

THE SIXTH

WILLIAM G. DEMAS MEMORIAL LECTURE

Feature Address

**“The Development Glass: Half Empty or Half Full”
Perspectives on Caribbean Development**

By

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Introduction

It is an honour and privilege to have been asked to deliver the 6th William G. Demas, Memorial Lecture, sponsored by the Caribbean Development Bank. I follow in a line of illustrious predecessors, who have given previous distinguished lectures, beginning with the Inaugural Lecture in 2000. Over the years, the lectures have dealt with many important aspects of Demas' writings and his invaluable contributions to the Region in that most difficult art/science ? as a practitioner of development.

Tonight, I would like my lecture to be appreciated first and foremost as a testimony to Demas' contributions as the quintessential Caribbean public servant, policy advisor, and programme administrator, who over the years was responsible for much of the development and economic well-being that has been achieved by the Caribbean peoples, and which, by and large, goes under – appreciated today.

I am fully aware that William Demas would not have been satisfied with what has been achieved in the Region thus far. He would instead be focusing on how much more needs to be done. This would be understandable, and more importantly, the absolutely correct position to take. Tonight, however, we need a more rounded picture, and that is why in offering you some perspectives on Caribbean development, I have framed my address under the theme: *The Development Glass - Half Empty or Half Full.*

Among Demas' many virtues is the fact he was a deeply committed internationalist. In promoting CARICOM regional integration, he saw this also as the promotion of a broader global multilateralism, one in which social justice and democracy would be the cornerstones for building more humane relations between states. I shall also offer comments on this aspect of Demas' vision as I address you tonight on perspectives on Caribbean development.

Last, but by no means least, Demas also believed that CARICOM regional integration offered the best prospect for the economic development of the countries of the Region. He

saw this economic enterprise as a necessary pre-condition for the flowering of Caribbean civilisation. I shall also offer some comments on this aspect of Demas' vision as I address you on perspectives of Caribbean development.

As you can see I have set myself a rather full agenda to be accomplished in what is a short period of time.

The Development Glass: Half Full

Writing in a recent issue of the *Integrationist*, I had raised the following problematique:

“Given the critical juncture at which the Region finds itself, it is not altogether surprising that harsh comments and severe doubts have been expressed in many quarters about the readiness, fitness, seriousness, and even purposefulness of the contemporary leadership elites in moving the Caribbean forward.”

I went on to suggest: “It is pertinent to this discourse, however, to consider whether these positions are reasonable” and to offer the view: “One test of their reasonableness must surely be whether the development record of the Region [does indeed] support such a harsh negative judgment of their stewardship.”

As a long standing critic of the Region's development policies and practice, I believe it is fair to state it would be difficult for anyone to deny, with an objective frame of mind, that in *general* much economic development has been achieved in the Region. This can readily be seen, if we examine the outcomes based on universally accepted indicators of development: income, economic structure, health, education, safety-nets, governance and even perhaps quality of life. The gains have been, undoubtedly, very unevenly distributed, both across and within countries. Also, many gaps and deficits remain, and some of these are huge. Nonetheless, by any reasonable standard, Demas and his generation have brought significant development gains to the Region. That is why I have argued consistently over the past decade, we must appreciate as readily as we critique if we are to promote Caribbean self-esteem in the exercise of the critical function. We must recognize that the development glass is half-full. Consider some outstanding examples of what I am referring to:

- ✍ Based on the world's most acclaimed development indicators the Region performs quite well. Here I refer to the UNDP's (HDI, GEM, GDI, HPI) measures. All the countries, with the exception of Haiti, are classified at a medium-level of development or better. Four are classed at a high-level of human development. More importantly, changes in these indicators over time show that the performances have not been flukish, but have remained fairly consistent

- ✍ Based on income indicators the Region also does well. It is, on average, by no means the typical poor developing country. The average per capita GNP in 2003 was about US\$5,400, including Haiti (US\$460 and Guyana US\$811). In five countries it exceeded US\$7,500 and for the small states of the OECS (US\$5,600) it exceeded the regional average

- ✍ Since Independence several countries have achieved significant diversification of their inherited colonial economies. This has mainly been due to the development of the services sector, particularly travel and tourism. This applies to both their production and export structures. Export concentration has been significantly reduced and the expansion of imports, [which more often than not we bemoan, forgetting that the purpose of exporting is to finance imports], reveal some of the income gains and improvements to domestic well-being

- ✍ In health, all the countries (except Haiti) had achieved the Alma Ata goals of Health for All by year 2000. The Caribbean Commission on Health and Development in its forthcoming Report, also forecasts that, by and large, "there is a real possibility that [the Region] will achieve or surpass most of the Millennium Development Goals":
 - Life expectancy is at the level of developed countries [74+years]
 - Infant mortality rate has fallen from over 200 per 1000 live births to 12 in some cases
 - To quote the CCHD Report:
 - “Health services utilisation, as measured by immunization coverage, is a success story ... health services coverage in the percentage of pregnant women attended by trained personnel during pregnancy ... is virtually 100%” (CCHD, Report [Draft], 2005).

It goes on to say:

 - “similar advancements can be seen in all the Caribbean countries and in all the classic indicators of population health” (ibid)

- ✍ A demographic transition has accompanied this health transition. Fertility rates, family size, and life expectancy in the Region are similar to those of developed economies

- ✍ Educational indicators reinforce these outcomes, with school enrollment rates, government and national expenditure on education, literacy levels and school performance all high for a developing region
- ✍ Similarly, compared to other developing regions, standards of housing and public buildings are good
- ✍ For the Region as a whole, there is a variety of safety net programmes in place (social security, youth programmes, crisis centres, advisory agencies) both public and private, and these function better than in most other developing regions
- ✍ The civil society sector is vibrant and regional as well as international networks have been forged
- ✍ ICT – readiness has improved dramatically in very recent years, following telecommunications liberalisation. Thus countries like Barbados have more telephone connections (fixed and mobile) than people and internet usage ratios exceed that of Europe, and are four and one-half times that of the Latin American region
- ✍ Finally, using global indicators of governance the Region as a whole performs well, with some countries recording exemplary and outstanding levels of good governance.

I can, with no exaggeration, spend all of the time allotted to this lecture, enumerating and cataloguing the pluses or the gains achieved by the Region since Independence. That all these outcomes occurred in the turbulent age of globalisation and liberalisation and a rapidly changing economic, social and political environment, with which all nations have had to contend, is all the more remarkable. However, as Demas recognised the Region cannot afford to rest on its laurels. Immense challenges remain and these need to be addressed, or the achievements will be reversed and the Region's intrinsic vulnerability exposed.

The Development Glass: Half Empty

If there is much to fill the development glass, alas there is also much space left to be filled in the development glass. To repeat, the gaps and deficits that remain are enormous. Consider these examples:

- ✍ In the area of our most stunning success, health, all the gains are at risk of reversal with the burgeoning HIV-AIDS pandemic. As the forthcoming Report of the CCHD states:

“The Caribbean region as a whole (including Hispaniola) is estimated to have about half a million persons living with HIV, and the prevalence rate is not only the highest in the Americas, but it is second only to Sub-Saharan Africa. The ravages of the epidemic are shown in the remarkable statistic that the mortality rate among young, productive males is increasing, and young women represent the group with the fastest rising prevalence rate. The epidemic is fuelled by the region’s sociocultural characteristics: sexual norms expose children to risk at an early age, and people move a great deal, both intraregionally as well as into the region. The stigma and discrimination against vulnerable groups, such as men who have sex with men, female sex workers, and those who live with the disease, help drive the epidemic underground and make the public health approach to control extremely difficult. There is still inadequate access to anti-retroviral therapy and voluntary counseling and testing are not as widely available as they should be ... The models of the economic impact of HIV/AIDS show the region losing much of its work force and contractions in key sectors such as agriculture and manufacturing. Although the actual wealth reduction and the extent to which the rapidly falling costs of therapy will affect projections for the costs of illness may be debated, there is no doubt that there will be an impact on the region’s economies if the epidemic goes unchecked”.

- ✍ To take another example from health, the malnutrition that stalked the people of the Region at Independence has all but disappeared in terms of food availability. Today, average per capita caloric intake exceeds the universal standard. But in its wake has come **obesity** now a primary risk factor for the cluster of diseases known as non-communicable diseases or NCDs. The CCHD forthcoming Report indicates that there has been a tripling of overweight/obese persons (men and women) with larger and larger numbers of children now obese. The cluster also shows that motor vehicle accidents, homicide and suicide account for one-third of deaths of persons aged 15-24 and one-sixth of those aged 25-44. Mortality is also considered to be only “the tip of the iceberg” of morbidity arising from violence and injuries
- ✍ The distribution of the income gains the Region has made, between and within countries, has been markedly uneven. The ratio of the poorest to richest CARICOM country in terms of per capita GDP is 1:38. While the average per capita growth rate has been just under 3 percent per annum over the past four decades, the growth rate has declined in each successive decade since the 1970s. In the 1990s per capita average growth was less than one-half that of the 1970s. Additionally, persistent pockets of marginalised Caribbean peoples dwell among us, despite the safety-nets

- ✍ The Region's lauded reputation for governance also sits uneasily with the growth and solidifying of narco-trafficking, other organised crime, and corruption in our societies. Mixed with our mixed experiences of insurrectionary episodes, revolts, rigged elections and authoritarian rule since Independence, the reputation for good governance, as a general rule, we could say today, at best, stands on very shaky foundations in several CARICOM countries
- ✍ Despite the impressive gains in education, serious questions are being asked about its quality, relevance, and the suitability of our curricula for the times that lie ahead of us. Concerns about its gender distribution are also being raised
- ✍ Permanent migration of our peoples tell their own story of the push and pull factors, which drive them. Export of our peoples, including the highly skilled carries a humongous cost for the Region, which neither the public purse nor the national economy can afford
- ✍ We also face enormous pressures as the forces of globalisation and liberalisation transform the global economy and change the institutional architecture under which we undertake international transactions. These direct economic effects have been multi-dimensional in character, impacting as they do on production; technology; cross-border flows of people and financial; resources; management; enterprise; and, an ever widening gamut of economic relations. In the process, **both** increased opportunities for engagement in the international economy have arisen, as well as increased exposure to economic insecurity and the growing asymmetries in the distribution of gains and losses among countries participating in the global market place. With liberalisation has also come pressures on the traditional trading opportunities for the Region, as non-reciprocity and the presumption of an uneven playing field for rich and poor countries in the global market place no longer holds sway, and has given way to preference erosion, e.g. preference erosion the separation of aid from trade, and reduced roles for the state in global production trade and finance
- ✍ The forces of economic globalisation and liberalisation have also had indirect effects on the rest of society. For example, there has been a dramatic expansion of the number and the range of intergovernmental conventions and agreements in the area of development to which the Region is bound. These cover such areas as human rights; security of the person, governance and corruption; economic social and cultural rights; the elimination of violence and discrimination against women; protection of the rights of the child; protection of workers' rights; prevention from marginalisation; protection of the environment; and, topping them all the Millennium Development Goals
- ✍ These pressures have similarly created international "best practice"/"good practice" norms and standards in the form of "state-of-the-art benchmarks", which are expected to guide practice in regard to development in the Region

- ✍ And, last but by no means least, since the human experience is basically one of culture, which itself is socially constructed at different levels of society, [from the family to the community, and nation state], this brings with it consciousness and awareness to our language, history, race, customs, institutions, social practices and norms. In other words it shapes individual and social behaviour. However, through the speeding up of communications, intensifying of relations between countries, and bringing cultures into closer contact with each other, globalisation has also impacted immeasurably on the Region's capacity to build national identity and culture. There are facing us, great risks of penetration of external cultural and behavioural practices, which experience elsewhere shows could generate a host of societal pathologies and deviant forms.

This catalogue can, like that which singled out the successes of the Region, occupy the allotted time for this lecture. Again I believe, however, enough has been said to illustrate the situation in which it can be fairly said in testimony to William G. Demas' legacy that the development glass is both half-empty and half-full.

Perspectives on the CSME: Its International Context

Architects of the CSME of which Demas is a major figure, often make the bold claim that, the European Union (EU) apart, CARICOM is the most highly developed integration movement in the world. This claim is made against the background that there have been to date about 300 regional arrangements officially notified to the GATT/WTO. About 150 are still in force with 110 agreements under examination by the WTO Committee on Regional Trade Agreements, of which 84 relate to trade in goods and 26 to trade in services. Almost every country in the world belongs to a regional integration arrangement, and some like CARICOM Member countries belong to several at the same time.

In light of this, if the claim made is true, then perhaps it does not speak highly of integration movements elsewhere, thereby I believe, underscoring the great difficulties of forging integration movements among developing countries. This plethora of regional integration arrangements, each varying in their complexity, depth, and pace of implementation has been aptly described by Bhagwati as a "spaghetti bowl" leading Majluf (2004) to describe the developing countries as presently swimming in a spaghetti bowl of regional agreements.

Caribbean integration, like that in other developing areas, presently shares a vision of locating itself in a world whose future rests on the promotion of multilateralism. As conceptualized today, multilateralism embraces three essential elements: 1) indivisibility or allegiance to a system as a whole 2) generalised rules of conduct and 3) diffuse reciprocity. From this perspective the WTO as a rules-based system, with theoretical equality of all States, and operating a system of “dense” and complex networks of contracts, trade and other economic links among its near universal membership, is the best exemplar of a multilateral organisation in the economic arena. Multilateralism as conceptualised, is not portrayed at risk from present day regionalism. In other words regionalism is seen as a step towards, not a barrier to, the pursuit of multilateralism.

In its original conception regionalism in our Region and other developing areas was inward-looking as it sought to promote at the regional level, the import substitution strategy of development being pursued at the national level. As such it was suited to countries of broadly similar levels of development and in close geographical proximity. This regionalism was originally a defense against growing multilateralism, and stood somewhat in opposition to it.

For a number of reasons, not least of which was the development of inefficiencies in the original integration process, as well as the emergence of debt and macroeconomic problems, therefore resulting in the insertion of the IFIs into national and regional policy design, the original strategy of integration gave way to what has been termed “open-regionalism” This is based on an outward-looking, market-oriented framework for development, in which the private sector takes the lead.

More recently a third wave termed the “new regionalism” has emerged. This has moved beyond “open regionalism” to the preparation of the countries under the agreements for participating at the global multilateral level, where in trade the process would be WTO-led. The most striking feature of the “new regionalism” in this regard is that it no longer favours geographical contiguity and similar levels of development. **It now embraces rich and poor, North and South, near and distant, as in the FTAA.**

All this has taken place in a situation where multilateralism as a process is in crisis. This crisis originates in two primary sources both of which are intrinsic to the very notion of multilateralism. One of these is that in a world based on the ethic of competition among nations and cooperation based on promoting national self-interest, multilateralism can only work “smoothly”, if the world is effectively comprised of nations of roughly similar economic size; technical, institutional and scientific capacities; and, diplomatic and military clout. In a world of striking disparities, such as we have, multilateralism, both as practice and goal of the international community, will remain under continuous threat, as it has since the very inception of the global system.

The second source of crisis is distributional. Given the marked disparities among nations based on the features named above, hierarchies are inevitable. And, with hierarchies, invariably an hegemon emerges. In the Cold War era, two superpowers contended for hegemony, but today only one, the USA, is the undisputed hegemon. Plainly, the existence of an hegemon poses an intrinsic threat to the practice and goal of multilateralism in the form of unilateralism, which is by definition the polar opposite of multilateralism.

To be sure unilateralism can be presented under many guises. In recent times we have seen this in the formation of “coalitions of the willing” and “can-do nations” versus the “rest”. This is the unilateralist version of cooperating with other nations or building partnerships among the “like-minded.”

While preparing this presentation one irony that sprung to mind was that Demas recognised in his economic writings that ever since the emergence of development economics as a discipline a major line of demarcation between “radical” and “mainstream”/ neoclassical economics has been the very different ways in which the two schools locate the global economy in the determination of the political economy of developing countries. Generally, mainstream economics has situated poverty and the development problematique essentially within the confines and provenance of nation states. Globally, countries are expected to trade with each other on the basis of comparative advantages, with no coercion or exploitation deriving therefrom.

Radical theorising has taken the contrary view. It has explicitly located the development problematique in the context of an unevenly developed global economy, where sharp, antagonistic, qualitative differences exist between the polar opposites of developed and developing countries. The links between these groups of countries are only tenuously based on comparative advantages. Instead, they are most emphatically based on a complex set of multidimensional relations of power, ideology, race, culture, religion and so on. It is then argued that it is these relations which infuse themselves into the determination of comparative advantages and eventually into the operations of global markets. An example of this can be seen in the global trade in agriculture:

Here it can be seen that the market dominance of the USA and Europe in global agricultural trade is based less on comparative advantage, than on comparative access to subsidies. The reasoning being this is that, through a series of political interventions and pretences, the US/OECD countries as we know presently subsidize each farmer annually to the tune of over US\$30,000. Formal exemptions have been obtained from the WTO for these subsidies. But, since the subsidies are many multiples larger than the average per capita income of developing countries, it is “objectively” meaningless to pretend that global agricultural trade is based on a level playing field in the pursuit of comparative advantage.

Another example is, that while the developed countries promote freedom of markets for goods and services and capital as well as finance, yet it is they who enforce the harshest possible restrictions on the free movement of labour.

With the recent rapid and unprecedented advance of globalisation, the validity of the global as the starting point for understanding the development problematique has become, I believe, self-evidently correct to all analysts. What is therefore now being resisted by mainstream economics is the extension of this situation to support the claim that the global economy operates as an independent factor in explaining the persistence of poverty and hindering progress and development in the developing world.

We may ask the question Demas so often did, why is this so? The answer is that basically, mainstream economics views the global economy as being regulated, by and large, through benign markets, despite some aberrations. In these formulations markets simply produce price signals to guide resource allocation and to offer incentives for efficiency and effort. As such markets form the meeting place for the mutually shared interests of producers and consumers. From this standpoint they are, and indeed can only be, socially cohesive institutions. Therefore, if they are promoted worldwide this would lead to global convergence of economic and political systems as well as human well-being.

This sanguine view of markets helps to explain the strong association (some would say it is a virtual identity) that has developed between globalisation seen as process on the one hand, and policies of deregulation and liberalisation of markets which accompany it. This identity of process and policy is at the heart of many of the fundamental issues of development, democracy and social justice in the global economy today.

When presented in this way, there are two immediate concerns that need to be raised. One is the purely practical consideration that liberalisation/deregulation of markets in global trade has been, for the most part, honoured more in the breach than in the observance, by the leading developed economies. I gave the example of agriculture, but this can be multiplied in many other areas including services, manufactured goods, technology, and finance.

The second concern is that markets are institutions, which principally respond to purchasing power and command over resources, not necessarily the broad needs of people, except by coincidence. Yet, it is precisely the broad needs of the Caribbean peoples, which constitute the main concerns of development, democracy, and social justice in the Region. Because markets are so preoccupied with purchasing power and command over resources, we must be alert to the fact that if left alone they often serve to widen gaps in income, consumption, wealth, capability, and access. *The stress of markets is not on the social, the collective, or the group, but instead it is on the private, the individual, and the personal. This makes all markets potentially destabilizing, conflictual, and even contradictory in their outcomes.* Over the years these potentially self-destructive properties

of markets have fostered social and political movements seeking to subject them to conscious political and social regulation and oversight.

If these important historical lessons are forgotten, and globalisation continues to be pursued as a process exclusively designed for, and by markets, the risks attached to it would continue to exceed the tremendous opportunities, which it has to offer.

The multilateralism, which underpins the CARICOM integration view of the global system is being undermined everyday by established practices in the global arena. These include:

- ✍ Unbalanced decision-making in international institutions. This occurs even in situations where there is a formal equality of nations (e.g., the WTO)
- ✍ Unbalanced recognition of contributions to the design of multilateral policies and institutions
- ✍ Unbalanced distribution of enforceable rules. Thus rules in the area of trade are more enforceable than those in the social and environmental areas
- ✍ Lack of policy coherence and uncoordinated practices at the multilateral level
- ✍ Double standards and lip-service enforcement of global commitments and undertakings, (agricultural subsidies, New Protectionism, and so on). Thus the concepts of balance and fairness have little purchase in the framing of multilateral trade rules.
- ✍ The continuous, if not systematic, undermining of the authority, scope, and effectiveness of the United Nations, which remains, despite its shortcomings, by far, the pre-eminent multilateral institution
- ✍ The dis-proportionate narrowing of the domestic “policy space” in developing countries, as new rules and conditionalities “outlaw” policies historically practised by the now developed countries
- ✍ In the face of obvious calamities the multilateral system does not respond timely: on the one hand we saw this in Rwanda and Kosovo and on the other we see it in the non-response to the secular fall in commodity prices (cotton, sugar, coffee, rice, tin, cocoa) which has gone un-compensated for since 1980
- ✍ Despite regular, periodic global financial crisis with their “herding” and “contagion” features, global framework rules and policies are progressively restricting developing countries from adapting a measured movement towards the liberalisation of the capital account of their external payments and receipts

- ✍ The debt crisis and its aftermath (including HIPC) has shown that a balance of responsibilities and burden-sharing between borrowers and lenders is still a distant prospect
- ✍ Vital people-centred global issues like fair and transparent rules for the cross-border movement of people are slow to develop. Similarly, the modest global target for aid transfers (0.7 percent of the GDP of the developed countries) has not been met and also remains a distant prospect. Yet the liberalisation and de-regulation of financial markets have proceeded apace with unprecedented transfers occurring daily

In sum, multilateralism has become a process of sustaining a pattern globalisation, which is directed at market access and efficiency and not people. It is as if people serve markets and not markets serve people. Along the way, massive economic inequalities have continued to develop between and within countries.

The Way Forward on Multilateralism

The contradiction of promoting multilateralism in the context of widening inequalities between and within countries is a problem that not only the global community faces, but by extension all regional integration movements. This is indeed a time for searching for solutions, which can break the impasse. In this regard it is important for the Region to steadfastly, not opportunistically, support calls in the global arena for:

- ✍ Strengthening of the United Nations, especially through re-dimensioning the Security Council and strengthening the authority of the UN Economic and Social Council. It is under the panoply of this body that other UN bodies, including the Bretton Woods Institutions, should function
- ✍ The creation of an Economic and Social Security Council
- ✍ The creation of a Global Council of Global Governance.
- ✍ Greater accountability to be practised by all global organisations
- ✍ A more effective role for civil society sectors in global economic and social design, implementation, monitoring, and evaluation

The CSME: Advancing the Development of the Region

The last area I indicated my intentions to address you on is the expectation that the CSME would exercise an independent influence on investment, output, incomes and growth of the Region. As presented in public debates, the CSME is often portrayed as leading to a rising tide of well-being for all CARICOM participants. This unfortunately, cannot hold true.

The CSME is at its heart a market driven process of integration. As such, it runs all the risks normally associated with market-driven processes. One such risk is that it would replicate the pattern of inequalities of outcomes, clearly visible at the global level. Let there be no illusion or deception, the CSME will undoubtedly have winners and losers, both in the short-term and the longer-term. About that there is no doubt. This contingent outcome therefore requires that compensatory/corrective mechanisms form a **necessary and prominent** feature of all discussions on its future. Recent surveys of integration arrangements support the validity of this observation. To quote the IADB (2003)

“In the absence of corrective mechanisms, the development benefits of regional integration are often asymmetrically distributed among partner countries or regions within them (Puga and Venables, 1997). European integration has been very sensitive to this problem, reflected in the creation of a comprehensive battery of collective institutional mechanisms to address potential imbalances (Pastor, 2001). Severe imbalances in trade and adjustments historically have been a major source of tension for Latin American regional initiatives and in some cases have even led to their demise (Salgado, 1979),”

The issue of winners and losers is only tangentially inferred from recent reports. When for example the distribution of costs are addressed, it is often pitched at the aggregative level, as for example when the costs of trade diversion as a result of the CSME is addressed, or when losses of tariff-revenue among states is considered, and the differential burdens of carrying the transactions costs of regional institutions and meeting regional commitments, goals and targets are assessed. This is somewhat surprising, given the S&DT provisions for the OECS states, which are embedded in the original CARICOM arrangements. Many of the Protocols of the CSME remain ineffectual as they are principally descriptions of intent rather than practice. Consider two examples of the importance of the issue of winners and losers based on experiences we are already contending with:

One is that there has been significant cross-border movement of regional capital and more can be expected, as M&As take place. These M&As, by their very nature, lead to a reconfiguration of production (as firms right-size), a reduction in competition (as firms seek scale economies), and likely loss of jobs, in the capital-receiving country. This is unlike greenfield investments, where new productive capacity is sought **ab initio**. Clearly

in such circumstances compensatory mechanisms such as labour mobility; enforcement of competition policy; regional provision of public goods like infrastructure; industrial policy and the provision for the guided location of industry, must form an integral part of necessary means or measures to ensure these cross-border flows result in sustainable and balanced development of the Region.

A second example arises from the present practice of limiting mobility of labour to skilled persons. While attractive as a pragmatic option, market driven integration makes this a risky expedient – as again there will be losers and winners. Skilled migration **only** can in effect lead inexorably to “brain drain” and not “brain exchange” in CARICOM. “Benefits” will flow to these countries which receive the skilled migrants [even though there could be local opposition to this]; and losses”, will accrue to countries from which the migrants emanate. In other words this would replicate within the Region, the global tendency towards “brain drain” and leave little scope for “brain exchange” without conscious and deliberate policy- induced compensatory mechanisms. In the long run one may hope that this would leverage upwards salaries/rewards, but it is equally likely that in the long run that by broadening/widening the “supply” of skilled persons available to enterprises this could lead to a rightward (i.e. downward shift) of the supply function of labour, and instead, lower salaries/rewards.

In espousing the virtues of integration, William Demas was a great exponent on the economics of small size. It is important at this gathering, we critically appraise the belief widely held that the Region’s small size (and therefore its limited resources and small markets) condemns it to economic backwardness. Despite the external dependence and heightened vulnerability to natural and human disasters, which small size undoubtedly engenders, the Region’s resource endowment, which is still largely untapped, is impressive by the test of the highest international standards.

Many persons are not aware, (and included among these are persons who by training and experience should know better) that although the Region comprises a significant number of small and mini-states, taken as a whole it is blessed with a rich and diversified resource

endowment, which is impressive by global standards. Examples of the Region's outstanding *natural resource* endowment include:

- ? More bio-diversity per 1000 km² than in other region worldwide. (The wider Latin America Caribbean region has more plants, mammals and birds per 1000 km² than any other region worldwide)
- ? Abundant potential energy resources: natural gas, solar energy, hydro-power (Kaieteur!) – not to mention the potential for renewable energy from plant sources (alcohol)
- ? Forest and wood products
- ? Bauxite and other minerals
- ? Good agricultural soils
- ? Precious metals, especially the elephant and satellite configurations of potential gold deposits in the Guiana shield
- ? Excellent recreational climate, (sun, sea and sand) which is vital in an age when travel tourism has become the world's largest and fastest growing economic sector
- ? Despite the heightened risk of natural disasters which goes with it, the Region has excellent geographic location in terms of existing and likely networks of global communications and transport. It is also situated in the same time-zone in which the world's largest concentration of economic activity is located – the Eastern seaboard of the USA

The list can go on! In particular I have not referred to many other potential natural resources, such as the marine, tidal and wind resources of the Region

Its *human resources* are also distinguished. This is perhaps best revealed in its outstanding performance on a per capita basis, since Independence, in several areas including, the arts, literature, sciences, information technology, academia, music, entertainment, sports, and leisure activities. Its racial, ethnic, and cultural diversity, while a potential source of conflict, also adds great richness to this endowment. So too does its huge diaspora (with as many Caribbean people living outside the Caribbean as within it). This diaspora has acquired tremendous knowledge and skills living and working in some of the most thriving regions of the world.

Its *institutional resources* are no less impressive. As we saw, on average its educational system (from nursery to University) is considered among the best in the developing world, and for that matter comparable to those in several countries in the developing world. Despite notable shortcomings, on average also, its structures and systems of governance also compare well with the very best worldwide. Much of this achievement is reflected in the respect that the region commands in the world community, both for the leadership and service it has provided in a number of important international fora. The region also has a distinctive brand-name image for many of its products – although this is not sufficiently exploited.

The Region has also displayed considerable inventiveness and innovativeness. Thus within the tourist sector, a mature global industry, the Region has made significant improvements to the all-inclusive concept, leads the world in the international scuba diving segment to tourism and in cruise ship holidays. Some of its large firms, e.g., banking (Republic) and food processing (Grace), have earned formidable international business reputations for the region. Even small firms like Walkerswood spices and condiments and Island Grill of Jamaica have done the same – to the point where the latter is seeking to move into franchising and the provision of overseas outlets.

Conclusion: The CSME – The Way Ahead

There remains, however, several severe impediments facing the CARICOM enterprise. In tribute to Demas I must be honest and say that, unless and until these are satisfactorily addressed, his vision of Caribbean integration will remain elusive. To conclude I would briefly single out five of these impediments.

First, *the legal structure of the community exemplifies the twisted metaphor: it is the exemptions, which define the rules*. Someone described the Treaty and its Amendments as a labyrinth and plethora of derogations, which makes rules more like exceptions than rules. To a layperson like myself it seems as if it would require a herculean legal review to treat

with this matter. At heart, the contradiction originates in attempts to embody the Community as one made up of Sovereign States. As Sovereign States each member has to be recognized as having both the power to accept and also to be responsible for implementing community decisions. This creates a dilemma for the integration movement, aptly highlighted by none other than the Rt. Hon. Owen Arthur, Prime Minister of Barbados and lead Prime Minister for implementing the CSME.

This plethora of derogations, exceptions and exemptions leads to the second impediment, which is that because these derogations are designed to protect policy space for Member Countries, thereby signifying their “sovereignty”. In reality therefore, as Prime Minister Arthur has observed:

“Our Caribbean Community has been conceived to be a community of Sovereign States. Each sovereign state in such an arrangement retains exclusive powers in relation to the implementation of community decisions. There is also no provision for the transfer of sovereignty to any supranational regional institutions and there is no body of community law that takes precedence over domestic legislation, nor is automatically applied in domestic jurisdictions. The Caribbean has therefore chosen the most difficult political form of integration by which to implement something that is as complex as a single market and economy.”

It is not surprising therefore that the Final Report of the Expert Group of Heads of Government (2003) accepted in a frank and unapologetic manner that there are:

- “Two propositions which we believe to be valid and of fundamental importance, namely:
- There is hardly a voice that could be found in CARICOM ... that would not be concerned with the slow pace of our integration efforts in the region.
 - Certain fundamental realities of a political nature related to governance in the Community can no longer be shunted aside.”

To my mind it does not require great jurisprudence to recognise that 15 sovereign states cannot create a single economic space; a single market perhaps but never a single economic space in any meaningful way. Political union is the inescapable logic of a single economic space, given the world we inhabit. To the extent that this issue remains off the agenda of CARICOM to that extent also we are engaged in make-believe and self-

deception. We merely dream dreams of a Caribbean Single Market and Economy, but do not intend realistically to implement it.

Thirdly, the notion of a single economic space can only be realistically founded on *the simultaneous mobility of all the productive factors of the Region, including labour and the creation of a Caribbean public commons of all resources (land and marine) that are not privately held.*

Fourthly labour is more than a productive asset of the region. It defines what the region is about, its peoples. Ultimately what we seek to integrate, as it has long been recognised, is the peoples of the Region. *The true test of integration as CSME envisions it therefore, is the extent to which the peoples of the Region are integrated and free to move in the single economic space.*

Finally, in all great human projects, two ingredients have been, invariably, necessary for their success:

- ? One is consciousness. The project must capture and fuel the imagination of the people, since it is they who are the participants and actors in the process of building the project. The project must in effect be portrayed, seem to be, and do become an intellectual, cultural, political, social and economic endeavour, all fused into one
- ? Second, timing and seizing the right political/social moment is also all important. The political moment itself, however, is determined largely by the level of consciousness, although objective determinants/circumstances play a critical role

There is, if I might say so, much that is mundane, drab, humdrum, unexciting and perhaps sterile in the phase: “building the CSME”. As Prime Minister Arthur also observed:

“To the popular imagination, the creation of the CSME is increasingly being represented as the meeting of a set of elusive deadlines, the putting in place of a number of economic institutions, the management of a number of discreet economic events involving the removal of barriers, and the prescription of legal frameworks within which economic activity can be given new regional definitions and dimensions ... We would however do well to appreciate that it is impossible to conceive of an economy, whether national or regional, as a stand alone entity. It embodies and represents a way of life.”

I have quoted Prime Minister Arthur at some length, not only because of the eloquent and perceptive way he has described the issue, but because of his lead executive responsibility for implementing the CSME.

The imagery of the CARICOM integration project is cast in far too much of an economic mold. As a result, prompting actions and seeking responses relies too much on doomsday scenarios of the economic ruination, which would befall all of us if we failed to integrate in the rapidly changing international environment. If we judged these scares solely on the basis of the economic premises of the CSME project, however, such economic ruination is pure fantasy, as is attested by the overall economic well-being of those Caribbean peoples and territories still bound in their historical colonial relations.

If we could say however that after enduring 500 years of servitude, and forging livelihoods in these deceptively beautiful killing fields of yesteryear, and the great struggle the Region has had to endure to survive in the rising tide of merciless cut-throat international competition that is the world market today, our task is grander and no less than to bequeath to future generations, and indeed all humanity, a distinctly Caribbean contribution to a richer more humane civilisation and nobler expectations, we might, who knows, do far better in exciting and galvanizing the popular imagination of the Caribbean peoples for a Caribbean project.

In his recent bruising critique of the CSME project, former Prime Minister of Jamaica, Edward Seaga, reminded us of the connection between popular consciousness and pursuing great endeavours. He pointed to the tremendous upsurge of nationalistic consciousness, which followed the early period of Jamaica Independence, and the great developmental strides the country made during that period. Indeed much as we commonly refer nowadays to the “East Asian miracle”, as he pointed out so did the development literature of the 1960s refer to the “Jamaica miracle”.

Failure to integrate would not spell economic ruination in the commonly understood sense of that phrase. What is at risk is far greater. We put at risk the loss of a distinctive society

still in the making. We put at risk a loss of culture, and ultimately we put at risk a loss of humanity. As playgrounds for the rich and powerful the Region will have an economic future. What it runs, is the risk of cultural extinction. There is no greater loss than loss of culture, no greater good than to build a better and more civilised humanity, one in which *all* can participate.

That I believe, was the great vision underlying all that William Demas wrote about and worked for, tirelessly, until called to a higher service.

I thank you!