



***QUALITY EDUCATION AND THE CARIBBEAN SINGLE
MARKET AND ECONOMY (CSME) IN AN INCREASINGLY
COMPETITIVE AND RAPIDLY CHANGING GLOBAL
ENVIRONMENT***

LECTURE

by

DR. COMPTON BOURNE, O.E.

PRESIDENT

CARIBBEAN DEVELOPMENT BANK

for

QUALITY ASSURANCE WEEK

Hosted by

THE ACCREDITATION COUNCIL

TRINIDAD AND TOBAGO

September 21-26, 2008

***QUALITY EDUCATION AND THE CARIBBEAN SINGLE MARKET AND ECONOMY
(CSME) IN AN INCREASINGLY COMPETITIVE AND RAPIDLY CHANGING GLOBAL
ENVIRONMENT***

I. INTRODUCTION

I have been asked to speak on the subject of Quality Education in the context of Caribbean Integration and the global environment. I propose to do so by first profiling the development situation of the Caribbean, then proceeding to highlight some features of the global environment and the basis for international competitiveness before addressing the topic of how the CSME or regional integration may be expected to better prepare Caribbean economies to compete. In the final part of my address, I spell out some implications for education quality contained in the earlier sections of the address.

II. THE DEVELOPMENT SITUATION OF THE CARIBBEAN

Caribbean countries are small demographically, geographically and economically. The combined population of the Commonwealth Caribbean in 2005 was 6.3 million of which Jamaica had 42%, Trinidad and Tobago 20% and Guyana 12%. Eight countries have miniscule populations i.e., between 5,000 and 100,000 persons. The total land area of the 17 countries is 272,253 square kilometres of which Guyana has 79%, Belize 8% and the Bahamas 5%. Ten of the countries are small than 500 km². Population density is greater in the countries with smaller land mass. The countries with large land mass have very low population density: Guyana 3 persons per km², Belize 13 persons and the Bahamas 23 persons.

In many countries, space constraints are a real problem forcing a choice between different uses of land such as agriculture, residential settlement, and commercial and industrial settlement. Even in countries where there are not severely competing choices, such as Belize, Dominica and Guyana, there are environmental considerations impinging upon land use. The capacity to make sensible decisions either in the land-scarce or land-abundant countries will depend upon the

existence of both good information systems and the availability of requisite analytical and managerial capacity which are themselves dependent on the quality and capacity of national and regional education and training institutions.

Small geographical size has also limited endowment of natural resources, with a few exceptions. Trinidad and Tobago has petroleum and natural gas; Jamaica has bauxite; and Guyana has bauxite, gold, diamonds and other yet unexploited valuable minerals, and abundant timber resources. However, for most Caribbean countries, the major natural resources other than agricultural land are coastal resources, mainly fisheries and beaches. The management challenges and knowledge requirements are no less important here than in the case of land.

The single most adequate indicator of economic size is national income. The Commonwealth Caribbean's total gross domestic product in current prices in 2005 was US\$42.6 billion, considerably less than the annual turnover of many international companies and less than the gross domestic product of many countries in the world. Trinidad and Tobago accounted for 33% of the region's gross domestic product (GDP), Jamaica for 23% and the Bahamas for 14%. Barbados had 7% and the Cayman Islands 5%. The other 12 countries accounted for the remaining 18%. It is obvious that national income is very skewed across the Caribbean.

Despite their small size, Caribbean countries are not among the worse off in the world in terms of economic and social conditions. Indeed, most of them are classified in the middle income or upper middle income categories on the basis of their GDP per capita. Taking 2005 as an example, the per capita GDP (purchasing power parity) of High Human Development countries was \$23,986. For Medium Human Development Countries it was \$4,876 and for Low Human Development countries it was \$1,112. The United Nations does not list the British dependencies in its Human Development Index but of the 12 Caribbean countries listed, six were in the High Human Development group with per capita incomes between \$12,500 (Antigua and Barbuda) and \$18,380 (the Bahamas). Trinidad and Tobago's per capita GDP was \$14,603. Seven countries were in the Medium Human Development group with per capita GDP between \$4,291 and \$7,843. Caribbean countries are not among those listed as Low Human

Development. The unlisted British dependencies would all be in the high per capita GDP group if they were listed.

Furthermore, the annual growth rates of GDP per capita of Caribbean countries, while not spectacular, are certainly respectable. Between 1990 and 2005, Trinidad and Tobago's annual growth rate averaged 4.3%. Four other countries averaged between 2.3% and 3.2%. Another three countries were between 1.3% and 1.6%. Only three countries fell below 1%. Growth rates in the British dependencies exceeded Trinidad and Tobago's. Compare the Caribbean's performance with the OECD average growth rate of 1.8% and the Medium Human Development group of 85 countries whose average growth rate was 4.0% and the Low Human Development group with 0.6% and it immediately becomes obvious that the economic fortunes of the Caribbean have not been dismal.

Nonetheless, there should not be full satisfaction with the current development situation. Poverty levels remain unacceptably high in almost all the countries. Ten of 15 countries have more than 20% of their population living below the poverty line; four countries have 10-19% below; and one country has 9% below. Other social indicators such as percentage of the population with access to piped water, improved sanitation and an electricity point to scope for improvement. Furthermore, the economies are highly vulnerable to external economic shocks which can occasion precipitate downturns in economic activity. They are also exposed to natural hazard events which can cause major social and economic damage.

III. THE GLOBAL ENVIRONMENT

It is important to recognise always that the global environment is not alien to the Caribbean. The Caribbean is part of the global environment. The nature of its participation has changed over time; the strength of the linkage has not diminished but instead has increased. In the early days, the linkage was trade in agricultural staples and geo-political and military convenience. For the past 20 years when the Caribbean lost geo-political strategic value as a

consequence of the end of the Cold War, the relationship has been based more on economic interests.

The merchandise foreign trade of the Caribbean is predominant extra-regional, with intra-regional trade comprising only 13% of total trade in 2004. Likewise, trade in services, which is dominated by tourism services, is mainly extra-regional. Barbados, a major tourism economy, gets about 20% of its landed visitors from the Caribbean but this is by far the largest regional share among destinations. In commodity export markets, trade preferences have served to shield the Caribbean from competition for many years but the end of preferences is righ with the several defeats of European Union trade preferences at the World Trade Organisation (WTO) and the specification of terminal dates for bananas, sugar, rice and rum in the Cariforum-European Union Economic Partnership Agreement. In future, Caribbean exporters will have to compete for market share in these agriculture-based industries. Even in the mineral and energy industries, there should be consideration of potential competition. In petroleum and natural gas for instance, industry developments in Eastern Europe, the Middle East and West Africa are likely to impinge not only upon supply-demand imbalances but on market shares and distribution costs. In the tourism industry, there has always been international competition in the broad sense that there is a choice between Caribbean destinations and others in tropical and temperate regions. The element making for enhanced competition now is the development of other geographical segments of the Caribbean market such as the Dominican Republic and Cuba which provide products with similar sun and sand qualities but offer culturally distinct alternative experiences at generally lower prices.

On the issue of foreign trade, one should also not lose sight of the fact that trade is two-way: the Caribbean exports to the rest of the world and the rest of the world exports to the Caribbean. World markets are open to the Caribbean and Caribbean markets are open to the world. From time to time there is much discussion about tariff protection of Caribbean suppliers in domestic and regional markets. Tariff protection, which has been rapidly becoming fiction, has dubious “protectionist” value in a region where, in many cases, local products cannot be

effectively substituted for imported products. Tariffs have instead served to artificially boost profits and increase tax revenues at the expense of consumer welfare.

The Caribbean domestic market has had a measure of defense from international competition because of its small economic size and purchasing power which made it unattractive to foreign suppliers. This factor does not have as much force now. Economic growth and its correlated higher levels of per capita investment, savings and consumption expenditures are attracting the attention of foreign providers of a wide range of goods and services. Even government procurement may ultimately be open to international competition.

The Caribbean is very much present in global financial markets as well but here too the situation has changed significantly. Unlike the first post-independence decades, the Caribbean has become less successful in obtaining bilateral official finance. This trend is the consequence of several factors among which are the following:

1. The loss of geo-political significance. There is no need to financially induce the Caribbean to remain faithful to Western industrial countries. The Caribbean is left to plead Commonwealth traditional ties and hemispheric friendship as a basis for special consideration.
2. The substantial increase in per capita national income to the point where many Caribbean countries have been “graduated” from foreign aid. It matters not, or at least not much, that poverty levels are considerably high. The fact of the matter is that improved patterns of income distribution – a domestic policy issue – can substantially lower those poverty rates.
3. By comparison, there are many countries economically worse off and by this standard more deserving of foreign aid than the Caribbean.

4. The diversion of Western official finance to war and rehabilitation of war ravaged countries.

Caribbean countries to some extent have had to substitute private market debt and loans from international financial institutions for international development assistance. A few countries have been active in the international bond market. Barbados raised \$325 million in 2005 and \$150 million in 2006. Jamaica raised \$814 million in 2004, \$1,050 million in 2005 and \$730 million in 2006, and was active in five of the seven previous years. Trinidad and Tobago raised \$100 million in 2005 and \$500 million in 2006 after being absent from the market for four years. These four countries are reported to have engaged in additional bond transactions in 2007 and 2008. The extent of foreign debt mobilisation is revealed by the ratio of external debt to gross domestic product. Expressed in percentage terms, the external debt to GDP ratio ranged between 26% and 143% in 2005, placing some Caribbean countries among the most heavily indebted in the world. The challenge for many of them is how to bring their debt down from fiscally unsustainable levels without further compromising their social and economic development. International debt relief has been a favourable option only for Guyana thus far.

Foreign direct investment is another line of engagement with the global economy. In relation to their gross domestic product, all Caribbean countries, except Barbados, have been fairly successful in attracting foreign direct investment in the energy sector, in banking, in manufacturing, in minerals and forest resources and in the tourism sector. Direct foreign investment always involves interactions between foreign labour and local labour in quite different ways from what obtains in a domestic industry producing for the local and regional markets or for export. Issues of teamwork and management-worker relations come to the fore in a culturally and sometimes linguistically mixed context and moreover are inevitably influenced by the global corporate ethos, policies and practices of the enterprise. Related issues arise in the context of relations between foreign enterprises and national governments.

Other salient characteristics of globalisation are the seemingly exponential growth in the flow of information and the transference of knowledge almost instantaneously. The explosion of

information and knowledge is a direct consequence of the revolution in information and communication technology. Acquisition of knowledge and information is now less costly and less protracted. Furthermore, knowledge and information barriers need no longer be formidable obstacles to international competition inside and outside national markets.

Globalisation in its recent phase is also characterised by the voluminous, almost incessant movement of people. Advances in transportation and relaxation of border controls made international travel easier and less costly. There have been setbacks associated with (i) the response to international terrorism; (ii) unexpected large scale migration to Mediterranean Europe and the United Kingdom from Eastern and Southern Europe and from Africa; and (iii) global surges in petroleum prices. Nonetheless, high levels of international travel seem a permanent feature of the changed global environment. Together with the knowledge revolution, the growth of international travel is contributing to a gradual homogenisation of cultures, values and approaches to the requirements of work and social life.

The final feature of globalisation germane to this discussion is its riskiness. The riskiness of finance requires little elaboration at this moment given the collapse of major global financial institutions or heavy balance sheet losses over the past year. Risk implications for equity shareholders and holders of deposits and other financial assets are enormous on a global scale. Several aspects of the financial crisis are especially noteworthy. First, the crisis rapidly spills across national borders into global financial markets. Second, because of the magnitude of the resulting falls in personal wealth and personal incomes, the crisis will generate negative effects in markets for goods and services around the world, including tourism, energy and food. Third, with the resultant curbing of the appetite for risk by major portfolio capital investors, international loans and bond finance will be more difficult to obtain and will be more costly, especially to developing countries.

There is another element of global risk of which Caribbean countries should be mindful, namely the risk of loss of markets or disruption of supply or even of reduced access to financial assets in foreign countries as a result of political shifts and policy shifts in the global environment. One ought not to be unfamiliar with the ways in which the political realignment of Latin America post-Chavez is influencing markets for finance, petroleum and construction services in the Caribbean. As another example, developments in Europe post-Putin and in the United States and Western Europe, post-George W. Bush have impeded access to financial wealth by persons and countries on the wrong side of the political fence, generated supply shortages of essential commodities like energy and grain, and influenced strategic investments, e.g. the European Union's offer to develop a trans-Saharan pipeline to take natural gas from Nigeria to Europe in order to lessen dependence on Russian supplies.

IV. COMPETITIVENESS

In the global environment, competitiveness is profoundly determined by a few central factors. One is technology. Technology drives productivity and production costs even though labour practices can modify actual productivity above or below the optimal level. Technologically stagnant enterprises tend to lose market share either because they cannot compete on price or because their capital is eroded by continuous operating losses.

A second factor is the scale of operations of enterprises. Larger enterprises are better able to absorb many of the advanced technologies and to derive economies of scale and economies of scope. The influence of size on unit costs used to be illustrated by production costs and prices for grain produced in a predominantly large scale US agriculture . Now the prime example may be Brazilian agriculture which because of the scale of enterprises, is said to out-compete every other country of the world in grain, livestock and poultry. The essential conclusion is that small countries because of their small size are at a competitive disadvantage with respect to commodities which are susceptible to large scale production. They should therefore concentrate their efforts on commodities (goods and services) which are not subject to

increasing returns to scale, or on niche markets where price is not a decisive influence on demand, or on goods in which they have a monopoly or quasi-monopoly.

Quality and uniqueness are important for differentiating one product from others in more or less homogenous groups. These attributes are what underline market niches in manufactured goods, agricultural commodities and in services. They are therefore quite critical to the international competitiveness of small country exporters. Of no lesser importance among the determinants of international competitiveness is knowledge and expertise reflected in the overall quality of a country's human resources as well as in the company specific labour force. Numerous empirical studies have concluded that differences in human resource quantity and quality account substantially for differences in factor productivity and relative economic growth in the global economy.

V. CARIBBEAN SINGLE MARKET AND ECONOMY

The Revised Treaty of Chagaramus contains an economic model for regional development motivated by a keen appreciation of the challenges presented by the new global environment. Its central tenets are that Caribbean economies have to be outward-oriented and must be internationally competitive if they are to deliver substantial social and economic benefits to their residents. The essential strategy for achieving international competitiveness is unification of both product markets and factor markets. It is intended that by creating a single market, enterprises will have the possibility of larger scale production and associated lower unit costs. The key point here is that enterprises will not be restricted to their national markets as their "home" base and can plan for larger production runs. If productivity gains do accrue from the larger scale of operations, then export competitiveness might be improved. Import competitiveness might also be improved especially since transportation costs may favour regional distribution. With respect to factor markets, the CSME will provide for the removal of non-market impediments, i.e., government restrictions and other barriers, to the movement of labour and capital. The idea here is that full capital and labour mobility will tend to improve the

efficiency of resource use within the common economic space and at the enterprise level with beneficial effects on production costs and price competitiveness.

The Caribbean integration movement, in addition to the strictly economic provisions described a moment ago, envisages a greater degree of what is termed “functional cooperation.” The areas of joint action and collaboration envisaged are transportation, health, education, environment, natural disaster prevention and management, and security. All of these have a bearing upon the conditions under which business is conducted and affect the quality of life of Caribbean residents.

The CSME is a hugely ambitious venture which has been subject to much sceptical commentary and several setbacks. The difficulties of its realisation are many but are not insurmountable. Three of them will be highlighted here. The first is the challenge of inter-governmental decision-making and implementation. There are enormous decision lags i.e., the intervals of time between tabling of an issue and making decisions on how to deal with it. There are even longer lags in implementing decisions made. Decision and implementation lags in CARICOM reflect several things. One is the consideration of national versus regional interests and the balance that governments strive to achieve between them. In the competitive political environment in which all Caribbean governments operate, it takes time to achieve national consensus or even to find the right moment to make the decision. Another influence is the difference in human resource capacity, particularly in the public services, of the partner countries. This makes it extremely difficult for all to reach to a point of common information and common understanding which are essential for unanimous decisions as is the CARICOM principle. Human resource capacity limitations also partly explain implementation lags, especially when legislative changes are required to give effect to decisions made.

The second problem in CARICOM is the paradox of the outwardly mobile but inwardly restrictive stance that countries adopt more often than not on the movement of CARICOM

nationals. Every country supports, encourages and lobbies for the emigration of its nationals and boasts of their achievements outside of the Caribbean. Emigration is a good thing, it would seem, yielding migrant remittances, relieving unemployment, widening and enhancing lifetime prospects of migrants and occasionally conferring prestige on the sending country. Immigration, especially intra-Caribbean migration, on the other hand, is almost universally resisted and probably resented in the Caribbean. Immigration is a bad thing, it would seem, making unwarranted claims on the social services, displacing national workers or depressing wages, transferring labour income, and occasionally giving a bad name to the host country. People from the same country as emigrants to the wider world are assumed to embody a different set of attributes than they embody as emigrants to their neighbouring CARICOM countries. Perhaps, a case of schizophrenia among migrants or is it among their critics? What is lacking is a balanced, well-informed perspective on intra-Caribbean migration. A perspective which also recognises that integration has three main pillars from which benefits derive, namely trade, capital movement, and movement of labour. One cannot choose two and not the other.

The third problem besetting the CSME is non-uniformity of national policies, rules, regulations and practices. Non-uniformity raises the costs of transacting business by individuals and enterprises. Recognition of the benefits to be derived from harmonisation are recognised but then again the pace of decision and implementation is slow.

VI. QUALITY EDUCATION

There are many points in the preceding discussion of economic development within the framework of regional integration and the global environment at which it should be clear that human resource quality is a critical enabler. The quality of human resources has a strong influence on the ability of societies, enterprises, and governments to properly identify and analyse problems, to realistically and imaginatively envisage the future and to craft plans for achieving goals and objectives. The ingredients of high quality human resources are expert knowledge and skills, capacity for knowledge acquisition, analytical capacity, ability to communicate, and creative adaptive response capabilities. All of these are necessary in the

evolving socio-economic development situation of Caribbean countries. All impinge upon the ability of the Caribbean to remain internationally competitive or to develop new areas of competitiveness, and to operate within the highly risky milieu of private capital markets and the shifting realities of international geo-politics. Progress in regional integration itself requires a stronger human resource base than currently exists.

It is through education and training that human beings acquire knowledge and enterprise, develop their mental capacities and analytical skills, refine and extend their communication skills and gain valuable skills in socialisation. It should be evident, therefore, that the test of quality education is how appropriate are the curricula of educational institutions, how adequately capitalised they are in terms of library resources, capital stock and equipment, how modern is their educational technology, how good are their academic instructors, and how high are the academic standards they set.

Financial resource constraints and relative scarcity of academic personnel make the pursuit of high quality education and training very difficult especially in the smaller Caribbean countries. However, this does not mean that quality education should be shirked. It is not expendable for countries wishing to do well in the global community of nations. Integration provides a way of reconciling constraints of budget and small size in the production of quality education. It provides a framework for rationalisation of providers of education services through deliberate policies of avoiding duplication and fragmentation, encouraging complementary curricula, enabling geographical mobility of students and creating or maintaining regional education and training institutions. Even at the national level, similar possibilities should be pursued.

One of the consequences of the international opening up of the tertiary education sector in the Caribbean is the growing number of a somewhat variegated range of education providers. Some are offshoots or “virtual” branches of non-regional universities, some are local institutions

in partnership with overseas universities and colleges, and some are stand-alone locally created entities. Several of the entities are highly reputable and there is assurance about the quality of their offerings. In some cases, however, there is room for doubts about education quality. In this evolving context of higher education there is a clear need for a quality assurance mechanism such as the Accreditation Council of Trinidad and Tobago and the similar body in Jamaica. The work of such entities is vital to ensuring quality education which is instrumental to the social and economic progress of the Caribbean.

Valuable as they are proving to be, the role of the accreditation bodies could be further strengthened. In my final remarks, I would like to identify three areas of attention.

First, the accreditation bodies have national mandates usually restricted to the tertiary sector. Other components of the education sector are typically excluded from their purview. However, the quality of the products of the primary and secondary components, as well as that of post-secondary but non-tertiary institutions must be of interest to the bodies responsible for tertiary accreditation. The reason is simple, namely that the quality of graduate output from the other parts of the system fundamentally determines the quality of student inputs into the tertiary system. If the quality of the input is poor, tertiary institutions would experience great difficulty in transforming those inputs into high quality tertiary level graduates. Despite the constraints placed by their mandates, the tertiary level accreditation bodies must find a way to interface with the other components of the education and training system so as to improve the quality of education and training in the system as a whole.

Second, the accreditation entities should similarly interface with those university-level institutions whose existence pre-dates the establishment of national accreditation councils by many decades. The councils have a unique purview that spans many and quite varied education and training providers which allows it to have a good appreciation of strengths and weaknesses in the tertiary sector. Furthermore, the universities are expanding their programme offerings into

areas and at levels more typical of the non-university tertiary sub-sector, through options such as numerous under graduate diploma and certificate courses and the myriad non-academic offerings of their schools of continuing studies and life long learning. The long established international peer review system for maintenance of academic standards among universities are not applied, and indeed can hardly be applied, to the expanded range of offerings. This means that there is a quality assurance gap to be filled with respect to the non-traditional curricula of universities. This implies a possible, valuable role for the national accreditation bodies. At the very least, there should be dialogue on this matter.

Third, consideration should be given to effectively networking the national accreditation entities into *de facto* or *de juris* regional bodies. It is highly desirable that there be uniformity of standards and commonality of approaches across the Caribbean. Otherwise, non-uniformity in quality of education and training will be a serious impediment to the regional integration of labour markets. Employers would find it too costly to acquire information that allows them to effectively compare the education and training of labour originating from different countries and no less costly if they erred in their assessment of labour quality without such information. These costs would work against cross-border recruitment and employment of labour. Non-uniformity of education and training standards would also militate against efforts of expanding the export of services to the rest of the world for similar reasons of information costs and implicit costs of recruitment errors.

I hope that I have said enough to convey the nature and scope of the development challenges of the Caribbean in the global environment and of the way in which Caribbean integration if advanced sufficiently can assist in successfully meeting those challenges. I do hope as well that there is appreciation of the enormous importance of quality education and training and of the instrumental role of accreditation bodies in ensuring quality education.

I thank you for the kind courtesy of your attention.

