic Cooperation and Development and the Caribbean Development Facility did make available more funds to the region, their impact on the promotion of regional cooperation was limited since such assistance was generally geared to specific activities and curbing short-term economic problems including the provision of balance of payments assistance to some countries. United States

aid policies to the region also hampered the progress of regional cooperation since a larger portion of its aid went to specific countries within the region, particularly Jamaica, and was likely to have an adverse effect on the establishment of compensatory and distributive mechanisms. Even in cases where such aid was provided through the Caribbean Development Bank, its concentration in specific funding areas as outlined by the United States administration limited the capacity of the Caribbean Development Bank to rationalize and maximize the use of the available resources for the promotion of regional programs and projects. Further, there was a relative lack of financial assistance for development of institutional facilities that would increase the efficiency of regional planning and development.

The main thrust of United States investment policies was to provide a safe climate for investors. Such investment tended to be concentrated in the primary sector and national development programs rather than regional development programs. Inherent in the strategy of providing a safe climate for investors was the suggestion that such investment should be free and "unfettered" and hence any regional arrangement that proposed regulation and control of investments was likely to be unacceptable to the United States administration. This attitude was probably partly responsible for the inability of Caribbean governments to agree on a regional investment code. The investment policies of the United States

limited the autonomy of member governments in determining priorities for regional planning and development. They also encouraged polarization within and between countries. Generally, the United States trade, aid and investment policies in the region had a combined effect of promoting and supporting regional cooperation in some areas and hampering such cooperation in other areas.

With the change of administration in 1980, the new United States policy was to have a negative impact on the process of regional cooperation by its offer of a more viable alternative at a time when the regional movement was experiencing its greatest difficulties. The emphasis on bilateralism and the private sector posed a threat to the pursuit of regional cooperation and the state sector which has been the most active promoter of regionalism. Rather than support the process of regional cooperation in the Caribbean and provide the stimulus for its continued existence, the Caribbean Basin Initiative increased the possibility of conflict within the regional scheme as countries were forced to compete with each other for its benefits, and in fact those benefits were to be determined by the United States administration based on its assessment of the policies of member states. The dependence of these countries on the United States hardly provided them with a real choice between the Caribbean Basin Initiative and a continued commitment to the promotion of regionalism.

The Caribbean Basin Initiative was likely to increase the possibility of conflict in a number of ways. The exclusion of Grenada from the Initiative, the special position granted to Jamaica, and the general absence of provisions that would cater to the special needs of the Less Developed Countries could only have a negative impact on regional cooperation. Further, the special bias towards the private sector was likely to create conflict with the state sector and thus affect its ability to engage effectively in regional cooperation. Such policies could encourage polarization within the movement and increase the inequalities in the levels of development among member states.

The active role adopted by the United States administration with respect to the priorities and areas for investment could only reduce the scope for regional planning and development. The insistence on bilateral agreements also forced countries to compete for benefits and thus made negotiations on package deals including arrangements for trade, aid and investment more difficult to achieve. The Caribbean Basin Initiative also offered a new approach to regionalism based on cooperation and coordination of the inter-island private sector groups as is evident in its emphasis on the Caribbean Association of Industry and Commerce. There was also the likelihood that the United States administration was now prepared to adopt an active participatory role in Caribbean regionalism as opposed to the relatively supportive role of previous

years. This may not be in the best interests of Caribbean regionalism especially since the United States may seek to reorder the goals and abandon some of the essential elements of a regional organization among these developing countries.

The dependence of the Commonwealth Caribbean on the United States will continue to exist within the foreseeable future and thus regional cooperation among these countries must be taken within the context of their dependent relationship. These countries will continue to need United States support if they are to rationalize and diversify the regional productive base and promote integrated production. Any serious United States commitment to regional cooperation and development in the Commonwealth Caribbean must include the following specific policy positions:

- (1) To the maximum extent possible the United States should deal with these countries through regional organizations including the Caribbean Community and the Caribbean Development Bank;
- (2) It should encourage these states to negotiate economic and other agreements as a single unit as is done under the Generalized System of Preference;
- (3) It should channel a large percentage of its assistance through regional institutions and generally support the development of regional programs and projects. United States financial assistance should be geared to promoting economic integration as the key to economic progress in the region and the promotion of regional cooperation should be the basis for such assistance; and

- (4) Rather than seek to determine development strategies for the region, the United States should recognize and respect the regional programs formulated by Caribbean officials and provide assistance for the implementation of such programs.

By concentrating its efforts on the development needs of the Caribbean states and hence adopting a positive approach to regional cooperation, the United States would be assisting and encouraging Caribbean governments to successfully implement regional policies. This is not to suggest that United States policies and responses will solve all the problems of the Commonwealth Caribbean, but rather that collaboration and cooperation between the Caribbean and its most important external actor would do much to improve the economic condition of these states. For their part Caribbean member states will have to increase their commitment to the promotion of regionalism and seriously identify and seek to implement regional programs. Caribbean governments are likely to respond positively to a firm United States commitment to support development in the region, particularly since the general consensus is that the problems require regional solutions. A United States-Caribbean policy that involves the participation of regional organizations will encourage the promotion of regional cooperation in the Commonwealth Caribbean. Although it is recognized that the policy positions outlined above are highly desirable, they are not likely to occur given the realities of the reemergence of conservative economic ideology in the United States, the strategic importance of the Caribbean states and the unquestioned emphasis placed on bilateralism over multilateralism in the present United States policy orientation. Caribbean member states also need to establish mechanisms for the coordination of responses to policies of external actors and agencies.

TABLE 1:

Comparative Data on Intra-CARICOM Trade and Trade with the Rest of the World, 1967 and 1978

CARICOM Total and Intraregional Trade, 1967 and 1978

	<u>1967</u>		<u>1978</u>	
	<u>US\$ millions</u>	<u>%</u>	<u>US\$ millions</u>	<u>%</u>
Exports				
CARICOM	47	6.3	298	8.6
Outside	<u>705</u>	<u>93.7</u>	<u>3151</u>	<u>91.4</u>
Total	752	100.0	3449	100.0
Imports				
CARICOM	47	5.0	298	7.6
Outside	<u>892</u>	<u>95.0</u>	<u>3621</u>	<u>92.4</u>
Total	939	100.0	3919	100.0

Volume of Caribbean Intraregional and Outside Trade, 1967 and 1978
(US\$ millions)

	<u>1967</u>			<u>1978</u>		
	<u>CARI- COM</u>	<u>Outside</u>	<u>Total</u>	<u>CARI- COM</u>	<u>Outside</u>	<u>Total</u>
Imports						
Jamaica	5	299	304	52	856	908
Trinidad & Tobago	8	355	363	69	1911	1980
Guyana	13	98	111	81	198	279
Barbados	6	59	65	46	268	314
LDC's	<u>15</u>	<u>81</u>	<u>96</u>	<u>50</u>	<u>388</u>	<u>438</u>
Total	47	892	939	298	3621	3919

Volume of Caribbean Intraregional and Outside Trade, 1967 and 1978
(US\$ millions) (Cont'd)

	1967			1978		
	CARI- COM	Outside	Total	CARI- COM	Outside	Total
Exports						
Jamaica	5	189	194	47	731	778
Trinidad & Tobago	22	361	383	143	1900	2043
Guyana	13	86	99	45	429	294
Barbados	3	33	36	39	91	130
LDC's	<u>4</u>	<u>34</u>	<u>38</u>	<u>24</u>	<u>80</u>	<u>204</u>
Total	47	703	750	298	3151	3449

Source: Ten Years of Caricom: Papers presented at a Seminar on Economic Integration in the Caribbean. Bridgetown, Barbados, July 1983. (Washington, Inter-American Development Bank, 1984), pp.113, 114.

APPENDIX II

TABLE II: Export Structure of Caribbean Developing Countries

Exporting Country	Trading Partner	1965	1970	1975	Percent of Country Total	Percent of partner's Imports	1975	1965-70	1970-75	Percent rate of change
Barbados	USA	10.7	20.0	30.2	0.0	0.0	0.0	14.2	32.9	
	UK	42.2	39.0	26.9	0.1	0.1	0.1	-	0.7	13.7
	Canada	7.8	4.7	5.8	0.0	0.0	0.0	-	9.0	28.0
	Trin. Tbg.	2.7	4.0	5.6	0.2	0.3	0.4	9.6	30.7	
	Jamaica	0.3	0.8	3.9	0.0	0.1	0.4	25.7	66.9	
Guyana	UK	24.7	18.7	29.0	0.1	0.1	0.2	0.4	33.0	
	USA	18.6	28.9	22.5	0.1	0.1	0.1	15.9	16.0	
	USSR	--	--	8.5	--	--	0.1	--	--	--
	Jamaica	2.1	2.1	6.1	0.7	0.5	1.9	5.6	51.4	
	Trin. Tbg.	9.1	8.1	5.5	1.9	1.9	1.3	3.6	12.9	
Jamaica	USA	38.0	53.1	38.4	0.4	0.4	0.3	17.3	10.8	
	UK	27.5	15.6	23.2	0.4	0.2	0.3	-	2.1	28.0
	Norway	7.1	7.6	11.3	0.7	0.7	0.9	11.1	28.0	
	Iran	--	--	5.1	--	--	0.3	--	--	--
	USSR	0.2	--	3.0	0.0	--	0.1	--	--	--
Trinidad & Tobago	USA	33.7	47.9	63.8	0.6	0.6	1.2	11.1	39.3	
	UK	16.4	9.6	3.8	0.4	0.2	0.1	-	7.0	7.9
	Guyana	2.4	3.4	3.1	9.2	12.1	16.1	11.2	27.6	
	Jamaica	0.5	1.2	3.1	0.7	1.1	0.5	22.7	56.3	
	Suriname	1.2	1.8	2.1	4.9	7.6	31.8	13.6	33.0	

Key: -- denotes no trade, hence no percentage; .. denotes missing data

Source: United Nations, Yearbook of International Trade Statistics, 1977. New York: 1978

APPENDIX III

CARIBBEAN REGIONAL PROGRAM - AID/CDB PROJECTS
(Dollar amounts in thousands)

Project No.:Project title:Loan or grant	Total	Month/Year Author- Comple- ized tion	Unliqui- dated as of Mar. 31, 1979	Comments
538-001: Caribbean development - I: Loan	\$10,000	6/70 6/77	0	Finance infrastructure, agriculture and industrial activities
538-002: Caribbean development - Housing: Loan	7,900	11/72 12/78	0	Finance low-cost homes.
538-003: Caribbean Development Bank-II: Loan	12,000	5/73 12/79	5,405	Finance agricultural, indus- trial, and infrastructure activities.
538-006: Caribbean housing assistance: Grant	540	12/72 3/77	0	Technical assistance for low cost housing.
538-007: Food crop production (inte- grated agriculture development): Grant	685	8/75 6/81	201	Finance agricultural pro- duction.
Loan	10,000	3/76 10/80	9,700	Credit distribution and marketing subprojects.
538-010: Regional agribusiness develop- ment: Grant	450	9/77 9/80	258	Promote agribusiness.
Loan.....	6,500	9/77 12/83	4,350	Enterprises.
538-013: Employment invest. promotionn (LOP: \$1,700): Grant	923	9/78 9/80	773	Provide technical assist- ance to small entre- preneurs.
538-016: Caribbean institutional de- velopment (LOP: \$1,840): Grant	800	8/78 12/82	800	Establish technical infor- mation unit in CDB: for use by members to promote small business develop- ment.

CARIBBEAN REGIONAL PROGRAM - AID/CDB PROJECTS (Cont'd)
(Dollar amounts in thousands)

Project No.:Project title:Loan or grant	Total	Month/Year Author- Comple- ized tion	Unliqui- dated as of Mar. 31, 1979	Comments
538-018: Employment invest. promo- tion-II (LOP: \$9,800):				
Grant	750	6/79	6/82	
Loan	8,400			Provide credit and technical assistance for the deve- lopment of small to medium businesses.
538-023: Caribbean development facility	20,000		10,704	
T-008 A/B: Food and nutrition: Loan.	12,500	8/78	9,216	Finance local costs of externally funded basic needs projects in CDB's member countries.
V-010: Education human resources: Loan.	2,000	8/78	0	
Q-009: Family planning: Loan	2,000	8/78	85	
W-001: A/B: Selected development prob's: Loan.	3,500	8/78	1,403	
Total AID projects to CDB	78,948		32,191	

OTHER CURRENT AID REGIONAL PROJECTS

Project No.: Project title: Loan or grant	Total	Month/Year Author- ized- Comple- tion	Unliqui- dated as of Mar. 31, 1979	Comments
538-004: Integrated regional deve- lopment: Loan.	8,500	6/75 3/81	5,949	Provide for the expansion of the University of the West Indies and for scholarships. Provides technical and manage- ment level training for public officials. Funded through ECOM and CARICOM.
538-014: Regional development training (LOP: \$4,000): Grant.	667	7/79 7/83		To test economical agricul- tural production technologies that can be adopted by small farmers. Funded through CARDI.
538-015: Multiple cropping systems re- search (LOP:\$2,200): Grant	1,125	8/78 8/82	904	Provide training for health officials to improve health delivery systems. Funded through CARICOM.
538-019: Basic health management training (LOP:\$1,800): Grant	1,200	8/78 2/82	963	To finance CFNI to provide technical assistance to member states to develop national food/nutrition programs.
538-022: Caribbean Reg. Nutrition Inst. (LOP:\$1,100) (CFNI): Grant	830	6/78 5/79	730	

Source: United States Congress: Economic and Political Future of the Caribbean, Hearings. 96th Congress, 1st Session, July 24, 26, Sept. 20, 1979. (Washington: U.S. Government Printing Office, 1979), p.47.

U.S. Direct Investment in the Caribbean at Year End, 1966-76
(\$ million)

Year	Barbados	Guyana	Trinidad and Tobago	Jamaica
1966	3	N.A.	207	163
1967	3	N.A.	217	204
1968	6	40	215	295
1969	6	40	185	392
1970	9	40	198	507
1971	12	35	262	618
1972	18	36	280	624
1973	20		433	618
1974	20	20	549	609
1975	19	22	656	654
1976	20	21	713	577

Note: Investment is at net book value

Source: Ransford Palmer, Caribbean Dependence on the United States Economy, (New York: Praeger Publishers, 1979), p.14.

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